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UNITED STATES BANKRUPTCY COURT

OREGON DISTRICT OF OREGON

In re: HemCon Medical Technologies, Inc., Debtor.	Case No. 12-32652-elp11 **DEBTOR'S ~~SECOND~~ THIRD AMENDED DISCLOSURE STATEMENT (DATED ~~FEBRUARY 15~~ MARCH 12, 2013)**

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I. INTRODUCTION AND SUMMARY

A. INTRODUCTION

On April 10, 2012 (the "Petition Date"), HemCon Medical Technologies, Inc. ("Debtor," "HemCon" or the "Company") filed a voluntary petition under Chapter 11 of Title 11 of the United States Bankruptcy Code (the "Bankruptcy Code"). On ~~February 15~~ March 12, 2013 , Debtor filed this ~~Second~~ Third Amended Disclosure Statement (the "Disclosure Statement") and its ~~Second~~ Third Amended Plan of Reorganization (the "Plan") with the U.S. Bankruptcy Court for the District of Oregon (the "Bankruptcy Court"). A copy of the Plan is attached hereto as **Exhibit 1**.

This Disclosure Statement is being provided to you by Debtor to enable you to make an informed judgment about the Plan. This Disclosure Statement has been prepared to disclose information that in Debtor's opinion is material, important, and helpful to evaluate the Plan. Among other things, this Disclosure Statement describes the manner in which Claims and Interests will be treated. This Disclosure Statement summarizes the Plan, explains how the Plan will be implemented, outlines the risks of and alternatives to the Plan, and outlines the procedures involved in confirmation of the Plan. The description of the Plan contained in this Disclosure Statement is intended as a summary only and is qualified in its entirety by reference to the Plan itself. If any inconsistency exists between the Plan and this Disclosure Statement, the terms of the Plan are controlling. You are urged to review the Plan and, if applicable, consult with your own counsel about the Plan and its impact on your legal rights before voting on the Plan.

Capitalized terms used but not defined in this Disclosure Statement shall have the meanings assigned to such terms in the Plan or the Bankruptcy Code. Factual information contained in this Disclosure Statement is the representation of Debtor only and not of its attorneys, consultants or accountants. The information has been obtained from the books and records of Debtor as well as other sources deemed reliable. Debtor has prepared

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the information contained herein in good faith, based on information available to Debtor. The information herein has not been subject to a verified audit. No representation concerning Debtor or the Plan is authorized by Debtor other than as set forth in this Disclosure Statement.

The statements contained in this Disclosure Statement are made as of the date hereof, unless another time is specified herein, and the delivery of this Disclosure Statement shall not imply that there has been no change in the facts set forth herein since the date of this Disclosure Statement and the date the material relied on in preparation of this Disclosure Statement was compiled.

This Disclosure Statement may not be relied on for any purpose other than to determine how to vote on the Plan, except that Creditors, accredited Equity Security Holders, and other accredited investors may rely on it for purposes of deciding whether to participate in the equity offering described in this Disclosure Statement and the Plan. Nothing contained herein shall constitute an admission of any fact or liability by any party, or be admissible in any proceeding involving Debtor or any other party, or be deemed advice on the tax or other legal effects of the Plan on the holders of Claims or Interests.

This Disclosure Statement has been approved by Order of the Bankruptcy Court as containing information of a kind and in sufficient detail to enable a hypothetical reasonable investor typical of holders of Claims or Interests of relevant classes to make an informed judgment concerning the Plan. The Bankruptcy Court's approval of this Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy Court either for or against the Plan.

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan to commence on _____, 2013 at _____ Pacific time. That hearing will be held at the U.S. Bankruptcy Court for the District of Oregon, 1001 SW Fifth Avenue, Eighth Floor, Portland, Oregon 97204, before the Honorable Elizabeth L. Perris. The hearing

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on confirmation may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the hearing on any adjournment thereof.

A ballot has been enclosed with this Disclosure Statement for use in voting on the Plan. In order to be tabulated for purposes of determining whether the Plan has been accepted or rejected, ballots must be received at the address indicated on the ballot no later than 4:00 p.m. on _____, 2013. Debtor believes that confirmation of the Plan is in the best interests of the holders of Claims and urges you to accept the Plan.

If the Plan of Reorganization is approved, the Common Stock and the Series A Preferred Stock have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"). HemCon is relying on Section 3(a)(9) and Section 4(2) of the Securities Act and similar "blue sky" law provisions as well as, to the extent applicable, the exemption for the Securities Act and equivalent state law registration requirements provided by Section 1145(a) of the Bankruptcy Code, to exempt from registration under the Securities Act and "blue sky" laws the offer and sale of new securities in connection with the solicitation of the Plan of Reorganization.

This Disclosure Statement contains projected financial information and estimates of the value that demonstrate the feasibility of the Plan of Reorganization and HemCon's ability to continue operations upon emergence from proceedings under the Bankruptcy Code. HemCon prepared such information for the limited purpose of furnishing information to certain Creditors to allow them to make an informed judgment regarding acceptance of the Plan of Reorganization, and to potential purchasers of Series A Preferred Stock to permit them to make an informed investment decision. The projections and estimates of value should not be regarded for the purpose of this Disclosure Statement as representations or warranties by HemCon as to the accuracy of such information or that any such projections or valuations will be realized. Actual results could vary significantly from these projections.

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You must rely upon your own examination of HemCon and the terms of the Plan of Reorganization including, without limitation, the merits and risks involved. You should carefully consider the risk factors outlined in Section X.E beginning on page 84 of this Disclosure Statement before deciding whether or not to vote with respect to the Plan of Reorganization or invest in Series A Preferred Stock.

Persons who will receive Common Stock or Series A Preferred Stock upon confirmation and approval of the Plan should be aware that they may be required to bear the financial risks of their investment in the Common Stock and the Series A Preferred Stock for an indefinite period of time. Neither the Securities and Exchange Commission ("SEC") nor any state securities commission has approved or disapproved of the securities to be offered pursuant to the Plan of Reorganization or determined if this Disclosure Statement is truthful or complete. Any representation to the contrary is unlawful and is a criminal offense.

B. SUMMARY OF THE PLAN

A copy of the Plan is attached hereto as **Exhibit 1** and discussed in detail later in this Disclosure Statement. The following description of the Plan is intended as a summary only and is qualified in its entirety by reference to the Plan. Debtor urges each holder of a Claim to carefully review the Plan, together with this Disclosure Statement, before voting on the Plan.

Debtor will reorganize into two companies. All of the existing assets and liabilities will remain within Debtor with the exception of those assets and rights that relate to LyP Product ("LyP"). These LyP assets and rights, whether licensed or owned, including all respective IP, will be assigned into a new company. For the purposes of this Disclosure Statement and the Plan this new company will be referred to as NewCo.

The assets and liabilities remaining with Debtor will be those that relate to Debtor's medical devices business, see "Medical Devices Business" in Section IV A below. The intention of Debtor will be to monetize these assets within a three-year period

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commencing on the Effective Date of the Plan ("Transition Period"). It is Debtor's intention to continue to operate its medical device business during the Transition Period and by doing so to increase the potential return from the sale of these assets. The United States will retain its non-exclusive, non-transferrable, irrevocable license to practice or have practiced for and on behalf of the government the LyP Product and certain of the Medical Device Business technology to the extent provided by the terms of its Agreements with Debtor and applicable law.

The Banks' Secured Claim will be paid (a) from the sale of the equity interests in or assets of the medical devices business ~~and assets~~; (b) pursuant to the Royalty and Security Agreement, an initial payment of $50,000, plus payments equal to 2% net revenue from the manufacture and sale of the LyP Product; and (c) from the Deferred Bard Payment of $1,500,000. The Banks' Secured Claim shall continue to be secured by a security interest in Debtor's assets of the same kind and category and with the same priority that it held as of the Petition Date. In addition, the Banks will have or retain a security interest in the Deferred Bard Payment and the LyP Product.

Unsecured Creditors will be issued shares of Common Stock in NewCo. Common Stock will be issued at the rate of one share for each $50 of Allowed Unsecured Claim. The total number of shares issued to Creditors if all Claims are Allowed could approximate 1 million. An additional 700,000 shares of Common Stock in NewCo will be reserved for issuance under potential stock options for consultants, directors and employees.

It is anticipated that NewCo will be a new stand-alone company initially capitalized by raising $2 to $3 million in new capital by the issuance of between 0.8 million to 1.2 million shares of Series A Preferred Stock to Investors. All Creditors and Equity Security Holders have the opportunity to invest in the Series A Preferred Stock. See Section VII.C.2.a. The Series A Preferred Shares will be issued at $2.50 per share. They will have a liquidation preference of par plus 5% per annum per share and be converted into

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Common Stock if NewCo conducts a public offering of its Common Stock at a price of at least $7.50 per share.

Administrative Expense Claims and Priority Claims are expected to be paid in full. Small Unsecured Creditors (defined as holders of Unsecured Claims that are equal to or less than $4,000 and holders of Unsecured Claims who file a written election to reduce their Unsecured Claims to $4,000) will receive a one-time distribution of 25% of their Claims on or before 60 days after the later of the Effective Date or the date their Claim is Allowed.

Debtor will file a motion to assume or reject any unexpired lease or executory contract it seeks to have assumed or rejected by filing a motion(s) prior to the Confirmation Date. Any unexpired lease or executory contract not expressly assumed or rejected will "ride through" the Bankruptcy Case.

On December 21, 2012, the Court entered an order authorizing Debtor and its subsidiaries to sell GuardIVa®, an infection control product, plus associated intellectual property and trademark to Bard Access Systems, Inc. ("Bard"). The terms and conditions of the sale are cash payments of up to $4.5 million plus certain inventory purchases. Of this $4.5 million, $1.5 million (the "Deferred Bard Payment") is contingent on issuance of authorization to apply a CE Mark to GuardIVa® for sale of the product in the European Economic Area. Debtor anticipates receiving CE Mark clearance in 2013. Secured Creditors hold a partial lien over the sale proceeds. The first phase of the sale has closed and approximately $3 million has been paid to Debtor's subsidiaries in Europe. Five hundred thousand dollars has been disbursed to the Banks, and approximately $800,000 has been used in connection with operations in Europe and the United States. The Plan provides that the Deferred Bard Payment will be paid to the Banks and the remainder of proceeds of the Bard Transaction will be available to fund administrative expenses, cure payments on executory contracts, priority claims, and provide working capital for Reorganized Debtor.

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It is estimated that funding costs for Phase II clinical trials for LyP until completion, together with NewCo's operating costs through the third quarter of 2014, will be approximately $7 million. The level of expenditure will depend in part upon (1) the rate of patient recruitment, (2) final negotiation of contracts relating to the clinical trials, and (3) the final number of patients recruited into the trials. Debtor anticipates that there will be several potential sources for the additional funding needed through the third quarter of 2014. These potential sources include a combination of (1) a follow-on round from existing and/or new Investors, (2) venture investors, (3) finance from a corporate investor, and (4) revenues or grant income. No revenues or grant income have been included in the projections for NewCo to September 30, 2014 attached to this Disclosure Statement.

Debtor believes NewCo's ability to secure additional capital funding midway through the clinical trials will be feasible based upon the nature of the interim data review for safety purposes. The Data Monitoring Committee is to review the database to ensure that the subjects receiving LyP are not experiencing an increase in frequency of adverse events over that of the control subjects receiving fresh frozen plasma ("FFP"). This interim safety data analysis is anticipated to ensure that LyP is non-inferior to the FFP with regard to safety events. It is anticipated that this analysis will be supportive in attracting the remaining $2.5 million to $3.5 million required to complete the Phase II clinical trials.

Debtor considers that, assuming a successful outcome to the Phase II clinical trials, the equity in NewCo will have reached a significantly higher valuation than that on the Effective Date of the Plan. Debtor considers that this enhanced valuation point should be sufficient to identify the further funding for NewCo to complete the final stages of clinical trials and secure product manufacturing capabilities. It is also possible that the business could be sold at that time to new investors with then-existing shareholders receiving cash for their stock. Subject to successful outcomes of the Phase II trials, it would then be the intention for NewCo, in the timeframe 2015 to 2017, to submit to the U.S. Food and Drug

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Administration ("FDA") a Biologics License Application ("BLA"). The timing of submission, amongst a number of factors, will depend upon the extent of FDA regulatory requirements to be met. If approved by the FDA, NewCo would then be authorized to commence selling product. Achievement of FDA approval, assuming a viable market is available and accessible to LyP, should result in further increases in the valuation of NewCo and another opportunity for a value realizing event for shareholders. However, these future events are too uncertain at this point to be able to place a present value on the ultimate future return to Unsecured Creditors.

Debtor believes the Plan represents the only opportunity for Unsecured Creditors and Equity Security Holders to realize any value from their claims and interests. Debtor owes over $22 million to Secured Creditors. Over $45 million in unsecured claims have been filed. Debtor estimates that its medical device business currently has a value between $2 million and $3 million. Although Debtor believes that value will increase, there is no reasonable likelihood that it will exceed the amount of the claims of Banks holding a security interest in the assets of Debtor. The LyP Product has little or no present value absent new investment, and it is subject to the security interests of the Bank. To date, no binding commitments have been received for new investment in NewCo. However, if NewCo can attract investment sufficient to fund the Phase II clinical trials for the LyP Product, Debtor believes there could be significant value for the common stock that will be issued to Unsecured Creditors and preferred stock acquired by investors. NewCo has been structured as a stand-alone entity in order to be as attractive as possible for new investment. Creditors and Equity Security Holders will have the opportunity to invest Series A Preferred Stock (see Section VII.C.2.a) and share in any resulting value creation.

The Effective Date of the Plan shall be the first day of the first full month after the Confirmation Date and after which the conditions to effectiveness set forth in Section 6.12 of the Plan have been waived or satisfied.

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C. BRIEF EXPLANATION OF CHAPTER 11

Chapter 11 is the principal reorganization provision of the Bankruptcy Code. Pursuant to Chapter 11, a debtor attempts to reorganize its business for the benefit of the debtor, its creditors, and other parties in interest.

The formulation and confirmation of a plan of reorganization is the principal purpose of a Chapter 11 case. A plan of reorganization sets forth a proposed method for compensating the holders of claims and interests in the debtor. A claim or interest is impaired under a plan of reorganization if the plan provides that the legal, equitable, or contractual rights of the holder of such claim or interest are altered. A holder of an impaired claim or interest is entitled to vote to accept or reject the plan. Chapter 11 does not require all holders of claims and interests to vote in favor of a plan in order for the Bankruptcy Court to confirm it. However, the Bankruptcy Court must find that the plan meets a number of statutory tests before it may approve the plan. These tests are designed to protect the interests of holders of claims or interests who do not vote to accept the plan, but who will nonetheless be bound by the plan's provisions if it is confirmed by the Bankruptcy Court.

An official committee of unsecured creditors is appointed by the U.S. Trustee's office in most Chapter 11 cases to, among other things, negotiate the plan of reorganization on behalf of the unsecured creditors of the debtor. A committee of unsecured creditors was appointed by the U.S. Trustee in this case.

II. VOTING PROCEDURES AND CONFIRMATION OF PLAN

A. BALLOTS AND VOTING DEADLINE

A ballot to be used for voting to accept or reject the Plan is enclosed with each copy of this Disclosure Statement mailed to all Creditors. After carefully reviewing this Disclosure Statement and its exhibits, including the Plan, please indicate your acceptance or rejection of the Plan by voting in favor or against the Plan on the enclosed ballot as directed below.

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The Bankruptcy Court has directed that, to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received by Debtor no later than 4:00 p.m. Pacific time on _____, 2013 at the following address:

Tonkon Torp LLP,
Attention: Spencer Fisher
1600 Pioneer Tower
888 SW Fifth Avenue
Portland, OR 97204-2099

or via facsimile transmission to Spencer Fisher at (503) 972-3867.

Holders of each Claim scheduled by Debtor or with respect to which a Proof of Claim has been filed will receive ballots and are permitted to vote based on the amount of the Proof of Claim, except as discussed below. If no Proof of Claim has been filed, then the vote will be based on the amount scheduled by Debtor in its Schedules. The Bankruptcy Code provides that such votes will be counted unless the Claim has been disputed, disallowed, disqualified, or suspended prior to computation of the vote on the Plan. A Claim to which an objection has been filed is not allowed to vote unless and until the Bankruptcy Court rules on the objection. Holders of disputed Claims who have settled their dispute with Debtor are entitled to vote the settled amount of their Claim. The Bankruptcy Code and rules provide that the Bankruptcy Court may, if timely requested to do so by the holder of such Claim, estimate or temporarily allow a disputed Claim for the purposes of voting on the Plan.

If a person holds Claims in more than one Class entitled to vote on the Plan, such person will be entitled to complete and return a ballot for each Class. If you do not receive a ballot or if a ballot is damaged or lost, please contact:

Tonkon Torp LLP
Attention: Spencer Fisher
1600 Pioneer Tower
888 SW Fifth Avenue
Portland, OR 97204-2099
Telephone number: (503) 802-2167

All persons entitled to vote on the Plan may cast their vote for or against the Plan by completing, dating, and signing the enclosed ballot and returning it, by First Class mail or hand delivery, to Debtor at the address indicated above. In order to be counted, all ballots must be executed and received at the above address no later than 4:00 p.m. Pacific time on _____, 2013. Any ballots received after 4:00 p.m. Pacific time on _____, 2013 will not be included in any calculation to determine whether the parties entitled to vote on the Plan have voted to accept or reject the Plan.

Ballots may be received by Debtor by facsimile transmission to Tonkon Torp LLP, Attention: Spencer Fisher, at (503) 972-3867. Ballots sent by facsimile transmission will be counted if faxed to Mr. Fisher and received by 4:00 p.m. Pacific time on _____, 2013.

When a ballot is signed and returned without further instruction regarding acceptance or rejection of the Plan, the signed ballot shall be counted as a vote accepting the Plan. When a ballot is returned indicating acceptance or rejection of the Plan but is unsigned, the unsigned ballot will not be included in any calculation to determine whether parties entitled to vote on the Plan have voted to accept or reject the Plan. When a ballot is returned without indicating the amount of the Claim or in an inaccurate amount, the amount shall be as set forth on Debtor's Schedules or any Proof of Claim filed with respect to such Claim or Order of the Court.

B. PARTIES ENTITLED TO VOTE

Pursuant to Section 1126 of the Bankruptcy Code, each Class of impaired Claims or Interests that is not deemed to reject the Plan is entitled to vote to accept or reject the Plan. Any holder of an Allowed Claim that is in an impaired Class under the Plan, and whose Class is not deemed to reject the Plan, is entitled to vote. A Class is "impaired" unless the legal, equitable, and contractual rights of the holders of Claims in that Class are left unaltered by the Plan or if the Plan reinstates the Claims held by members of such Class by

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(1) curing any defaults, (2) reinstating the maturity of such Claim, (3) compensating the holder of such Claim for damages that result from the reasonable reliance on any contractual provision of law that allows acceleration of such Claim, and (4) otherwise leaving unaltered any legal, equitable, or contractual right of which the Claim entitles the holder of such Claim. Because of their favorable treatment, Classes that are not impaired are conclusively presumed to accept the Plan. Accordingly, it is not necessary to solicit votes from the holders of Claims in Classes that are not impaired. Classes of Claims or Interests that will not receive or retain any money or property under a Plan on account of such Claims or Interests are deemed, as a matter of law under Section 1126(g) of the Bankruptcy Code, to have rejected the Plan and are likewise not entitled to vote on the Plan.

Under Debtor's Plan, Classes 1 and 2 are not impaired and, therefore, are deemed to have accepted the Plan. Classes 3, 4, 5, 6, and 7 are impaired under the Plan. Persons holding Claims in Classes 3, 4, 5, 6, and 7 are entitled to vote to accept or reject the Plan.

C. VOTES REQUIRED FOR CLASS ACCEPTANCE OF THE PLAN

As a condition to confirmation, the Bankruptcy Code requires that each impaired Class of Claims or Interests accept the Plan, subject to the exceptions described below in the section entitled "Cram Down of the Plan." At least one impaired Class of Claims must accept the Plan in order for the Plan to be confirmed.

For a Class of Claims to accept the Plan, Section 1126 of the Bankruptcy Code requires acceptance by Creditors that hold at least two-thirds in dollar amount and a majority in number of the Allowed Claims of such Class, in both cases counting only those Claims actually voting to accept or reject the Plan. The holders of Claims who fail to vote are not counted as either accepting or rejecting the Plan. If the Plan is confirmed, the Plan will be binding with respect to all holders of Claims and Interests in each Class, including Classes and members of Classes that did not vote or that voted to reject the Plan.

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D. "CRAM DOWN" OF THE PLAN

If the Plan is not accepted by all of the impaired Classes of Claims and Interests of Debtor, the Plan may still be confirmed by the Bankruptcy Court pursuant to Section 1129(b) of the Bankruptcy Code's "Cram Down" provision if the Plan has been accepted by at least one Impaired Class of Claims, without counting the acceptances of any Insiders of Debtor, and the Bankruptcy Court determines, among other things, that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each non-accepting Impaired Class of Claims or Interests. Debtor believes the Plan can be confirmed even if it is not accepted by all impaired Classes of Claims and will request the Bankruptcy Court to confirm the Plan in accordance with Section 1129(6) of the Bankruptcy Code or otherwise modify the Plan in the event any Class of Creditors does not accept the Plan.

E. CONFIRMATION HEARING

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan to commence on _____, 2013, at _____ Pacific time. The Confirmation Hearing will be held at the U.S. Bankruptcy Court for the District of Oregon, Courtroom 1, 1001 SW Fifth Avenue, Portland, Oregon, before the Honorable Elizabeth L. Perris, United States Bankruptcy Judge. At the hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and whether it is in the best interests of the Creditors of Debtor. Prior to the hearing, Debtor will submit a report to the Bankruptcy Court concerning the votes for acceptance or rejection of the Plan by the persons entitled to vote thereon.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan. Any objections to confirmation of the Plan must be made in writing and filed with the Bankruptcy Court and received by counsel for Debtor no later than _____, 2013, by 4:00 p.m. Pacific time. Unless an objection to confirmation is timely filed and received, it will not be considered by the Bankruptcy Court.

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III. COMPANY BACKGROUND AND INFORMATION

A. DEBTOR

HemCon Medical Technologies, Inc. was founded in 2001. It is a diversified life sciences company that develops, manufactures, and markets innovative wound care/infection control medical devices and blood products. These products are and will be for the emergency medical, surgical, military, pharmaceutical, and, for medical devices, the over-the-counter ("OTC") markets. HemCon's medical device products, blood products, technologies, and infrastructure together form a life sciences company represented by its existing products and future pipeline potential. Products include three basic technology platforms including chitosan and micronized dispersible oxidized cellulose ("m•doc™") for its medical devices business and freeze dried (or dried lyophilized) plasma ("LyP") with respect to its Blood Products.

B. GENERAL BACKGROUND AND OVERVIEW

HemCon's headquarters are in Portland, Oregon. HemCon maintains a 32,000-square -foot manufacturing facility in Portland for the manufacture of its chitosan-based wound care products and LyP for clinical trials. HemCon also holds 100% of the outstanding stock of Castlerise Investment Limited, which is the holding company of its wholly-owned subsidiary, HemCon Medical Technologies Europe, Ltd. ("HemCon Europe") headquartered in Dublin, Ireland. HemCon Europe maintains three staff in Ireland and nine staff in the Czech Republic who jointly manage the production and European distribution of HemCon modoc™ and certain chitosan-based products.

C. PROPRIETARY TECHNOLOGY PLATFORMS

1. Medical Devices

HemCon medical device products are fabricated from chitosan (pronounced "ky-toe-san"), a naturally occurring, biocompatible polysaccharide, and m•doc™ a

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proprietary HemCon biomedical polymer composed of microdispersed calcium and sodium salts of polyanhydroglucuronic acid derived from natural cotton.

This chitosan platform, with its unique and natural characteristics, combined with HemCon's proprietary manufacturing processes, allows HemCon to bring to market products that are highly effective and reliable.

Chitosan is a polysaccharide most often derived from the exoskeletons of shellfish such as shrimp and has long been recognized as an effective and safe hemostatic agent that is used in products to control severe bleeding. Its primary action works outside of the coagulation cascade, thereby allowing for faster control of bleeding and use with most patients on coagulation therapies or with bleeding disorders.

Chitosan has a positive charge and it attracts red blood cells and platelets, which have a negative charge. As the red blood cells and platelets are drawn toward the bandage through this ionic interaction, a strong seal is formed at the dermal wound site. This supportive, primary seal allows the body to effectively activate its coagulation pathway, initially forming organized platelets. HemCon dressings are designed to maintain this seal and serve as a frontline support structure as the platelets and red blood cells continue to aggregate until hemostasis is achieved. The strong sealing action described allows the body to naturally clot. HemCon dressings do not rely solely on the clotting cascade to stop bleeding.

The HemCon hemostatic dressings also offer antibacterial properties. Chitosan is naturally antibacterial and offers properties against a wide range of gram positive and gram negative organisms. The HemCon process adds to this antibacterial property, allowing certain HemCon products to carry an FDA-cleared antibacterial claim. This additional benefit gives this technology a significant commercial advantage over similar competing technologies.

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Chitosan
• Rapid control of moderate to severe external bleeding • Controls bleeding outside of normal clotting cascade • Provides antibacterial properties • Proprietary product forms: lyophilized and coated gauze

Technology Benefits Summary

The m•doc™ platform has excellent biocompatibility and allows control of oozing to moderate bleeding by activation of the intrinsic clotting cascade.

One key characteristic of m•doc™ is that it is readily formed into mats, fibers, sponges, gels, films, and sprays. Clinical testing in Europe has demonstrated m•doc™ has a safe bioresorbability profile. It promotes normal wound healing responses and can be formulated to deliver active pharmaceutical agents.

m•doc™
Proprietary biomaterial • Control of oozing to moderate bleeding • Readily formed into mats, fibers, sponges, gels, films & sprays • Provides modest antibacterial properties • Clinical bioresorbable safety demonstrated

Technology Benefits Summary

2. Blood Products

a. Plasma Product (LyP)

LyP is a minimally altered plasma product created by thawing single-donor frozen plasma and transferring it into a robust package that undergoes a patent pending lyophilization process to remove the water. Unlike today's frozen plasma, which can take 45 to 90 minutes to thaw and deliver, HemCon's LyP is prepared in less than two minutes to ensure the patient receives plasma quickly, and rapidly corrects coagulopathies to reduce the need for additional blood products. LyP is quite stable at room temperature and even longer when refrigerated. It eliminates the need for freezers and thawing devices and enables storage at the point of care, all which results in faster administration. LyP also reduces waste resulting from unused thawed plasma and its rugged container was designed to prevent container breakage rates seen as high as 40%.

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Under its agreement with the U.S. Army (which to this point has provided R&D funding through a Cooperative Agreement) and pursuant to relevant government regulations, HemCon is the owner of the LyP technology. The government holds a paid-up, non-exclusive, non-transferrable, irrevocable license to use the LyP technology and certain other technologies of Debtor for government.

HemCon has filed five U.S. pending patent applications and 12 foreign patent applications (in China, Korea, Japan, Australia, Canada and Europe). One U.S. patent has been granted, and one of the pending U.S. patent applications was recently allowed and is now pending grant. HemCon has proprietary positions and know-how around freeze-drying (lyophilization lyophilizing) of plasma for preparation of a single donor plasma product in a lyophilization container for plasma ("LCP") that enables rapid plasma reconstitution.

HemCon is in the process of preparing an updated LCP patent application. This new patent application will provide an enhanced intellectual property position for HemCon's LCP technology.

b. Universal Lyophilized Plasma ("ULyP")

A concurrent project to LyP is the creation of a universal lyophilized plasma ("ULyP"). Today, universal plasma (Blood Type AB) is only available from 4% of the population, creating supply issues that force institutions to wait for type-specific plasma. A method for manufacturing single-donor universal plasma is being developed by HemCon that removes the anti-B antibody present in Type A plasma (40% of the population), rendering it universal. Utilizing a proven technology and process co-developed with ProMetic BioSciences (Cambridge, UK), Universal LyP could be stored closer to the point of care and removes concerns and risks associated with typing and cross-matching errors.

D. FINANCIAL HISTORY

With the exception of achieving a profit, before reorganization expenses, for the period from April 10 to December 31, 2012, HemCon has incurred losses since 2008.

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The principal cause of these losses arose from the Company's dependency on military revenues from hemostatic bandages, in particular the U.S. Army, and the decision by the U.S. Army to switch its supply of hemostatic bandages to a competitor using a different technology toward the end of 2008. This resulted in HemCon incurring a sudden and substantial reduction in revenues. The majority of these revenues were derived from the sales of HemCon's 4" x 4" bandage. Total worldwide revenues for this bandage for 2008, 2009, 2010, and 2011 were $35.4 million, $3.3 million, $2.5 million, and $0.6 million, respectively.

In 2008, HemCon's group consolidated income from continuing operations (after taxes) on total revenues of $41.9 million was $3.7 million. Comparatively, in 2009, total revenues were $13 million, with a loss of $12.9 million; and for 2010, total revenues of $14.9 million, with a loss of $8.2 million. Results stated for 2008 to 2010 have been extracted from audited financial statements. The estimated unaudited result for 2011 on an equivalent basis, with revenues of $11.9 million, was a loss of $6.1 million. Following revenues of $10.3 million, the provisional loss from continuing operations after taxes and reorganization expenses for 2012 was $1.2 million. The reduction in losses from 2009 to 2012, with relatively similar levels of revenues, was achieved mainly through significant reductions in operating expenses. This was a time-consuming and complex process as the Company adjusted to the impact of lost 4" x 4" bandage revenues, developed and launched a broader portfolio of medical device products, diversified its customer base, maintained regulatory compliance, developed LyP to the point of being ready to commence Phase II clinical trials, and defended the patent litigation lawsuit with respect to certain chitosan-based products.

Historic and projected financial performance for the group, and separately HemCon, is detailed in Appendices A to C. The assumptions to the projections are described in Section X.E below.

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HemCon has funded its operations and acquisitions to date with approximately $76 million in non-dilutive grants from the U.S. military, which included funding to purchase HemCon bandages, $19 million in private financings with outside investors, $37 million in bank debt, and separately internally-generated cash flows.

E. LITIGATION

On March 17, 2006, Marine Polymer Technologies, Inc. ("MPT") filed a complaint against the Company claiming that HemCon's purified chitosan infringed on MPT's United States Patent No. 6,864,245 (the "'245 Patent"). The '245 Patent is directed to a purified poly-β-1→4-N-acetylglucosamine species derived from aseptically cultured microalgae. The complaint was filed in the United States District Court for the District of New Hampshire. Routine pretrial fact and expert discovery was completed in July 2007. The Court held a Markman Hearing (patent claim construction) on March 27, 2008. On May 6, 2008, the Court issued an Order on Markman Claim Construction (the "Markman Order"). After entry of the Markman Order, the parties conferred, but settlement was not reached. The case proceeded to trial in 2010 and judgment was entered against HemCon for approximately $29 million (before interest) in damages and an injunction against selling certain of its chitosan-based products. HemCon filed an appeal to the U.S. Court of Appeals for the Federal Circuit. In the fall of 2011, a three-judge panel of the Court of Appeals entered its decision reversing the District Court judgment. MPT sought rehearing by the Court of Appeals *en banc*. On March 15, 2012, in a 5-to-5 split decision, an *en banc* panel of the U.S. Court of Appeals for the Federal Circuit affirmed the District Court's ruling against HemCon. HemCon filed a petition for rehearing *en banc*. On May 4, 2012, the Federal Circuit Court of Appeals notified the parties that given the bankruptcy filing, the petition for rehearing *en banc* would be stayed during the pendency of the bankruptcy proceedings. The automatic stay also stays any action before the Supreme Court seeking a writ of certiorari. Pursuant to 11 U.S.C. § 108(c), the deadline for filing a writ is extended until 30 days after

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the stay is terminated. HemCon will continue to review its position in seeking a rehearing and appeal to the Supreme Court and determine the most appropriate course of action. In making its decision, HemCon will consider the extent of future expenses to be incurred, the likelihood of a successful outcome, and the impact on Reorganized Debtor and NewCo. It is unlikely that either HemCon or NewCo will have the financial capacity to fund a rehearing or appeal.

Meanwhile, following the District Court's trial ruling, HemCon successfully reformulated its chitosan product line with the principal objective of preventing any further alleged infringement of any issued patents. The reformulated product line has been branded as HemCon PRO products.

F. GOVERNMENTAL USE LICENSE

The United States provided funding for the development of HemCon's LyP technology and certain other intellectual property. To the extent that intellectual property was developed with funding from the United States, then, as provided in agreements, statutes, and regulations, the United States has a paid-up, non-exclusive, non-transferable, irrevocable license to practice or have practiced on behalf of the United States such intellectual property. The government has such a license to practice the LyP technology and may have a license to practice other intellectual property. The Plan is not intended to limit or eliminate any such government license. Debtor and Reorganized Debtor have no intention of abandoning any intellectual property.

~~F.~~G. CORPORATE OFFICERS, DIRECTORS AND MANAGEMENT TEAM

1. Corporate Officers and Management Team

Barry Starkman, *President and CEO.* Barry Starkman was appointed May 29, 2012 and serves as HemCon's President and Chief Executive Officer. Mr. Starkman's experience spans pharmaceutical products, biotech, and medical devices, matching the commercial applications for HemCon's LyP Program and Medical Devices

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division. His background also includes manufacturing management in the areas of facilities design, cGMP manufacturing requirements, and Lean 6 Sigma applications.

Prior to joining HemCon, Mr. Starkman served as Vice President of Operations at Promega, where he was responsible for global manufacturing, planning, and logistics for the $300 million organization. Mr. Starkman had previously overseen the design, construction, start-up and operation of Genentech's $450 million state-of-the-art formulation, packaging, and distribution facility in Portland, serving as General Manager. Earlier in his career, Mr. Starkman worked for 24 years for Merck, taking on increasing responsibility that culminated at Director of Manufacturing within Vaccine Operations. Mr. Starkman received his bachelor's degree in Geology from Lafayette College, Easton, Pennsylvania, and holds a Master of Science in Environmental Engineering from Drexel University, Philadelphia, Pennsylvania.

Nick Hart, *CFO.* Nick Hart serves as CFO for HemCon Medical Technologies. Mr. Hart joined the Company in 2008 in the role of chief financial officer, following the acquisition of Alltracel Pharmaceuticals, where he also was Chief Financial Officer. Prior to this, Mr. Hart worked in the life sciences sector for over 20 years, in a variety of positions, including chief operating officer and acting chief executive officer. Mr. Hart has worked as CFO for NASDAQ and LSE-listed companies. In the earlier part of his career he worked within a number of manufacturing organizations in a financial role. Mr. Hart received his bachelor's degree in Economics and Statistics from Kingston University, London. He is a fellow member of the Institute of Chartered Management Accountants.

Simon McCarthy, Ph.D., *Chief Scientific Officer*. Simon McCarthy joined HemCon in 2003. His area of scientific expertise is in polymeric biomaterials, their chemistry, characterization, biomedical application, and molecular biology. He serves as HemCon's Chief Scientist and is responsible for the research and development of new

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products and devices to control bleeding and promote wound repair. In 2001, as senior scientist, he co-invented the HemCon® Bandage with Dr. Kenton Gregory. He has overseen 18 granted patents and 33 current patent applications on chitosan dressings for HemCon. In 2007, he and Lisa Buckley proposed a single-donor lyophilized plasma solution to the U.S. Army. He is the inventor and co-inventor of one issued patent and 18 current patent applications on lyophilized plasma for HemCon. At HemCon, he has acted as Principal Investigator and Co-Investigator on Awards totaling more than $45 million. Dr. McCarthy received his Ph.D. in polymer chemistry from Monash University in Melbourne, Australia. While a scientist at the Australian Cooperative Research Center for Cardiac Technology (1991-1999), he co-invented the novel polyurethane "Elast-Eon" which has now been implanted in over 3 million cardiac devices. He has authored or co-authored more than 20 scientific papers and is a co-holder of multiple patents on polyurethanes and polyesters for biomedical applications.

Lisa Buckley, MPH, *Senior Vice President of Research and Development*. Ms. Buckley is the Principal Investigator for lyophilized plasma projects, securing over $35 million in funding, and has led development and oversight of the HemCon lyophilized plasma (LyP) program since 2008. This program continues to be recognized by the U.S. Army for its high level of performance and technical excellence. As a member of HemCon's management team, Ms. Buckley provides scientific leadership and strategic direction in HemCon's LyP Product. Ms. Buckley has over 20 years of experience in translational medical research and management, as well as over 10 years in product development. Prior to her role with the LyP Product, Ms. Buckley developed and oversaw critical developmental testing in pre-clinical models to demonstrate effectiveness of HemCon's 4 x 4 and ChitoGauze® dressings.

Prior to joining HemCon, Ms. Buckley was a founding scientist at the Oregon Medical Laser Center in 1991. She also previously held positions at the New York City

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Department of Health and Massachusetts General Hospital. Ms. Buckley has authored and co-authored scientific papers and abstracts and is co-holder of five patents and three patent applications. She received a bachelor of science in Biology from Boston College and a Master of Public Health from Columbia University.

2. Current Board of Directors

William Wiesmann, M.D., *Chairman of the Board of Directors, Co-Founder, HemCon*. Dr. Wiesmann, co-founder of HemCon, is the President and Founder of a consulting company and several small biotech companies collectively called the BioSTAR Group. Dr. Wiesmann served as the Director for Combat Casualty Care at the U.S. Army Medical Research and Material Command Post at Ft. Detrick in Frederick, Maryland until he retired from the U.S. Army as a Colonel in 1997. Throughout his career, Dr. Wiesmann has garnered extensive business expertise, including formation of research and development ("R&D") partnerships and teaming agreements between government, industry, and academic laboratories, as well as directing multi-million dollar programs for DARPA, NASA, and the Army Medical Research and Material Command. Dr. Wiesmann has successfully led or assisted in taking six medical products through FDA approval to market, and has overseen simultaneous multi-million dollar awards on development of medical products with successful performance and delivery.

Dr. Wiesmann has been published in over 70 scientific publications, authored five book chapters, and has 45 patents awarded and pending. He is a member of the University of Cincinnati Department of Biomedical Engineering External Advisory Board, and a member of the National Council at Washington University School of Medicine.

Dr. Wiesmann received his undergraduate degree in chemistry from the University of Cincinnati in Ohio, and his medical degree from Washington University in St. Louis, Missouri. He completed advanced research training as a fellow at the National Heart, Blood and Lung Institute at the National Institutes of Health. Dr. Wiesmann served as

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a senior scientist at the Walter Reed Institute of Research and as an attending nephrologist. In 2008, Dr. Wiesmann was awarded an Honorary Doctor of Science from the University of Cincinnati.

Kenton Gregory, M.D., *Board Member, Co-Founder, HemCon***.** Dr. Kenton Gregory, co-founder of HemCon, was co-inventor of the chitosan technology that was the foundation intellectual property of HemCon. Dr. Gregory is an associate professor of biomedical engineering and an assistant professor of medicine, practicing cardiology at Oregon Health and Science University ("OHSU"). He is the founder and director of the OHSU Center for Regenerative Medicine. Dr. Gregory is one of the five founding program managers for the $90 million Armed Forces Institute for Regenerative Medicine. He is currently principal investigator for over $40 million in biomedical research grants approved for funding from the U.S. Army MRMC, SOCOM, DARPA and DTRA, with a 25-year history of being a proven performer in developing biomedical products for the Department of Defense.

Dr. Gregory received his undergraduate degree in Chemical Engineering and Doctor of Medicine from the University of Southern California. He completed his internship and residency in Internal Medicine, and a fellowship in Cardiology, at the Wadsworth Veterans Administration Hospital in Los Angeles, California, and an additional research fellowship in Cardiology at the Irvine Medical Center in Orange, California. He has held teaching positions at the University of California, Irvine Medical School, and Harvard University School of Medicine, and served as staff cardiologist at Massachusetts General Hospital. He held an endowed chair in laser medicine and surgery at the Providence St. Vincent Medical Center, and was founder and director at the Oregon Medical Laser Center.

Dr. Gregory has founded or co-founded nine biotechnology companies based upon his inventions and has brought numerous inventions from concept through FDA

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approval to commercial products. Dr. Gregory has been awarded 40 domestic and international patents. He has sat on eight corporate boards and sits on Boards for USC, NIH advisory boards, and boards for non-profit institutes. He has authored and/or co-authored over 50 original reports and manuscripts. He has been Principal Investigator on five FDA-sponsored clinical trials, and received over $80 million in grants and contracts to discover and develop new medical products from hemorrhage control and biomaterials to regenerative medicine. He is a member of numerous medical societies and editorial boards of peer reviewed medical journals. Among a number of awards, Dr. Gregory has received the U.S. Army Medical Research and Materials Command Award for Excellence, The U.S. Army Top Ten Inventions Award, and the 2009 Genius Award from the Oregon Museum of Science and Industry.

Andrew Miller, *Board Member, CEO, Stimson Lumber*. Andrew W. Miller is the President/CEO of Stimson Lumber Company in Portland, Oregon. Stimson is an integrated timberland and wood products manufacturing company with operations in Oregon, Washington, Idaho, and Montana. Prior to joining Stimson in 1991, Mr. Miller was employed in the Forest Products Industry with Plum Creek Timber and Weyerhaeuser. Mr. Miller serves on multiple regional and national industry association boards, and several non-profit Boards, in the Portland area. Mr. Miller graduated from Grinnell College (Grinnell, Iowa) with a bachelor of arts in Economics, and earned an MBA in Finance from Columbia University.

IV. PRODUCTS AND MARKETING OPPORTUNITIES

A. MEDICAL DEVICES BUSINESS

As discussed above under "Summary of the Plan" on page 4, Reorganized Debtor intends to continue to manufacture and supply the medical device products as described in this section. However, the objective of post-confirmation operations will be to maximize the value of the business in order to sell it in whole or part to pay down the

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Secured Creditors over three years. The Company intends to ensure continuity of supply of all its products to its customers by one or a combination of the following actions, (1) maintaining manufacturing in its existing facility; (2) relocating all or part of its manufacturing to a new, less expensive, right-sized facility; or (3) transferring all or part of its production to third-party contract manufacturers. The solution will be based upon a number of factors, not the least of which is potential buyers' desires and/or negotiations on the current property lease.

1. Product Portfolio

HemCon has introduced to the market a range of new products from its technology and platforms since February 2009. Some of the products which now form the basis for the Company's revenue from HemCon's chitosan and m•doc™ technology platforms are described below.

a. GuardaCare®XR Surgical Hemostatic Temporary Surgical Dressing: Chitosan-Based

GuardaCare®XR Surgical, the recently FDA-cleared hemostatic temporary surgical dressing, was launched in the first quarter of 2012 and is anticipated to become the flagship product of HemCon's Medical Device division. The product is a chitosan derivative coated gauze with an x-ray detectable element that is indicated for the temporary control of severe bleeding in surgical wounds and traumatic injuries. GuardaCare®XR Surgical was developed from HemCon's military-gauze platform.

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GuardaCare®XR Surgical

GuardaCare®XR Surgical dressing with a radiopaque element sets HemCon apart from the competition in the surgical arena as it is able to control moderate to severe bleeding, conditions where other products often struggle to achieve hemostasis. The dressing is also ideal for control of oozing, nuisance, and surgical bleeding. The dressing significantly reduces the amount of blood loss and therefore minimizes the use of surgical pads and gauze during a procedure, without causing visual obstruction to the surgical field. These features are important to surgeons and operating room nurses because they are able to perform procedures without interruption and delay due to uncontrolled or nuisance bleeding. The product is cost-effective and is priced competitively against surgically indicated hemostatic agents, which are often significantly more expensive.

Since January 2012, HemCon has started to collect clinical data through collaborations and also through post-market feedback. To date, the product has been used successfully in a range of procedures, including those in cardio-thoracic, vascular, spinal, OB-GYN, plastics, and trauma arenas.

The U.S. surgical market is the biggest market by far that HemCon will have entered to date and represents a sizable opportunity for the Company. The dressing provides surgeons with an enhanced solution for control of bleeding and supports hospital-wide cost savings initiatives.

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b. ChitoGauze®: Chitosan-Based

Since 2009, HemCon has been determined to regain market share in the military hemostatic market. HemCon, with its proven military track record and comprehensive understanding of battlefield needs, set out to design a new and easy-to-apply dressing that targets early and rapid control of hemorrhage to mitigate against the massive blood loss that leads to high rates of mortality and morbidity. ChitoGauze® is the next generation product in HemCon's hemostatic dressing chitosan platform. It makes a significant new contribution to, as well as borrowing from, fabric medical gauze technology that is already familiar to first responders. It was cleared by the U.S. FDA (K090026) and it is intended as "a hemostatic dressing for the external, temporary control of severely bleeding wounds."

The ChitoGauze® dressing is composed of polyester/rayon blend non-woven medical gauze that is coated with a chitosan derivative. The three inch by four yard (3" x 4 yds.) dressing is z-folded and vacuum packaged with a small product profile of H 5.75 in. x W 5.0 in. x D 0.65 in. The z-folded configuration was incorporated at design phase with end-user input and allows for easy handling and rapid application when time is critical.

ChitoGauze®

Several reports and studies have been performed and published demonstrating the efficacy and safety of ChitoGauze®. This has led to increasing military and pre-hospital adoption of the product. As examples, ChitoGauze® is the dressing of choice for

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U.S. Special Operations and is also carried by ambulance services in England. Penetration of the U.S. Army was delayed by the U.S. Army's requirement for internal testing of leading available hemostats prior to their being fielded. A study of ChitoGauze® performed by the Naval Medical Research Unit ("NMRU") was completed in March 2012. ChitoGauze® performed well and proved to be superior to the incumbent Army dressing, Combat Gauze, a kaolin based technology.

The NMRU testing results have been presented to the Committee on Tactical Combat Casualty Care panel ("CoTCCC") that recommends and approves fielding of hemostatic dressing for use by the U.S. Army, Navy, and Air Force. As previously demonstrated in HemCon's own internal and independent studies, HemCon ChitoGauze® performed well compared to other tested hemostats and, consistent with the NMRU results discussed above, when compared to Combat Gauze. The CoTCCC panel was recently replaced with respect to approving hemostatic dressings by the U.S. Army Institute of Surgical Research ("ISR"). Based on the NMRU study, HemCon anticipates that a vote on hemostatic devices could be conducted by the ISR in 2013 when it is understood that the ISR will hold its first meeting. This optimism comes from the NMRU report, which includes commentary suggesting additional chitosan-based products could be added to the protocol list.

c. GuardaCare®: Chitosan-Based

The emergency medicine, pre-hospital market was a natural transition from the military settings for HemCon. A small market and sporadic use make this a difficult market to fully penetrate without a dedicated sales force and strategy. The HemCon GuardaCare® product line, based on the same platform as the military ChitoGauze® dressing, offers a low profile, smaller, flexible hemostatic agent able to control severe bleeding while providing antibacterial properties. GuardaCare® also has application in chronic surgical wound debridement, where the product can be used to control bleeding and

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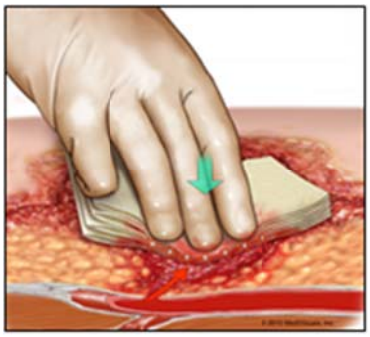
potentially allow for bedside debridement of such wounds, saving the hospital the associated costs of the operating room.



GuardaCare®

GuardaCare®

d. HemCon Patch®: Chitosan-Based

The HemCon Patch is a reliable hemostatic dressing in a smaller, flexible lyophilized patch utilizing HemCon's proprietary chitosan technology. The HemCon Patch is ideal for bleeding control following heart catheterization procedures. The product provides patients with a safe and comfortable post-procedural experience by delivering fast hemostasis that minimizes artery damage and frees up medical personnel. It is one of the only hemostatic products to obtain an FDA anti-bacterial claim, reducing patient risks of hospital-acquired infections.

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HemCon Patch®

The HemCon Patch was launched in March 2009 and was distributed by Cardinal Health. At the end of October 2012, the distribution contract with Cardinal Health was terminated and since then the HemCon Patch has been sold directly by the Company. Initial signs are encouraging, with 88% of HemCon's Patch accounts, as measured by total revenues, contractually converting to direct sales from HemCon. The product gained a market share at one point close to 10% and is competitively priced. The cath lab market was the first stable and predictable market HemCon entered. Growth in this market has been limited by competitive influences that have eroded the originally high prices as lower cost alternatives have sought to enter the market. Despite this, the HemCon Patch offers several advantages over the competition to allow the product to maintain its market share.

e. HemCon Dental Dressing: Chitosan-Based

The HemCon Dental Dressing is a chitosan-based dressing designed for use by oral surgeons and general practitioners to protect oral mucosal tissues following procedures such as tooth extractions, periodontal grafts, etc. HemCon received 510(k) clearance from the FDA in July 2006 and its CE mark in July 2007 for the HemCon Dental Dressing. The HemCon Dental Dressing offers several benefits to the patient over competing solutions, including reduced extraction site pain and increased ability to resume normal activity, including eating, drinking, and brushing teeth.

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Dental Dressings

Limits on the indication for use of the product in the United States (inability to claim hemostasis, although the product is based on the HemCon Bandage technology) have made it difficult to position the product in the United States market. Consideration will be given to obtaining the hemostasis claim through conduct of an FDA sanctioned clinical trial. It shows potential in international markets such as Europe and Japan, where its indications for use are less limited (i.e. hemostatic claims) and the overall number of extractions and oral procedures are higher than the U.S. market.

f. Strip First Aid - Consumer Version: Chitosan-Based

HemCon also offers an over-the-counter consumer version of its efficacious professional hemostatic dressings. It is called the HemCon Strip First Aid and is available for public consumer use. This product has substantial application for use by the millions of patients on blood thinners such a Coumadin, Plavix, Effient, etc. Positioning of this product in the marketplace through advertising, pricing, and promotion through cardiologists should result in significant growth of this product line.

g. GuardIVa® Antimicrobial Hemostatic IV Dressing: m•doc™-based

On December 21, 2012, the Court entered its Order authoring Debtor to sell GuardIVa® plus associated intellectual property and trademark to Bard Access Systems, Inc. The sale closed on February 6, 2013. Refer to the section above entitled "Summary of the Plan" on page 4.

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h. Synaero™ Hemostatic Gel: m•doc™-based

It is estimated that there are over 1.8 million endoscopic ENT surgical procedures, 70% of which required hemostatic intervention. Current products are either packed into the space, blocking visibility and causing patient discomfort, or are expensive gels that do not work well and cause significant scarring.

Synaero™ is the first HemCon Europe-launched product of a range of potential gel-based products. Synaero™ Hemostatic Gel represents the next step in ENT surgical hemostasis, introducing a surface-acting hemostatic gel that controls bleeding and maintains a patient airway after surgery. The gel, developed in conjunction with and distributed by ENTrigue Surgical Inc. ("ESI"), contains HemCon's proprietary formulation of oxidized cellulose, a material with a proven history of hemostatic capabilities.

Application onto nasal mucosa provides hemostasis without the need for packing, giving surgeons clear visibility of the surgical field, allowing for more precise and faster procedures, as well as increased patient comfort. The hemostatic gel effectively controls oozing bleeding and is being used during and after sinus surgery.

Synaero™ Hemostatic Gel

i. Consumer Products / OTC Products: m•doc™-Based

A number of m•doc™ delivery systems have been developed for use on particular wound types and are sold as OTC hemostatic solutions in a co-branded/private label distribution policy.

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HemCon Europe produces an aerosol spray containing m•doc™ powder for use in the OTC market. This spray is used to stop capillary bleeding from minor cuts, grazes, and surface wounds. On application, the spray quickly dries to a fine white powder, which on contact with the blood absorbs it and forms a soft artificial clot, stopping the bleeding quickly and efficiently. This does not need to be removed from the wound and reduces the risk of renewed bleeding. A shaker bottle containing m•doc™ powder for use in the OTC market is another HemCon Europe product.

A nasal plug has been devised for anterior nose bleeding wounds and epistaxis treatment. These are m•doc™-coated polyvinyl acetal ("PVA") plugs for use when nose bleeds occur. This product absorbs the flow of blood from the nasal cavity and assists in the formation of a clot.

Dressings of different sizes are also sold. m•doc™-impregnated dressings are plasters designed to stop bleeding from minor cuts, grazes, and surface wounds within one to two minutes. The newest products are hemostatic gels based on the m•doc™ platform. These gels are ideal for minor cuts and grazes, including those caused by shaving and for other surface wounds in visible areas.

Consumer Products / OTC Products

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j. Summary of Current Product Portfolio Structure

HemCon Product Line - Current Products	
	**GuardaCare®XR Surgical** Temporary Surgical Hemostatic Dressing: • Distributed through independent surgical reps (1099s) • Entered market January 2012 • Strong competitive advantage in controlling severe bleeding in OR • Application in multiple surgical disciplines
	**ChitoGauze®** Military focused chitosan coated gauze dressing • Exclusively represented by **North American Rescue** (NAR) for worldwide military sales • Promotion and sales ongoing but pending ISR recommendation • Positive results on NMRU testing showed ChitoGauze® to be an efficacious hemostat with the potential to be added to the military protocol list • Obtained CE clearance for EU sales
	**GuardaCare®** Acute care focused, chitosan coated gauze hemostatic dressings: • Launched in Sept 2010 • Pre-hospital and emergency medicine • Obtained CE clearance for EU sales
	**HemCon Patch®** Lyophilized chitosan, cath lab focused hemostatic dressing • Since October 26, 2012 sold directly by HemCon • Entered market in March 2009 • Product supported by ideal portfolio of clinical data • Competitive threats from low-cost new market entrants • Zeria Japan key product focus
	**HemCon® Dental Dressing** Lyophilized chitosan dressing for extraction and oral surgery use • Represented by **U.S.** and international distributors • Improved packaging and manufacturing initiatives underway • Zeria Japan key product focus
	**GuardIVa® Antimicrobial Hemostatic IV Dressing** Foam dressing with CHG and oxidized cellulose, ideal for catheters •
	**Synaero™ Hemostatic Gel** Oxidized cellulose hemostatic gel, specific for sinus and ENT surgeries • Exclusively represented by **ENTrigue Surgical** • Entered market October 2010 • CE clearance obtained and setting up international distributors

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m.doc™ Product Line
Multiple delivery systems of oxidized cellulose hemostat for the OTC market
- Distributed under private label across World
- Nasal Plugs available at Drugstore.com in U.S.
- Various First Aid kit opportunities available

2. Medical Device Market Opportunities

A product line such as HemCon's has many applications through a hospital's continuum of care. The surgical and wound care product portfolio focuses in hemorrhage control and infection control. In the wound care market, the HemCon product line is well established and generates revenue that supports the medical device division and serves as the springboard for new product development ideas. The surgical market has new potential that HemCon is now able to address with its latest product introduction.

The main market categories and respective products are identified below:

Market	U.S. Mkt Size & Trends	HemCon Product	Competition	International Strategy
Surgical	$450M CAGR (compound annual growth rate) 7%	GuardaCare®XR Temp Surgical	None directly 5 main in market	Submitting for CE (European Conformity) clearance. 2012 launch in Japan, Saudi Arabia, EU 2014
Military	$50M	ChitoGauze®	2+	Dependent on CoTCCC (Committee on Tactical Combat Casualty Care) approval
Interventional Cath Lab	$40M CAGR -10% Price erosion -30%	HemCon Patch	13	Launched in Japan. 2012 launch in Turkey and EU
Dental	$40M	HemCon Dental Dressing	2	Japan / EU
ENT Surgical	$35M	Synaero Hemostatic Gel	10-15	EU push
Trauma ED / EMS	$10M Stagnant market in U.S.	HemCon Bandages, ChitoGauze®, GuardaCare®	10+	Prometheus (UK)
Consumer	New for advanced hemostatic agents	First Aid	Multiple	m.doc well established in Europe via private brand. TRI kit strategy for USA

HemCon Main Market Categories

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a. Surgical Market

The largest market opportunity for HemCon is the surgical market. This market segment has significant potential for HemCon's products and is a focus of the Company's medical device operations. The entire worldwide surgical market for wound closure, suture, hemostats, sealants, tissue glues, and adhesions prevention products was $7 billion in 2006. It is expected to reach $10 billion by 2011, growing at a compound annual growth rate ("CAGR") of 7.5%. Hemostat products alone accounted for $595 million in 2006. The worldwide hemostat market was expected to increase at 7% through 2011, reaching $842 million. This growth is fueled by increased incidence of surgery, greater adoption of advanced hemostatic products within the United States, and the European surgical environment, and the need for improved hemostasis and infection control products during minimally invasive surgical procedures.

	2006 Total Wound/ Securement Mkt. ($ Million)	**Share of World**	**2006 Hemostat Mkt. Segment** ($ Millions)	**CAGR**	**2011 Hemostat Mkt. Segment** ($ Million)
U.S.	$3620	53%	$320	7%	$446
Japan	$ 699	10%	$ 60	3%	$ 84
Europe	$1121	16%	$ 95	4%	$135
ROW	$1295	21%	$120	4-5%	$177
Global Total	**$6735**	**100%**	**$595**	**5%**	**$842**

Global Hemostatic Surgical Market

More recent figures show a total global market share for 2011 of $741 million for hemostatic products (see graph below). GuardaCare®XR Surgical is classified as mechanical hemostats and competes favorably in this segment, but has the opportunity to take market share from other segments as well due to its broad bleeding control capabilities and applications across multiple surgical disciplines.

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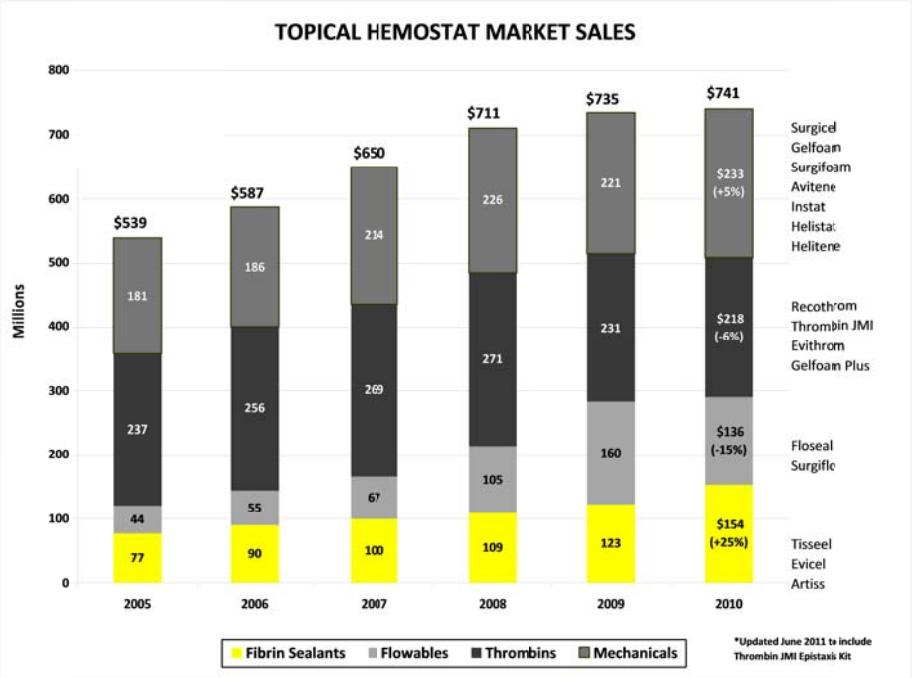

Topical Hemostat Market Sales 2005 – 2010 *Source: IMS Data*

The channel strategy for commercialization of GuardaCare®XR Surgical aims to maintain control over all aspects of the promotion of the product, as opposed to the Company's alternative methodology of appointing distributors. HemCon has attempted to do so by creating a sales network that combines specialty surgical dealers and independent surgical representative agencies, managed directly by HemCon. Since product launch at the beginning of the year, success has been limited. This is believed to be due in part to the uncertainty resulting from HemCon's voluntary petition under Chapter 11, lack of clinical data for specific surgeries, and the consequential lack of commitment to HemCon products by HemCon's independent surgical representatives. A total re-examination of the marketing and distribution model is anticipated once additional resources are available.

b. Wound Care and Infection Control Market

Outside the operating room, wound care is a major healthcare market with an estimated value of $10 billion in 2007, predicted to grow to $12.5 billion in 2012. The $4.6 billion global advanced wound care segment is the fastest growing area, with double-

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digit growth of 10% per year. The market is characterized by a steady advancement in technology and products that are more clinically efficient, cost-effective, and more broadly applicable than conventional treatments.

In the United States, approximately 21 million annual reported procedures could use a HemCon dressing. The global market is estimated at twice the size of the United States market opportunity at 42 million annual procedures.

Nosocomial infections (hospital-acquired) affect approximately 2 million people in the United States and cost more than $11 billion to healthcare providers. In acute care settings, nosocomial infections are becoming a severe problem that is closely monitored by healthcare providers. Many microorganisms have developed resistance to common antibiotics and dangerous bacteria are lurking daily around hospitals and clinics. Methicillin-resistant Staphylococcus aureus ("MRSA") is one of the many growing problem organisms, as not only is it a danger for sick patients with open wounds, but it also infects healthy people, spreads easily, and accounts for many of the 90,000 fatal infections acquired in U.S. hospitals each year.

All of the HemCon dressings have advanced hemostatic capabilities and HemCon's external dressings offer antibacterial properties against a wide range of microorganisms, including MRSA and other nosocomial infections, as detailed in the table below:

		GuardaCare®	ChitoGauze®	HemCon Bandage Family	GuardIVa® Hemostatic Antimicrobial IV Dressing
Microorganism	Gram Stain	Log Reduction*	Log Reduction*	Log Reduction*	Log Reduction
Staphylococcus aureus (MRSA)	+	>5.0	>4.1	>4.0	5.50
Staphylococcus aureus (MRSA)	+	>5.1	>4.2	-	-
Staphylococcus epidermidis (MRSE)	+	>4.4	>4.2	>5.2	5.53
Pseudomonas aeruginosa	-	>5.1	>4.1	>4.3	5.76
Enterococcus faecalis (VRE)	+	>5.4	>4.0	>5.4	5.52
Acinetobacter baumanii	-	>5.2	>4.4	>4.2	5.55
Citrobacter freundii	-	>5.2	>4.3	>4.3	-
Enterobacter cloacae	-	>4.9	>4.1	>4.2	-

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Microorganism	Gram Stain	GuardaCare® Log Reduction*	ChitoGauze® Log Reduction*	HemCon Bandage Family Log Reduction*	GuardIVa® Hemostatic Antimicrobial IV Dressing Log Reduction
Streptococcus mutans	+	>4.7	>4.0	>5.2	-
Streptococcus pneumoniae	+	>5.4	>5.1	5.8	-
Escherichia coli	-	>4.9	>4.1	>5.2	5.58
Klebsiella pneumoniae	-	>5.2	>4.0	>5.3	4.83
Streptococcus pyogenes	+	5.0	>4.2	>5.5	-
Salmonella choleraesius	-	>4.6	>4.1	>5.1	-
Stenotrophomonas maltophilia	-	>5.1	>4.0	>5.1	-
Citrobacter koseri	-	>4.7	>4.1	-	-
Proteus mirabilis	-	>5.0	>4.2	>5.2	-
Proteus vulgaris	-	>4.6	>4.3	>4.8	-
Moraxella catarrhalis	-	>4.9	>4.1	>4.1	-
Clostridium difficile	+	>5.0	>4.0	>5.0	-
Shigella species	-	>4.3	>4.0	>5.3	-
Micrococcus luteus	+	>5.0	>4.0	4.9	-
Vibrio cholerae	-	>4.0	>4.1	>4.9	-
Enterobacter aerogenes	-	>5.0	4.8	>5.0	-
Enterococcus faecalis (VRE)	+	>5.3	2.6	-	-
Serratia marcescens	-	>4.5	5.0	5.0	-
Candida Albicans		-	-	--	4.72
Aspergilluls Niger					4.20

* Only single strains of most species mentioned have been tested. The clinical utility of these results is unknown.

- Denotes that the organism was not tested

c. Interventional Cath Lab

Focusing on the cath lab, in 2006 nearly 6 million catheter procedures took place in North America. These numbers are expected to continue growing at modest rates, reaching 17.5 million procedures globally by 2013. The majority, 69%, of these procedures were closed with manual compression techniques, and this is a decreasing trend as more advanced external patches become available. By 2013, it is estimated that external patches will be used on 17% of vascular procedures, or 3 million patches worldwide. The United States market for external patches alone will consume 1.28 million units and is valued at nearly $44 million. U.S. and E.U. sales currently make up 80% of the market and will continue to experience modest growth, while emerging countries grow at rates over 5%. Growth is fueled by aging populations, global prevalence of cardiovascular and peripheral

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disease, adoption and growth of noninvasive procedures, and the emergence of developing countries with improved healthcare.

Since the product's 2009 launch, the HemCon Patch has been sold in the United States through the Company's distributor, Cardinal Health. On October 26, 2012, this relationship was terminated and since then HemCon has sold directly. Initial signs of this transition to HemCon are encouraging, with 88% of product revenues being contractually transferred to the Company. Internationally, the product is CE-marked, and is available through a variety of specialized distribution partners across Europe, Africa, and Asia, with successes also in Turkey, Italy, Scandinavia, South Korea, and Japan.

Territory	Regulatory Status
U.S.	Approved for Sale
Canada	Approved for Sale
Europe	Approved for Sale
Japan	Approved for Sale
Israel	Approved for Sale
South Africa	Approved for Sale
South Korea	Approved for Sale
Mexico	Registration in Process
Argentina	Registration in Process

Cath Lab Sales Territories

d. Military Market

Uncontrolled hemorrhage resulting from traumatic injuries continues to be the leading cause of preventable death in both the civilian and current military environments, accounting for up to 40% of civilian and 50% of combat-related deaths. Uncontrolled extremity or otherwise compressible hemorrhage remains the leading cause of preventable battlefield death.

HemCon has a strong history and products that have been tested repeatedly and used successfully for over eight years in actual life-saving emergencies, saving hundreds of lives. ChitoGauze®, although not formally mandated, is the hemostat of choice of the U.S. Army Special Operations Command and by several other military units with their own decision power. With the current middle eastern conflict winding down, the deployment of

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troops overseas will slow, and assuming the current conflict comes to an end and the troops begin to return home, the war time numbers will be reduced. However, the Department of Defense will continue to support missions throughout the world that will necessitate a hemostatic device.

North American Rescue ("NAR") is the exclusive worldwide distributor for a line of ChitoGauze® product for military sales. NAR is focused on decreasing preventable death by providing the most effective and highest quality mission-critical medical products to the military, federal agencies, civilian law enforcement, emergency medical services, and pre-hospital life savers. Some key international distribution partners are supporting the introduction and adoption of ChitoGauze® with their respective militaries.

Territory	Regulatory Status
U.S.	Approved for Sale
Canada	Approved for Sale
Europe	Approval for Sale
Israel	Approved for Sale
Japan	Approved for Sale
South Africa	Approved for Sale
South Korea	Registration in Process
Argentina	Registration in Process

Military Sales Territories

e. Dental

During 2005-2006, a total of 119.5 million oral and maxillofacial procedures were conducted in the United States. Of those procedures, HemCon conservatively estimates that 4.48 million patients experienced bleeding that justified the use of a HemCon dressing. The majority (87%) of these procedures were performed by oral and maxillofacial surgeons. HemCon estimates the market opportunity for all select dental specialties to be over $43.6 million as shown in the table:

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Total U.S. Procedures		# Procedures Experiencing Bleeding*		
		Conservative	Average	Optimistic
OMS	57,427,790	3,897.988	15,059.171	28,183,538
Prosthodontics	5,655,170	282,759	1,555,172	2,827,585
Periodontics	17,907,730	288,127	684,705	1,081,283
Endodontics	613,220	14,967	86,281	157,596
Total	81,603,910	4,483,840	18,395,329	32,250,002

Dental Procedural Market Experiencing Bleeding

The United States potential market is expected to experience a growth of 6.8% for the period 2005 to 2010, representing an average compounded annual growth of 1.4%. Internationally, it is expected that these numbers are even higher, especially in developing countries where these technologies are not as widespread. However, this is a market that has been difficult for HemCon to penetrate due to the lack of a hemostatic indication, and partially fueled by HemCon's pricing structure, coupled with dentists' reluctance to use a premium product. HemCon is currently reviewing its cost base and pricing structure for the product with the goal of moving the dental dressing to become a standard of care and increasing its revenues for this product significantly.

Surgicel from J&J and Gelfoam from Pfizer are the most notable competitive products on the market. While they have strong brand presence, the products tend to be less efficacious without the use of thrombin. Some of the competitive products swell, pop out of extraction sites, are difficult to place, and don't stay in place without suturing. Gelfoam also cannot be used with antibiotic agents. Few new products have entered the market and prices have remained stable. This is partially due to the FDA's lengthy and expensive PMA regulatory requirements for oral hemostats.

In the United States and Europe, HemCon Dental Dressing is available through different distributors. Zeria Pharmaceuticals in Japan also carries the dental product and is having success due to the large number of tooth extractions in the country. European and other international sales are at an advantage in that they are able to promote the product

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with a hemostatic claim. In the United States this is the only HemCon product that does not carry a hemostatic claim, due to different regulations within the FDA for oral devices.

Territory	Regulatory Status
U.S.	Approved for Sale
Canada	Approved for Sale
Europe	Approved for Sale with Hemostatic Claim
Japan	Approved for Sale with Hemostatic Claim
Israel	Approved for Sale
South Africa	Approved for Sale
Other	Registrations in Process

HemCon Dental Dressing Sales Territories

f. Trauma ED / EMS Market

The National Trauma Institute reports that in the United States, trauma is the leading cause of death in people aged 1 to 44, responsible for over 160,000 deaths annually. There are 37 million emergency department visits in a single year; 15% of these cases will have moderate to severe bleeding, representing 5.5 million bleeding wounds in emergency departments in the United States alone. The emergency department wounds are unpredictable and hard to trend, as they are indeed emergency procedures. This market is difficult to penetrate due to the fragmented demand.

Territory	Regulatory Status
U.S.	Approved for Sale
Canada	Approved for Sale
Europe	Approved for Sale
Japan	Approved for Sale
Israel	Approved for Sale
South Africa	Approved for Sale
South Korea	Approved for Sale
Mexico	Registration in Process
Argentina	Registration in Process

EMS Trauma Sales Territories

g. Consumer Market

There are approximately 40 million prescriptions written for the three leading blood-thinners (Plavix, Warfarin, and Coumadin) in the United States each year. HemCon believes there are over 10 million people in the United States on a prescription anticoagulant. HemCon estimates there are approximately 19 million people in the United States over the

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age of 65 on some type of aspirin therapy. These prescription and non-prescription medications affect the body's normal ability to stop bleeding to varying degrees. Consequently, these patients are at constant risk of sustaining injuries or wounds that do not easily clot and therefore suffer from extended bleeding. In addition, it is estimated that 2 million people in the United States have some form of genetic coagulopathy, such as von Willebrand's disease or hemophilia. Current methods of stopping uncontrolled bleeding are either costly or are unable to quickly stop bleeding, often requiring the patient to visit an emergency room. The HemCon Strip FIRST AID, available from retail outlets such as Drugstore.com, is a solution that has the potential to become a more widely used product. In support of this, HemCon recently signed a United States distributor to sell certain of HemCon's consumer products range into the retail and first aid market. Revenues are anticipated to commence from this distributorship in mid-2013.

h. Sales and Marketing

For HemCon's Medical Device Division, the Company markets its U.S. products through a very small direct sales force, independent surgical representatives, independent representatives and strategic licensing and partnering agreements.

Sales to the military are through North American Rescue. Through certain members of senior management, its board of directors, its sales force, and distribution partners, HemCon has long-standing relationships with the U.S. military and its allies.

3. Medical Device Research and Development

a. Research

HemCon conducts research in-house and also utilizes contract service providers as required while maximizing available grant opportunities. Grant-funded research into a potential absorbable surgical hemostat, as well as potential burn dressings, scar reduction and wound healing dressings, and others, is underway. The lyophilized plasma

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opportunity leading to the development of LyP is a good example of success coming from such grant-funded research.

b. Product Development

With a track record of introducing innovative products based on HemCon's core technology available on an international level, HemCon has a large and market-focused product pipeline in place designed to improve the standard of care with new and exciting product offerings. More recently, product development has been minimal due to downsizing; however, the potential to develop further products from HemCon's technology platforms is substantial.

B. LYP PRODUCTS PRODUCT DEVELOPMENT

As discussed above under "Summary of the Plan" on page 4, all of the assets relating to Debtor's lyophilized human plasma program ("LyP") will be transferred to a new company, NewCo. NewCo will be independent to HemCon and the Reorganized Debtor.

1. Lyophilized Human Plasma Program

The vision of NewCo will be to become the leading global plasma resuscitation company. The company expects to launch its first plasma product, single-donor LyP, by 2017. NewCo also plans to pursue commercial container revenue and licensing opportunities with global plasma partners. To date, HemCon has already been approached by research institutions to assist with studies designed to expand the current indications. LyP also plans to leverage its extensive plasma know-how to develop a pipeline of lyophilized plasma related products.

a. The Limitations of Frozen Plasma

Early administration and higher initial doses of plasma in trauma patients have been proven in numerous retrospective studies to increase survival rates. Evidence reported by recent observations in combat environments indicates that plasma should be delivered in combination with red blood cells in a ratio of 1:1 for patients who are in hemorrhagic shock

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and coagulopathic. This is a significant change in itself from the historic 6:1 ratio. The new 1:1 ratio demonstrated a 40% decrease in mortality in a combat support hospital and numerous retrospective studies now support the use of giving plasma faster and in the new 1:1 ratio to reduce mortality. The major problem is that today plasma cannot meet the newly-instated early transfusion requirements. It is stored frozen; is susceptible to bag breakage; and is type-specific, requiring the blood bank to safely match its type to the patient's blood type, making administration difficult.

b. Lyophilized Human Plasma

In 2008, HemCon was awarded military funding to develop a lyophilized (freeze-dried) human plasma product ("LyP") to improve survival rates of soldiers experiencing bleeding and coagulopathy. Funding awarded in the form of a Cooperative Agreement has now totaled $33.5 million. To date, $25 million has been distributed by the U.S. Army and spent by HemCon, Inc. under the Cooperative Agreement. Distributions have been suspended by the U.S. Army.

As LyP has been classified as a blood product, HemCon is required to complete a full set of clinical trials prior to applying for FDA licensure. LyP is due to enter Phase II clinical trials as soon as adequate funding to start the trial is assured, with the goal of gaining FDA licensure in the timeframe of 2015 to 2017, depending upon the extent of regulatory requirements to be met and assuming successful development. Completion of the clinical trials will be dependent upon Plan confirmation and availability of adequate funding.

FDA licensure will be required for the United States for LyP due to its classification as a blood product. However, a similar full set of clinical trials will not be required to obtain a CE Mark for LyP in the European Economic Area. This provides the possibility of commercializing LyP at an earlier date in Europe compared to the United States.

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LyP has both military and significant commercial market opportunities. The commercial market includes a replacement for fresh frozen plasma as a ready-to-use product. There is potential application in trauma, surgical bleeding, pharmaceutical indications, blood banking, stockpiling, and in the veterinary field. There is also the possibility of broader application of components of the product, namely the delivery device unit, in other settings.

Potential funding opportunities exist through the Biomedical Advanced Research and Development Authority ("BARDA"), to address a gap in emergency preparedness of our country's blood supply. The ability to stockpile blood products for use in emergencies will represent a significant advancement in the ability to respond in an emergency. LyP offers a tangible solution to that gap since it can be stored without the use of freezers, can be prepared rapidly, and has a longer shelf life than current fresh frozen plasma.

HemCon is also engaged in developing a universal lyophilized dried plasma product that would provide a plasma product that could be used in patients with any blood type. Subject to identifying other funding, NewCo intends to incorporate universal LyP into the later stages of its clinical trial regimen. Today naturally-occurring universal AB plasma is found in only 4% of the population, and creating a universal LyP Product has the potential to increase the universal supply of plasma to 40% of blood donated. Market analysis by HemCon suggests that a universal LyP Product could allow plasma to be stored outside the blood bank and could speed plasma availability to the patient. This would be a substantial benefit in general, as well as a cost saving. Universal plasma could also have potential with regard to pharmaceutical applications.

The success of the LyP Product has yielded additional research opportunities and partnerships, with the potential to expand the indications for use of LyP onto a broader pharmaceutical platform, including markets for the treatment of traumatic brain injury and sepsis.

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c. The Lyophilized Plasma Market

Over 5.1 million units of plasma will be transfused in the United States in 2016. Given the premium price of LyP over the cost of today's frozen plasma, NewCo will target 37% of the market requiring "urgent" plasma, which equates to over 1.9 million units, which at $200 a unit results in a $380 million market opportunity. Studies are also being conducted for the use of plasma in patients with traumatic brain injury and considered for sepsis. If plasma is shown to improve patient outcomes in these patient populations, the "urgent" plasma market estimates would increase significantly.

Additional revenue upside from sales of LyP, its container, and licensing in the global marketplace is anticipated. The global market is viewed in terms of either developed or developing countries. While developed countries are meeting 80% of their blood product needs, developing countries are meeting only 40% of their requirements. Less organized collection systems, limited access to freezers, and frequent power outages are limiting the supply of plasma in developing countries. They also face an increasing demand for quality blood products, growth in surgical procedures, escalating populations, and a slower adoption of the new 1:1 plasma ratios. Hence, developing countries are failing to meet their plasma needs. Given differences in regulatory pathways abroad, international commercial opportunities may occur earlier than HemCon's U.S. sales estimates.

d. Lyophilized Plasma Development Competitive Landscape

HemCon's lyophilized plasma product (LyP) begins with licensed, freshly frozen ($\leq$ -18° C $\leq$ 8 hour post whole blood donation), pathogen-screened, traceable, single donor plasma, designated as Fresh Frozen Plasma ("FFP"). HemCon further controls the FFP according to best practice by selecting only male donor FFP with proposed future screening against HLA and HNA antibodies. Subsequent sterile transfer and lyophilization (freeze drying) of LyP in a unique, rugged plastic container allows for rapid reconstitution and the preservation of product integrity. Because LyP's starting product is FFP, and

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because lyophilization of LyP produces minimal changes in plasma protein activity, the United States Food and Drug Administration ("FDA") has designated HemCon's lyophilized plasma (LyP) as a minimally manipulated blood component. Competitive dried plasma products being developed in the United States use pooled, pathogen reduced plasma and/or processes that affect protein activity that will require a Biologic Drug designation.

The U.S. competitive environment for licensure of a dried plasma product will be limited because of the high barrier to entry for FDA licensure of products that require a traditional drug development path with Phases I and II clinical trials to generate safety data and a pivotal Phase III trial to demonstrate safety and efficacy. HemCon's LyP is presently ready to commence Phase II warfarin and liver trials. Neither U.S. competitor has commenced Phase I trials. Two European groups currently produce lyophilized plasma but the Company believes these groups do not intend to market in the US. A third competitor with European sales of a pathogen reduced solvent detergent pooled plasma has indicated it will enter the lyophilized plasma market but is yet to sell its solvent detergent plasma in the U.S. or to file an IND for a U.S.-based Phase I lyophilized plasma trial.

The majority of competitors are using pooled source plasma from paid donors as their starting material whereas HemCon uses FFP from screened, unpaid donors, which is considered the FDA's plasma gold standard: FFP has been proven to be safe and effective in millions of transfusions in the US. For manufacture of protein therapies from pooled plasma, FDA requires viral reduction methods to reduce the risk of viral contamination. One such method is solvent detergent treatment and is used by several competitors. Residual solvent and detergent are extracted from the solvent detergent treated plasma as part of the manufacturing process. This manipulation leaves a small amount of solvent detergent residue in the plasma and affects clotting and anticlotting protein activity. Concerns with solvent detergent treatment are summarized in a recent FDA position paper from the BPAC meeting held in May 2012, noting that solvent detergent treated products have shown

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decreased Protein S activity. Reduction in Protein S is of clinical concern because it can increase the risk of thromboembolic events (stroke or blood clots).

Two U.S.-based competitors are developing a novel spray drying process in the preparation of dried plasma. Spray drying of plasma does not provide for the controlled long residence, low temperature drying conditions available with lyophilization. Because of the considerably shorter residence time in spray drying, residual moisture is significantly higher than moisture levels achieved using lyophilization. The lowest moisture levels with spray drying are reported to be 2-5% w/w. To ensure product stability, it is generally known that moisture level in lyophilized protein products should be no more than 1% w/w. The process of spray drying itself requires use of elevated pressure and temperature during the drying process that can alter protein structure, which in turn may result in decreased potency and stability of the product. In contrast to spray drying, lyophilization of proteins, and especially plasma, provides for excellent control of the drying process at low temperature thus ensuring reliable long-term product stability. HemCon has data demonstrating excellent retention of clotting factor activities using their proprietary lyophilization cycle. Further support for lyophilization's minimal impact on plasma protein activity is found in a proteomic study evaluating protein structure before and after lyophilization and supports lack of change in protein conformations post-lyophilization.

HemCon's lyophilized container for plasma ("LCP") is a unique rugged plastic (polypropylene) design that protects and preserves the integrity of the lyophilized plasma product during processing, storage, and reconstitution. The LCP enables optimal freezing structure, providing for ease of drying to low moisture (≤1% w/w) and for rapid reconstitution and administration. Also, the LCP eliminates the current problem of plasma bag breakage associated with U.S. Military fresh frozen plasma use that is estimated to effect up to 40% of overseas shipments. French and German lyophilized plasma manufacturers are using open glass bottles that are unsuitable for single donor plasma use. These glass bottles

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are bulky, prone to breakage, provide for less than optimal freezing structure, and have long reconstitution times as a consequence.

e. Development and Clinical Trial Pathway

The U.S. Army Medical Materiel Command has made development of lyophilized human plasma a top priority to provide access to life-saving plasma in severely wounded soldiers. LyP has completed a successful Phase I clinical trial, and will start its Phase II trials at nine clinical trial sites throughout the U.S. as soon as adequate funding to start the trials is available. Completion of the clinical trials will be dependent upon formation of NewCo and availability of funding.

HemCon's ULyP has also received development funds. It intends, on the provision of additional funding, to incorporate ULyP into later stage clinical trials. To help gain market acceptance of the universal ProMetic resin technology and potentially drive earlier sales, the development of a universal medical device that would only require a 510(k) registration is being evaluated. The device would be sold to blood collection centers, which would run recently-collected Type A plasma through the device and filter it to create Universal Type AB plasma prior to freezing. The device would turn what is now a 4% universal supply into a 40% supply.

f. Sales and Marketing

For the LyP Product, NewCo will aim to work with both National and Regional Blood Centers (e.g., American Red Cross, Puget Sound Blood Center, and New York Blood Center) to form channel partnerships for the supply of LyP to hospital blood banks. These partners could serve as both raw material suppliers, providing fresh frozen plasma and then to distributors of the final LyP Product. Blood centers are very influential in the blood banking market and their endorsement of LyP will be essential to the ultimate success of the product. In addition, many hospitals prefer to obtain all their blood products

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from one supplier and, therefore, the blood centers will get a small margin for the logistical services.

Education and sales efforts will either come from NewCo directly, utilizing a dedicated direct sales force, or through a Global Strategic Blood Partner with an existing sales and marketing infrastructure. Potential strategic partners include: CSL Behring, Baxter, and CaridianBCT. Market adoption is expected to be slow given historical adoption rates of previous blood products, the conservative nature of blood bankers, and the complexity of departments involved in the storage, preparation, and use of LyP.

2. Universal Plasma

It is intended that the launch of the single-donor lyophilized plasma product will be followed by a single-donor Universal product that utilizes the ProMetic technology. If the FDA permits, it is intended to incorporate ULyP into later stage clinical trials.

To help gain market acceptance of the universal ProMetic resin technology and potentially drive earlier sales, the development of a Universal Medical Device that would require a 510(k) registration is being evaluated. The device would be sold to blood collection centers, which would run recently-collected Type A plasma through the device and filter (patent to be filed) to create Universal (Issoaglutinin reduced) plasma prior to freezing. The device would turn what is now a 4% universal supply into a 40% supply.

3. Additional Plasma Opportunities

While these products will have the potential to revolutionize the industry, early research has been conducted on a series of additional products to expand its product portfolio and plasma indications. Concentrated lyophilized plasma and lyophilized platelet rich plasma are two opportunities. Significant military and commercial interest also exists for combination products that include factor concentrates, plasma plus oxygen carriers, and a multifunctional resuscitation fluid of stabilized dried platelets, plasma, and oxygen carrier.

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V. THE BANKRUPTCY CASE

A. THE BANKRUPTCY FILING

In response to the March 15, 2012 decision of the U.S. Court of Appeals for the Federal Circuit affirming the District Court Judgment against HemCon and in favor of MPT, HemCon filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code on April 10, 2012. The purpose of filing the Chapter 11 was to preserve the operating value of Debtor and restructure its finances in a manner that would allow the Company to thrive and continue in the production and development of lifesaving products and technologies.

B. "FIRST DAY" AND OTHER OPERATIONAL ORDERS

At the beginning of the Bankruptcy Case, the Bankruptcy Court entered several orders that Debtor requested for purposes of maintaining ongoing business operations and to ensure that the Chapter 11 filing would not disrupt Debtor's operations. These orders, among other things, granted relief necessary to facilitate Debtor's transition between pre-petition and post-petition business operations. The orders included authorization to use cash collateral, determine adequate assurances to utility companies, and authorize the payment of pre-petition wages, salaries, compensation, expenses, benefits, and related taxes.

C. EMPLOYMENT OF PROFESSIONALS

Debtor has retained Tonkon Torp LLP as its general counsel in this case. Debtor also sought and obtained Bankruptcy Court approval for the employment of Miller Nash as special purpose counsel in connection with corporate, intellectual property, litigation, and acquisition matters. Debtor has retained Obsidian Finance Group LLC as its financial consultant. Moss Adams has been engaged to assist Debtor with tax and accounting matters. Debtor has also been authorized to retain, employ, and compensate ordinary course foreign patent professionals utilized by Debtor for foreign patent matters.

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D. CREDITORS' COMMITTEE

The U.S. Trustee's office appointed an Official Unsecured Creditors' Committee pursuant to Sections 1102(a) and (b) of the Bankruptcy Code in this Chapter 11 Case ("Creditors' Committee"). The Creditors' Committee is comprised as follows:

Marine Polymer Technologies, Inc.
c/o Sergio Finkielsztein, CEO
107 Water Street
Danvers, MA 01923

Puget Sound Blood Center
c/o Robert J. Gleason, CFO
921 Terry Avenue
Seattle, WA 98104

Cardinal Health 200, LLC
c/o Tyronza Walton
Manager, Credit Underwriting
7000 Cardinal Place
Dublin, OH 43017

The Creditors' Committee has retained David A. Foraker and the firm of Greene & Markley PC, 1515 SW Fifth Avenue, Suite 600, Portland, Oregon 97201, as legal counsel.

VI. ASSETS AND LIABILITIES

A. ASSETS

1. HemCon Europe

Debtor has a 100% interest in Castlerise Investment Limited, which is the holding company for HemCon Medical Technologies Europe, Ltd. ("HemCon Europe"). HemCon Europe develops, manufactures, and markets innovative hemostasis control products for the healthcare market. HemCon Europe is solely focused on bringing products to the professional healthcare market and consumer health solutions to the general public.

HemCon Europe has its main office in Dublin, Ireland; maintains a small assembly facility in Jicin, Czech Republic; and R&D laboratories in Tisnov, Czech Republic.

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HemCon Europe employs three staff in Ireland and nine staff in the Czech Republic. Both its professional and consumer-based products are sold through multiple distributors.

HemCon Europe had two commercialized medical devices in the professional wound care market: GuardIVa®, an antimicrobial hemostatic dressing IV intended for use with catheter insertion sites; and Synaero™, a hemostatic gel for post- and intra-operative ENT use. HemCon Europe also has a portfolio of consumer products sold as co-branded or private label in the wound care market.

On December 21, 2012, the Bankruptcy Court entered its Order authorizing HemCon to sell its GuardIVa® infection control product plus associated intellectual property and trademark to Bard Access Systems, Inc. The sale closed on February 6, 2013. Refer to the section above entitled "Summary of the Plan" on page 4.

2. Synedgen, Inc.

HemCon owns 100,000 shares of Series A Preferred Stock in Synedgen, Inc. ("Synedgen"), which it acquired for $25,000 in 2009. Synedgen was founded in 2009 and is focused on the development of new treatments based on a natural polysaccharide pharmaceutical to enhance wound healing, reduce infection and inflammation, and to develop life-saving treatments and preventative measures against drug resistant microorganisms, all of which will have significant impact on U.S. military troops, as well as U.S. and international health care. Synedgen research has led to the development of a platform of polymer derivatives and varied applications that specifically address the unmet need for therapies targeted to complications in patients with cystic fibrosis, oral care, respiratory tree or GI tract, tissue damage, and treatments for bacterial infections, including infections involving bacteria that have developed resistance to traditional antibiotics. Synedgen is currently in the preclinical research and development phase. HemCon is in the process of negotiating for the sale of its shares back to Synedgen.

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3. IP Portfolio

HemCon has a robust portfolio of patents both in the United States and internationally in its primary commercial markets. The Company has its own proprietary technologies and licensed technologies across its medical platforms. Broadly speaking, HemCon seeks to protect the technology itself, the process of manufacture, and the individual applications of the technology. The table below is a summary of the current patent status of HemCon at the time of this document's creation.

Platform	US Granted	US Pending	OUS Granted	OUS Pending
Plasma	1	5	0	13
Chitosan	6	8	12	25
Oxidized Cellulose	4	3	23	20
Total	**11**	**16**	**35**	**58**

U.S. and OUS Granted and Pending HemCon Patents

4. Chapter 5 Claims

Debtor has not yet completed its investigation of potential claims against parties under Chapter 5 of the Bankruptcy Code, including claims for recovery of preferences. However, at this time it does not appear that there will be any significant Chapter 5 claims.

5. Claims Against and Settlement With Cardinal Health

Debtor believes it has claims against Cardinal Health 200, LLC relating to an exclusive distribution agreement dated December 1, 2009, pursuant to which Cardinal Health 200, LLC was the distributor of various products manufactured by Debtor (the "Distribution Agreement"). Cardinal Health 200, LLC filed a motion for relief from the automatic stay for the purpose of terminating the Distribution Agreement. On August 24, 2012, the Bankruptcy Court entered a Stipulation and Order Granting Cardinal Health 200, LLC Relief from Stay, for Cause, to Terminate a Certain Agreement providing for the termination of the

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Distribution Agreement effective October 26, 2012. After Debtor instituted the present bankruptcy case, and while the Distribution Agreement was still in effect, Cardinal Health 200, LLC widely distributed promotional materials that disparaged Debtor's products and took other actions apparently intended to encourage customers to switch to products from other manufacturers. Debtor's business and reputation were damaged as a result of Cardinal Health 200, LLC's actions, giving rise to potential claims against Cardinal Health 200, LLC for defamation, false advertising, unfair competition, interference with business relations, breach of contract, and other claims. Cardinal Health 200, LLC vehemently denies that Debtor has any cognizable claims against it and will vigorously defend any such claims.

Debtor has rejected its Distribution Agreement with Cardinal Health Canada dated as of May 1, 2010, as amended by Amendment No. 1 dated February 1, 2012. As a result, Cardinal Health Canada may have a Rejection Claim. Debtor has no present knowledge of any claim against Cardinal Health Canada. In order to avoid the expense and uncertainty of litigation, Cardinal Health 200, LLC and Cardinal Health Canada (together "Cardinal") and Debtor have reached a settlement pursuant to which Cardinal will release all claims it has or may have against Debtor, including its Unsecured Claim for $1,211,031.09 filed as Claim 46, and any Rejection of Claim, and Debtor will release all claims it has or may have against Cardinal. The mutual releases are incorporated into the Plan.

6. Equipment

Debtor owns certain equipment that is used in connection with its manufacturing operations. The resale value of the equipment is not significant. In addition, HemCon has possession of certain equipment that is owned by the United States. The equipment is listed in Debtor's Statement of Financial Affairs filed at Docket #67. The Army has inquired whether Debtor has an interest in acquiring the Army's equipment. Neither Debtor nor Reorganized Debtor have any interest in acquiring the equipment. NewCo may or may not have an interest in acquiring the equipment.

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B. LIABILITIES

1. Bank of America

The secured debt of the Company is held by three different lenders (Bank of America, Bank of the West, and Silicon Valley Bank) evidenced by Notes to the lenders dated February 21, 2008, and a certain Credit Agreement dated as of February 21, 2008, as amended by a First Amendment to Credit Agreement dated as of September 18, 2008, a Second Amendment to Credit Agreement dated as of October 17, 2008, and a Third Amendment to Credit Agreement dated as of November 3, 2009 (collectively, the "Credit Agreement") wherein Bank of America is the administrative agent, letter of credit issuer, and swing line lender (collectively hereafter "Bank"). The maximum amount of the loan was $37 million and was principally utilized to acquire Alltracel Pharmaceuticals PLC, an AIM-listed and Dublin, Ireland-based company, in May 2008. Debtor and Bank are parties to various other loan and credit agreements, and security and pledge agreements, pursuant to which the Bank asserts it holds security interests and liens in and upon certain personal property of Debtor more particularly described in the agreements, including, without limitation, certain of Debtor's cash and deposit accounts, inventory, accounts, equipment, negotiable instruments and general intangibles, and payments, proceeds, products, offspring, rents, or profits resulting from the use, lease, sale, or disposition thereof. Deposit accounts in which prepayments were made by the United States of America, Department of Defense, to Debtor pursuant to certain contracts ("Defense Department Deposit Account") are excluded from the Bank's collateral. The Bank's asserted charging interest in the shares of Castlerise Investment Limited is limited to 65% of the shares of that entity. The Bank filed a Proof of Claim as a Secured Creditor in the sum of $22,720,035.37 as of the Petition Date, including principal, interest, fees, and costs. The Bank has been paid $500,000 since the Petition Date.

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2. Washington County

Washington County asserts a Secured Claim for unpaid personal property taxes due both pre-petition and for taxes accrued after the Petition Date. The approximate amount of Washington County's filed Claim is $450,000. Debtor believes the Proof of Claim of Washington County was not timely filed.

3. Unsecured Claims

The Proof of Claim deadline was August 3, 2012. For governmental entities, the Claims deadline was October 7, 2012. Debtor has not yet begun the process of auditing filed Proofs of Claim. Debtor's schedules list 42 General Unsecured Creditors with Claims of approximately $39 million. Three of those Creditors' Claims total over $35 million, of which the largest is Marine Polymer at $34.2 million relating to the litigation discussed in Section III.E above. As discussed in Section III.E above, HemCon will continue to review its position, with respect to the patent litigation case, in seeking a rehearing and appealing to the Supreme Court during the period up until Confirmation of its Plan, and then will determine the most appropriate course of action. HemCon or NewCo must seek the rehearing or the appeal within 30 days of the Effective Date or the Marine Polymer claim will be deemed allowed in full. There are 27 Unsecured Creditors listed in the schedules with claims of $4,000 or less. Proofs of Claims were filed by 49 Unsecured Creditors. It is estimated that General Unsecured Claims could be up to approximately $45 million.

4. Professionals and Other Administrative Expense Claims

Administrative Expense Claims in this case will primarily consist of the Allowed Claims of Debtor's professionals, including Tonkon Torp LLP, Miller Nash LLP, Obsidian Finance Group LLC, Moss Adams LLP, ordinary course foreign patent professionals utilized by Debtor for foreign patent matters, and others. In addition, Administrative Expense Claims will include Claims of the Creditors' Committee's counsel, Greene & Markley PC.

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In addition to the Administrative Expense Claims of professionals employed in the Bankruptcy Case, entities holding Claims for any goods received by Debtor within 20 days before the date of commencement of the Case that had been sold to Debtor in the ordinary course of business are entitled to an Administrative Expense Claim under Section 503(b)(9) of the Bankruptcy Code. Debtor is in the process of auditing these Claims and estimates that the amount will be approximately $65,000. The total estimated amount of Administrative Expense Claims will be set forth in Debtor's Pre-Confirmation Report and memorandum to be filed by Debtor prior to the Confirmation Hearing.

5. Executory Contracts

The Plan provides that existing executory contracts and unexpired leases will be assumed and assigned to Reorganized Debtor or NewCo, rejected, or "ride through" the Bankruptcy Case. Debtor will file a motion on or before the Confirmation Date seeking to assume or reject those contracts it intends to assume or reject. Any executory contract or unexpired lease not subject to such motion will ride through the Bankruptcy Case. In the event an executory contract is rejected, the affected Creditor must file any Claim based upon the rejection within 30 days of the Effective Date or the date the rejection order is entered, whichever is later.

VII. DESCRIPTION OF PLAN

A. UNCLASSIFIED CLAIMS

Administrative Expense Claims and Priority Tax Claims are not classified. An Administrative Expense Claim is a Claim against Debtor constituting an expense of administration of the Bankruptcy Case allowed under Section 503(b) of the Bankruptcy Code including, without limitation, the actual and necessary costs and expenses of preserving the estate and operating Debtor's businesses during the Case; Claims for the value of goods received by Debtor within 20 days before the Petition Date sold in the ordinary course of business; any indebtedness or obligations incurred by Debtor during the pendency of the

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Case in connection with the provision of goods or services to Debtor; compensation for legal and other professional services and reimbursement of expenses; and statutory fees payable to the U.S. Trustee.

A "Priority Tax Claim" is a Claim of a governmental unit of the kind entitled to priority under Section 507(a)(8) of the Bankruptcy Code or that would otherwise be entitled to priority but for the Secured status of the Claim. It is uncertain at this time if Debtor owes any amounts with respect to Priority Tax Claims.

Pursuant to the Plan of Reorganization, Administrative Expense Claims and Priority Tax Claims will be paid in full on the later of the Effective Date or the date on which any such Administrative Expense Claim or Priority Tax Claim becomes an Allowed Claim. However, the Administrative Expense Claims representing liabilities incurred in the ordinary course of business (including amounts owed to vendors and suppliers that have sold goods or furnished services to Debtor after the Petition Date), if any, will be paid in accordance with the terms and conditions of the particular transactions and any other agreements relating thereto. Debtor will include the amount of such expenses in the report of Administrative Expense Claims to be filed prior to the hearing on confirmation.

B. CLASSIFIED CLAIMS

The following summary of distributions under the Plan to Classified Claims does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Plan attached hereto as Exhibit 1.

1. Class 1 (Other Priority Claims). Class 1 is unimpaired. Debtor is presently unaware of any Class 1 Claims. To the extent there are such claims, each holder of an Allowed Class 1 Claim will be paid in full in Cash the amount of its Allowed Class 1 Claim, including all interest, costs, fees, and charges provided for under any agreement under which such Claim arose or is otherwise allowed by law, on the later of (a) the Effective Date or (b) the Allowance Date, unless such holder shall agree, or has agreed, in writing to a

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different treatment of such Claim (including any different treatment that may be provided for in any documentation, agreement, contract, statute, law or regulation creating and governing such Claim).

2. Class 2 (Employee Benefit Claims). Class 2 is unimpaired. Debtor is not aware of any such claims. To the extent such Claims exist, the legal, equitable, and contractual rights of each holder of a Class 2 Claim will not be impaired or altered by this Plan. Each holder of a Class 2 Claim will have and retain each and all of its legal, equitable and contractual rights relating to such Claim. Reorganized Debtor will pay and perform each and all of its obligations to each holder of a Class 2 Claim relating to such Class 2 Claim as and when due; provided, however, that the rights of the holders of Class 2 Claims will be subject to modification or termination as provided by the terms of any applicable plan, fund, agreement, contract or program.

3. Class 3 (Bank of America, as Administrative Agent). Class 3 is impaired. The Class 3 Claim includes the Claim of three different lenders: Bank of America, Bank of the West, and Silicon Valley Bank, pursuant to a Credit Agreement wherein Bank of America is the administrative agent, letter of credit issuer, and swing line lender. The Class 3 Claim is secured by the personal property of Debtor. The Class 3 Secured Claim shall be Allowed in the amount of $22,720,035.37, less any payments received during the period from the Petition Date to the Effective Date. The Class 3 Allowed Secured Claim shall be paid (a) by Reorganized Debtor from proceeds of the Deferred Bard Payment; (b) by Reorganized Debtor from net proceeds from the sale ~~or disposition by~~ of the equity interests in or assets of Reorganized Debtor ~~of its remaining assets~~, after satisfaction of the Allowed Class 7 Washington County Secured Claim from the proceeds of the sale of Reorganized Debtor's equipment and payment of Reorganized Debtor's operating expenses, expenses of sale, and compensation owing to the Plan Agent; and (c) by NewCo pursuant to the Royalty and Security Agreement. Payment of the Class 3 Claim shall continue to be

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secured by a security interest in the LyP Product, the Deferred Bard Payment, and Reorganized Debtor's assets of the same kind and category, and with the same priority, that secured the Class 3 Claim on the Petition Date. The Banks shall not have an Unsecured Claim.

4. Class 4 (General Unsecured Claims). Class 4 is impaired. Class 4 consists of General Unsecured Claims not otherwise classified or treated under the Plan. Each holder of a Class 4 Claim shall receive one share of Common Stock in NewCo in exchange for each $50 of its Allowed Class 4 Claim and the right to acquire, under certain conditions, shares of Series A Preferred Stock.

5. Class 5 (Small Unsecured Claims). Class 5 is impaired. Class 5 consists of Allowed Unsecured Claims that are equal to or less than $4,000 and holders of Allowed Unsecured Claims who file a written election to reduce their Unsecured Claim to $4,000, provided the election is made at the time ballots are due for voting on the Plan or such later date at the sole discretion of Reorganized Debtor. Each holder of an Allowed Class 5 Claim will be paid in Cash 25% of the Allowed amount of such Claim within 60 days following the later of (a) the Effective Date, or (b) the Allowance Date.

6. Class 6 (Equity Security Holders). Class 6 is impaired. The Equity Securities of the Class 6 Equity Security Holders will be cancelled. Equity Security Holders will have the right, at any time until ~~30~~ 60 days after the Effective Date to subscribe to purchase Series A Preferred Stock in NewCo on the terms set forth in Section 6.3 of the Plan and described below.

7. Class 7 (Washington County). Class 7 is impaired. Washington County has a prepetition and administrative Secured Claim for personal property taxes in the approximate amount of $450,000. The Class 7 Claim is Washington County's prepetition Secured Claim. Following the Effective Date, Reorganized Debtor will commence the sale

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of its equipment and pay the net proceeds to Washington County until the Washington County Secured Claim is paid in full, including interest as provided in Oregon law.

C. IMPLEMENTATION OF THE PLAN

1. Reorganized Debtor

On the Effective Date, Debtor shall assign and transfer to NewCo all of Debtor's rights and interests in and to the LyP Product, free and clear of all claims, liens, encumbrances, charges and other interests except the Government Use License and the rights and interests of the Banks as provided in the Royalty and Security Agreement.

On the Effective Date, all Equity Securities of Debtor will be cancelled and 100 shares of newly-issued common stock will be issued to the Plan Agent. The Plan Agent will be Obsidian Finance Group, LLC ("Obsidian"). Reorganized Debtor's board of directors will be David Brown and Kevin Padrick, the principals of Plan Agent. They will remain on the board of directors so long as Obsidian remains the Plan Agent. From and after the Effective Date, Reorganized Debtor shall be managed by the Plan Agent.[1] The Plan Agent shall use its best efforts to cause Reorganized Debtor to fulfill its duties and obligations under the Plan and to complete all distributions required by the Plan, including periodic payments of excess cash to the Class 3 Creditors and payment of the Allowed Class 3 Secured Claim on or before the third anniversary of the Effective Date. The Plan Agent shall have broad and exclusive power to manage Reorganized Debtor, including the right to hire and fire employees; sell, transfer, or license assets; borrow money; incur debt; enter into joint ventures or partnerships; issue or cause the issuance of preferred or other classes of stock; and acquire, purchase, or lease properties or facilities; and merge or sell the stock of Reorganized Debtor. The Plan Agent shall have power, authority, and responsibility to take any and all such actions as the Plan Agent, in its good faith discretion, deems necessary or

[1] Section 6.1.2 of the Plan allows for the possibility that the assets of Debtor will be sold at or prior to the Effective Date and that, consequently, the Plan Agent will not be appointed.

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appropriate to cause Reorganized Debtor to fulfill its duties and obligations under the Plan. The Plan Agent is authorized to engage and pay professionals, including attorneys, accountants, and others, to assist Reorganized Debtor in fulfilling its obligations. Such professionals may include, but are not limited to, any professionals that were engaged by Debtor at any time prior to the Effective Date, and may include Reorganized Debtor's current officers and shareholders. Without limiting the foregoing, Plan Agent may engage, retain, or employ any of Debtor's officers, shareholders, or employees to manage or assist in managing the operations of Reorganized Debtor or in any other capacity deemed appropriate by Plan Agent. Reorganized Debtor shall compensate the Plan Agent on terms acceptable to Plan Agent and the Banks. The Plan Agent shall continue in such capacity until the first to occur of (a) the assets of Reorganized Debtor have been sold and the proceeds disbursed; (b) the stock of Reorganized Debtor has been sold or Reorganized Debtor has been merged and the proceeds disbursed; or (c) Reorganized Debtor and its estate are subject to a case under Chapter 7 of the Bankruptcy Code. The Plan Agent shall have authority to initiate and pursue any claims or causes of action, including any claims or causes of action arising under Chapter 5 of the Bankruptcy Code.

2. NewCo

On or before the Effective Date, NewCo shall be formed. On the Effective Date, one share of Common Stock will be issued to holders of Allowed Class 4 Claims in exchange for each $50 of each holder's Allowed Class 4 Claim. If the Allowed amount of a Class 4 Claim is not determined or is subject to dispute, then the Common Stock will be issued to the holder of that Claim when the Claim is Allowed. Seven hundred thousand shares of Common Stock will be reserved for issuance as stock options, restricted stock, or other stock-based grants to be granted to consultants, employees and directors for services rendered after the Effective Date.

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a. Series A Preferred Stock

On and after the Effective Date, NewCo will offer for sale up to 4,000,000 shares of Series A Preferred Stock to investors, including Creditors and Equity Security Holders. The offering of Series A Preferred Stock will be subject to the following:

• Investors:	Series A Preferred Stock will be issued to accredited investors only.
• Total Offering Amount:	NewCo reserves the right, in its sole discretion, to limit the number of shares sold or to sell additional shares above the total offering amount.
• Minimum Investment:	$25,000 for Claim holders. $250,000 for other investors.
• Price Per Share:	$2.50.
• Acceptance of Commitments to Invest:	Commitments to invest will be accepted by NewCo through the ~~30th~~ 60th day following the Effective Date. In the event the offering is over-subscribed, then NewCo reserves the right, in its sole discretion, to allocate shares among investors, to sell additional shares, or both. In the event the offering is under-subscribed, NewCo may, in its sole discretion, extend the offering.
• Dividends:	Series A Preferred Stock will accrue cumulative dividends at a rate of 5% per annum (the "Series A Accruing Dividend"). Series A Accruing Dividends will be payable only when declared or as set forth below under the heading "Liquidation Preference." Dividends may not be declared or paid on Common Stock unless dividends at the same rate are declared and paid on Series A Preferred Stock.
• Liquidation Preference:	In connection with a liquidation, prior to and in preference to holders of Common Stock, but subject to payment of liquidation preferences to which future senior classes of Preferred Stock are entitled, holders of Series A Preferred Stock will be entitled to receive per-share proceeds equal to the greater of (i) an aggregate amount equal to the original issue price per share of Series A Preferred Stock (the "Series A Original Issue Price"), plus all Series A Accruing Dividends (the "Series A Liquidation Amount") or (ii) the amount that holders of Series A Preferred Stock would have received had they converted Series A Preferred Stock into Common Stock immediately prior to Liquidation. In

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connection with Liquidation pursuant to which holders of Series A Preferred Stock receive the amount specified in clause (ii), holder of Series A Preferred Stock will not be entitled to receive Series A Accruing Dividends. Any merger, stock sale, or sale of assets in which control of NewCo is transferred will be deemed to be a Liquidation, unless otherwise agreed by holders of a majority of Series A Preferred Stock (the "Series A Requisite Investors").

- Conversion Rights: Holders of Series A Preferred Stock will have the option to convert shares at any time into Common Stock. The total number of shares of Common Stock into which a share of Series A Preferred Stock may be converted initially will be determined by dividing the Series A Original Issue Price by the conversion price applicable to Series A Preferred Stock (the "Series A Conversion Price"). The Series A Conversion Price will be initially equal to the Series A Original Issue Price. The Series A Conversion Price will be subject to adjustment for any stock split, dividend or similar recapitalization with respect to Common Stock and as set forth below under "Anti-Dilution Protection."

- Anti-Dilution Protection: The Series A Conversion Price will be subject to a weighted-average anti-dilution adjustment in the event Reorganized Debtor issues securities at a per-share price that is less than the then-current Series A Conversion Price (subject to customary exceptions).

- Automatic Conversion: Series A Preferred Stock will be automatically converted into Common Stock, at the then applicable Series A Conversion Price, upon: (i) an underwritten public offering of shares of Common Stock with gross proceeds of not less than $35,000,000 at a per-share price that is not less than three times the Series A Original Issue Price, adjusted appropriately for any stock splits, stock dividends or the effect of any recapitalization, or (ii) the election of the Series A Requisite Investors.

- Voting Rights: After the issuance of 500,000 shares of Series A Preferred Stock, the Series A Preferred Stock will be entitled to elect three out of five directors, voting as a separate class. While the number of shares of Series A Preferred Stock issued is less than 500,000, the Series A Preferred Stock will vote as a single class, together with holders of Common Stock, to elect the board of directors. On all other matters, including the election of the remaining directors, Series A Preferred Stock will vote together with the Common Stock on an as-converted basis, and not as a separate class, except when

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	required by law.
• Preemptive Right:	If NewCo proposes to offer any additional securities for cash, holders of Series A Preferred Stock will have the right to purchase their respective pro rata shares of the securities (calculated based on percentage of outstanding capital stock held) at the same price and terms offered.
• Right of First Refusal:	Series A Preferred Stock will be subject to an assignable right of first refusal granted to NewCo, subject to customary exceptions for transfers to affiliates or for estate planning purposes.
• Definitive Agreement:	Sales of Series A Preferred Stock will be governed by a stock purchase agreement containing customary representations and warranties for an entity emerging from reorganization proceedings.

b. NewCo Articles of Incorporation

NewCo shall adopt Articles of Incorporation and Bylaws as necessary to effectuate the terms of the Plan and file the Articles of Incorporation with the Secretary of State of the State of Oregon. The NewCo Articles of Incorporation shall authorize the issuance of sufficient Common and Preferred Stock to carry out the purposes of the Plan. After the Effective Date, NewCo may amend its Articles of Incorporation and bylaws in accordance with applicable state law.

c. Initial Board of Directors and Management Team

NewCo will have five members on its Board of Directors. However, initially the Board of Directors and management team will be the same as existed for Debtor prior to the Effective Date (see Section III F above). The initial President of NewCo will be Barry Starkman. A new board will be elected by the holders of Common Stock and, as appropriate, holders of Class A Preferred Stock, within 60 days after the Effective Date. The new board will determine the role and compensation of NewCo's officers. Upon the sale of at least 500,000 shares of Series A Preferred Stock, three directors shall be elected by holders of Series A Preferred Stock, voting as a separate Class. The initial board shall serve until such

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time as different directors are elected as provided in NewCo's Bylaws. The initial board will not have authority to issue or to grant options to acquire any reserved stock.

3. Setoffs

Debtor may, but shall not be required to, set off against any Claim and the distributions to be made pursuant to the Plan in respect of such Claim, any claims of any nature whatsoever that Debtor may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release of any such claim Debtor may have against such holder.

4. Corporate Action

Upon entry of the Confirmation Order, all actions contemplated by the Plan shall be authorized and approved in all respects (subject to the provisions of the Plan), including, without limitation, the following: (a) the adoption and filing with the Secretary of State of the State of Oregon of the Restated Articles of Incorporation, and (b) the execution, delivery and performance of all documents and agreements relating to the Plan and any of the foregoing. On the Effective Date, the appropriate officers of Reorganized Debtor are authorized and directed to execute and deliver the agreements, documents and instruments contemplated by the Plan and the Disclosure Statement in the name of and on behalf of Reorganized Debtor.

5. Business Strategy and Value Creation

a. Reorganized Debtor-Medical Devices Business

Projections for the Reorganized Debtor medical devices business, on a consolidated basis, to include HemCon Europe, show positive EBITDA and operating profits for plan years 2013 through to 2015. Financial performance forecast for 2013 is on the assumption of completing the Bard Transaction. Projections for the plan years following the Bard Transaction, with the resultant loss of GuardIVa® revenues, will be dependent on meeting an increase in revenues from the Reorganized Debtor's product base, markets, and

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geography. Increasing product revenues and an increased valuation will come from retaining a highly efficient cost base both in general and as it relates to the manufacture of its products. Revenue growth will be predicated upon the planned increase in direct selling resources, rate of penetration of the surgical, military, professional and consumer wound care markets, establishing new product development partnerships, further accumulation of distributors to register and sell Reorganized Debtor's products internationally, as well as the retention of the Reorganized Debtor's existing markets.

b. NewCo

NewCo anticipates a read-out on progress for the LyP program within the Phase II trial by the second half of 2013. Good comparative safety data to the control (fresh frozen plasma), and overall progress should provide access to further funding for the remaining development required for the LyP program. At the end of Phase II supportive data for the LyP program, along with the products competitive position, should lead to a variety of opportunities and a material and significant increase in NewCo's product valuation as relates to biological products after the successful completion of Phase II clinical trials. In addition to the military, commercial and pharmaceutical industry applications of LyP, sizable revenue opportunities should become available within international markets, blood banking, stockpiling and the veterinary field.

6. Cooperative Agreement and Army Issues

Unless previously terminated by order of the Bankruptcy Court or otherwise agreed between the parties, the Cooperative Agreement between Debtor and the United States Army Medical Research and Acquisition Activities will be terminated as of the Effective Date. The effect of the termination will be as stated in Section 6.11 of the Plan.

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D. EFFECT OF CONFIRMATION

1. Binding Effect

The treatment of, and consideration received by, holders of Allowed Claims and Allowed Interests pursuant to the Plan will be in full satisfaction of their respective Claims against or Interests in Debtor. The Confirmation Order shall bind Debtor and any Creditor, and discharge Debtor from any liability that arose before the Effective Date as provided in Sections 524 and 1141 of the Bankruptcy Code, and any debt and liability of a kind specified in Sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not: (a) a Proof of Claim based on such Creditor's debt or liability is Filed or deemed Filed under Section 501 of the Bankruptcy Code; (b) a Claim based on such debt or liability is Allowed; or (c) the holder of the Claim based on such debt or liability has accepted the Plan.

2. Vesting, Operation of Business

All LyP Product shall vest to NewCo free and clear of all rights, claims, liens, charges, encumbrances, and interests of any kind except for (a) the Government Use License, (b) the Royalty and Security Agreement, and (c) the new common and preferred stock as specifically set forth in the Plan. All remaining property of the estate shall revest in Reorganized Debtor on the Effective Date free and clear of all rights, claims, liens, charges, encumbrances, and interests, except as otherwise specifically provided in the Plan.

3. Injunction

Except as otherwise expressly provided in the Plan, all persons who have held, hold, or may hold Claims, or who may have held, hold, or may hold any Interest, are permanently enjoined, from and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceedings of any kind with respect to any Claims or Interests against Reorganized Debtor or NewCo; (b) enforcing, attaching, collecting or recovering by any manner or any means any judgment, award, decree, or order against Reorganized Debtor or NewCo; (c) creating, perfecting, or enforcing any encumbrances of

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any kind against Reorganized Debtor or NewCo with respect to any such Claim except as specifically set forth in the Plan; (d) asserting any setoff, right of subrogation or recoupment of any kind against any obligation due to Debtor, Reorganized Debtor, NewCo or their property; and (e) proceeding in any manner in any place whatsoever that does not conform to, does not comply with, or is inconsistent with the provisions of the Plan or the Confirmation Order.

4. Modification of the Plan; Revocation or Withdrawal of the Plan

Subject to Section 1127 of the Bankruptcy Code, Debtor reserves the right to alter, amend, modify or withdraw the Plan before its substantial consummation so long as the treatment of holders of Claims and Interests under the Plan are not adversely affected.

5. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order or the Effective Date having occurred, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of or relating to the Bankruptcy Case, as set forth in Article ~~4~~ 9 of the Plan. Following the Effective Date, the Bankruptcy Court will retain non-exclusive jurisdiction of the Bankruptcy Case for the following purposes: (a) to recover all assets of Debtor and property of the estate, wherever located; (b) to hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax benefits and similar or related matters with respect to Debtor or its estate arising prior to the Effective Date or relating to the period of administration of the Bankruptcy Case, including, without limitation, matters concerning state, local, and federal taxes in accordance with Sections 346, 505 and 1146 of the Bankruptcy Code; and (c) to hear any other matter not inconsistent with the Bankruptcy Code.

With respect to the claim of MPT, the United States Court of Appeals for the Federal Circuit or the United States Supreme Court, as applicable, shall have exclusive jurisdiction to resolve any petition for rehearing or any writ of certiorari relating to or any

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appeal from the judgment entered in the United States Court of Appeals for the Federal Circuit on March 15, 2012.

6. United States Trustee Fees

Fees payable by Debtor under 28 USC § 1930, or to the Clerk of the Bankruptcy Court, will be paid in full in Cash on the Effective Date. After confirmation, Reorganized Debtor shall continue to pay quarterly fees of the Office of the United States Trustee and to file quarterly reports with the Office of the United States Trustee until this case is closed by the Court, dismissed or converted except as otherwise ordered by the Court. This requirement is subject to any amendments to 28 USC § 1930(a)(6) that Congress makes retroactively applicable to confirmed Chapter 11 cases.

VIII. LIQUIDATION ANALYSIS

A Plan of Reorganization cannot be confirmed unless the Bankruptcy Court finds that the Plan is in the "best interest of creditors" or holders of Claims against, and Interests in, the debtor subject to such plan. The best interest test is satisfied if the plan provides each dissenting or non-voting member of each impaired Class with a recovery not less than the recovery such member would receive if the debtor was liquidated in a hypothetical case under Chapter 7 of the Bankruptcy Code by a Chapter 7 Trustee. Debtor believes the holders of impaired Claims will not receive less than they would receive under a Chapter 7 liquidation. In applying the "best interest" test, the Bankruptcy Court would ascertain the hypothetical recovery in a Chapter 7 proceeding to secured creditors, priority claimants, general unsecured creditors, and equity interest holders. The hypothetical Chapter 7 recoveries would then be compared with the distribution offered to each Class of Claims or Interests under the Plan to determine that the Plan satisfied the "best interest" test set forth in the Bankruptcy Code. A Chapter 7 liquidation of Debtor's case would result in the immediate cessation of the Company's operations. Substantially all assets would be liquidated and distributed to the Secured Creditor, with the Secured Creditor realizing

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significantly less than the amount proposed under the Plan. The only unencumbered asset of Debtor is a 35% interest in HemCon Europe. Although HemCon Europe is operating on a break-even basis, it utilizes operational support from HemCon. If HemCon ceases operations, the viability of HemCon Europe would be jeopardized. Consequently, the value of the 35% interest in HemCon Europe is highly speculative and, in a liquidation, it is extremely unlikely it would have any value in excess of administrative and priority Claims. Unsecured Creditors and Interest holders would likely receive nothing in a liquidation.

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

CIRCULAR 230 DISCLAIMER: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, WE INFORM YOU THAT (A) ANY U.S. FEDERAL TAX ADVICE CONTAINED IN THIS COMMUNICATION, INCLUDING ANY ATTACHMENTS (AND IT IS NOT INTENDED THAT ANY SUCH ADVICE BE GIVEN IN THIS DISCLOSURE STATEMENT), IS NOT INTENDED OR WRITTEN TO BE USED OR RELIED UPON, AND CANNOT BE USED OR RELIED UPON, FOR THE PURPOSE OF (1) AVOIDING TAX-RELATED PENALTIES UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR (2) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY TRANSACTION OR TAX MATTER(S) ADDRESSED HEREIN, AND (B) THIS DISCUSSION WAS WRITTEN IN CONNECTION WITH DEBTOR SOLICITING ACCEPTANCE OF THE PLAN THROUGH THE DISCLOSURE STATEMENT. THIS DISCUSSION WAS WRITTEN SOLELY IN CONNECTION WITH DEBTOR'S DESCRIPTION OF ITS PLAN OF REORGANIZATION AS SET FORTH IN THIS DISCLOSURE STATEMENT AND DOES NOT CONSTITUTE TAX ADVICE.

A. INTRODUCTION

A summary description of certain U.S. federal income tax consequences of the Plan follows. This description is for informational purposes only and, owing to a lack of

definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan discussed below with respect to any particular Creditor. This disclosure describes only the principal U.S. federal income tax consequences of the Plan to Debtor and the holders of Allowed Claims. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the IRS or any other taxing authorities have been sought or obtained with respect to any tax consequences of the Plan, and the statements below are not binding on the IRS or other authorities. No representations are being made to Debtor or any holder of an Allowed Claim or Interest regarding the particular tax consequences of the confirmation and consummation of the Plan. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein. Holders of Allowed Claims and Interests are strongly urged to consult their own tax adviser regarding the U.S. federal, state, local, and foreign tax consequences of the transactions described in this Disclosure Statement and in the Plan.

B. GENERAL DISCUSSION

As part of the Plan, the Allowed Unsecured Creditors of HemCon will be entitled to receive certain assets held by HemCon that are intended to be used by NewCo in its trade or business (the "NewCo Assets"). In order to facilitate the formation of NewCo, the Allowed Unsecured Creditors will require HemCon as their agent, to transfer the NewCo Assets directly to NewCo, and in the exchange, the Allowed Unsecured Creditors will receive one share of Common Stock of NewCo for each $50 owed by HemCon to such Allowed Unsecured Creditors. As part of the same Plan, investors will transfer cash to NewCo in exchange for Preferred Stock of NewCo that is entitled to vote and to appoint directors to the board of NewCo. The Allowed Unsecured Creditors, along with the investors, will each be transferors in the NewCo formation. This transaction is intended to qualify as a tax-free Section 351 exchange for federal income tax purposes. If the NewCo

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formation does satisfy the requirements of Section 351, the shareholders of NewCo will generally have a tax basis in their NewCo stock equal to the tax basis of the property transferred in the exchange.

Debtor believes the value of the assets transferred to NewCo on behalf of Unsecured Creditors is negligible because (a) the assets will be transferred subject to the security interest of the Banks; (b) any value above the security interests of the Banks will be dependent on new investment and there are no binding commitments for new investment; and (c) new investment will be made only in exchange for preferred stock that will have a liquidation preference and be entitled to preferred dividends. Significant value will need to be created through future operations in order for the common stock issued to Unsecured Creditors to have any significant value. On the Effective Date, the ability of NewCo to generate value will be speculative. In Debtor's opinion, it is unlikely that any purchaser would pay more than $100,000 in present consideration for the LyP Product. Any sale transaction would likely involve a small ($100,000 or less) initial payment and some future royalty stream or potential profit participation. Therefore, it is Debtor's opinion that the value of the assets to be transferred is no more than $100,000.

The receipt of the NewCo stock by the Allowed Unsecured Creditors will create cancellation of debt income ("CODI") to HemCon in an amount equal to the difference in the amount of debt owed to such Allowed Unsecured Creditors minus the value of the NewCo stock received by such Allowed Unsecured Creditors. The receipt of property by a Creditor that is less than the amount of the debt owed to the Creditor generally creates a loss for federal income tax purposes. The specific tax treatment for each Allowed Unsecured Creditor will depend upon its individual tax position and as such, each Allowed Unsecured Creditor should seek its own tax counsel to advise on the tax treatment of its receipt of the NewCo stock in exchange for the forgiveness of the debt owed by HemCon to such Allowed Unsecured Creditor. Under Section 108 of the Internal Revenue Code, HemCon will not

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recognize CODI with respect to the cancellation of the Allowed Unsecured Creditor's Claims, but will be required to reduce certain of its tax attributes by the amount of CODI excluded from cross income. The tax attributes that are reduced include net operating losses and tax basis of assets. The effect of the attribute reduction requirement may be to eliminate all of the tax attributes of HemCon. HemCon may also be subject to alternative minimum tax on the CODI or other income generated by the Plan.

With respect to the remainder of the HemCon business, CODI will not be recognized by HemCon on the cancellation of the debt held by the Secured Creditors until such time as the assets subject to such debt are sold and the Secured Creditors are paid the proceeds of such sales in cancellation of their outstanding debt.

C. IMPORTANCE OF OBTAINING 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 INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY UPON A CREDITOR'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, CREDITORS ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISERS ABOUT THE U.S. FEDERAL, STATE, AND LOCAL, AND APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN, INCLUDING WITH RESPECT TO TAX REPORTING AND RECORD KEEPING REQUIREMENTS. DEBTOR AND DEBTOR'S COUNSEL EXPRESS NO OPINION AS TO THE TAX CONSEQUENCES OF THE PLAN OR THE EFFECT THEREOF ON ANY CLAIMANT AND THIS DISCLOSURE STATEMENT IS NOT INTENDED TO BE, AND MAY NOT BE, USED OR RELIED

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UPON BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE FEDERAL TAX LAW.

X. ACCEPTANCE AND CONFIRMATION OF THE PLAN

A. CONFIRMATION HEARING

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan on _____, at _____ Pacific time. The hearing will be held at the U.S. Bankruptcy Court for the District of Oregon, 1001 SW Fifth Avenue, Courtroom No. 1, before the Honorable Elizabeth L. Perris, United States Bankruptcy Judge. At that hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and whether it is in the best interest of Creditors and Interest holders of Debtor. Debtor will submit a report to the Bankruptcy Court prior to the hearing concerning the votes for acceptance or rejection of the Plan by the parties entitled to vote thereon. Any objection to confirmation of the Plan must be timely filed as stated in Section II.E above.

B. REQUIREMENTS OF CONFIRMATION

At the hearing on confirmation, the Bankruptcy Court will determine whether the provisions of Section 1129 of the Bankruptcy Code have been satisfied. If all of the provisions of Section 1129 are met, the Bankruptcy Court may enter an order confirming the Plan. Debtor believes the Plan satisfies all of the requirements of Chapter 11 of the Bankruptcy Code, that it has complied or will have complied with all of the requirements of Chapter 11, and that the Plan has been proposed and is made in good faith.

C. CRAM DOWN

As discussed in Section II.D above, a Court may confirm a Plan, even if it is not accepted by all impaired classes, if the Plan has been accepted by at least one impaired class of claims and the Plan meets the cram down requirements set forth in Section 1129(b) of the Bankruptcy Code. In the event that any impaired Class of Claims does not accept the

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Plan, Debtor will request that the Bankruptcy Court confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code or otherwise permit Debtor to modify the Plan.

D. FEASIBILITY

1. General Overview

HemCon's achievement of profitable operating performance in 2012 has been reached by new product launches, extending its platform of countries within which HemCon's products are registered, entering new markets, and significantly reducing its cost base.

The key value driver for NewCo will be Phase II data from the clinical trial. The Phase II clinical trial is intended to commence in the first half of 2013. Depending on the start date and rate of patient recruitment, early data is planned to be available in the second half of 2013, but the trial will not be completed until 2014 and prior to issuing the final report for the clinical trials. It is, however, necessary to recognize that Phase II clinical trials will only be possible if NewCo is successful in attracting investment. NewCo does not have any binding investment commitments.

Reorganized Debtor's anticipated increase in enterprise value, as typically measured by multiples of EBITDA, will be strongly linked to revenue growth net of the impact of the Bard Transaction and subsequent loss of GuardIVa® revenues. To minimize the impact, HemCon has already built in substantial efficiencies and demonstrated its expertise in reducing costs and utilizing less operating expenses.

HemCon believes there are three key elements with the potential to drive the Reorganized Debtor's revenue growth over the coming years:

a. The rate of market penetration of GuardaCare®XR Surgical within the United States market and internationally, see " GuardaCare®XR Surgical Hemostatic Temporary Surgical Dressing."

b. Expansion of HemCon's existing Wound Care and Infection Control portfolio of products by:

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(1) Increasing direct selling resources and increasing the number of reference sites;

(2) Expansion both internationally and by entry into new markets with existing products; and

(3) More competitive product pricing from a reduced manufacturing cost base.

c. Expansion of its Consumer Wound Care business.

2. Projections

Attached hereto as Appendices A through C are Debtor's historical and projected financial performance for Reorganized Debtor and NewCo. The assumptions underlying the projections follow:

a. Reorganized Debtor

Provisional product revenues for 2012 are $6 million on a consolidated basis and include product revenues generated relating to GuardIVa®, HemCon's infection control product. The Bard Transaction is an asset purchase agreement of GuardIVa® which closed on February 6, 2012.

Product revenues on a consolidated basis are forecast to increase from $5.2 million in 2013 to $8.8 million in 2015. On a comparatively like-for-like basis, product revenues in 2012 amount to $4.9 million once GuardIVa® revenues are subtracted. For the comparable period for the Debtor product revenues increase from $3.64 million in 2013 to $6.8 million in 2015.

Product revenues have been forecast by product, by distributor or sales channel, and by country, and are extrapolated off the progress made by HemCon to date in entering new markets, both domestically and internationally. The most significant element of revenue growth relates to GuardaCare®XR Surgical forecast for 2013 at $0.5 million and increasing to $1.9 million in 2015. Management believes this assumption is reasonable after taking into consideration the size of the United States market available to the product, the range of surgical applications and planned investment to be made in presenting this product

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following the Effective Date. Additional revenue growth is planned to come from consumer/OTC Wound Care sales increasing from $1.4 million in 2013 to $3 million in 2015. This increase is based on orders and forecasts received to date, and the extent of opportunity anticipated by TRI (Total Resources International, Inc.), HemCon's U.S. distributor for consumer Wound Care products.

Consolidated operating costs are projected to increase from $2.6 million in 2013 to $2.8 million in 2015. The main drivers of this movement are increases in the field force and associated selling expenses to support revenue growth offset by termination of fees associated with Chapter 11, further cost efficiencies and the elimination of costs relating to the LyP Program once transferred to NewCo, assumed to be with effect from April 1, 2013.

The net impact of increased sales and lower operating costs is for the Reorganized Debtor to improve EBITDA from a negative $1.2 million in 2012 to $1 million in 2015. Using an EBITDA multiple as a valuation methodology of 5 times, which would be historically low for the industry, the theoretical value of the Reorganized Debtor would increase from zero for 2012 and 2013 to $5 million in 2015.

On a consolidated basis for the plan period, EBITDA improves from a negative $.8 million in 2012 to $1.3 million in 2015. Using the same multiple of 5 times would result in a valuation of $6.5 million for the Reorganized Debtor on a consolidated basis. In addition, the cash accumulated by 2015 for the Consolidated Reorganized Debtor is approximately $1 million.

The assumptions used in preparing the projections to 2015 include:

- Tax has been calculated using a U.S. effective corporation tax rate of 35.0% on profit before tax. It has been assumed that upon Confirmation all of HemCon's NOLs will have been utilized as a result of the restructuring. In addition, the Medical Device Excise Tax ("Device Tax") of 2.3% is included from January 1, 2013.
- No tax will be payable relating to the Bard Transaction.

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- With respect to HemCon Europe an effective tax rate in Ireland has been assumed of 12.5%. No charge to corporation tax has been included due to NOLs carried forward.
- HemCon will manage currency exposure through hedging and, where necessary, forward currency contracts.
- No depreciation from 2013 onwards based on the net book value of property, plant, and equipment being subject to impairment review upon emergence from the Bankruptcy Case.
- The expense of compensation for stock options has not been included within the projections because, as yet, the terms for an option pool for employees have not been established.

b. NewCo

Quarterly projections have been prepared for NewCo to the third quarter of 2014 and the completion of the Phase II clinical trials for the LyP Program. No revenues have been projected for this period, although it is possible that revenues could be realized through corporate collaborations, the supply of LyP to third-party entities or grant income. No projections have been prepared beyond the third quarter of 2014 as (i) completion of Phase II, if successful, is believed by HemCon to be a significant valuation point and (ii) and as a consequence, it is unrealistic to attempt to forecast to any reasonable level of accuracy the potential impact of a successful outcome. Such variables include the consequential regulatory requirements to licensure to be determined by the FDA, the cost and extent of LyP Product manufacturing requirements and the breadth of market and commercial opportunities available.

For the projections provided in Appendix C, operating costs are comprised of two elements, (a) the running costs of NewCo of which the main factors are headcount and facilities and (b) the cost of the Phase II clinical trials. Operating costs for NewCo totaling $3.2 million have been included in the projections for the 18 months to September 30, 2014. Phase II clinical trial costs totaling $3.8 million, and mainly incurred in 2013, relate to the two 135-patient trials in warfarin and liver patients. Together, the funding required to run

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NewCo and complete the Phase II clinical trials for the LyP Program, including the production of the final trial report, is estimated to be in the region of $7 million.

To fund these costs it is projected that $3 million in new investment will be received within 30 days of the Effective Date of the Plan and a further $4 million will be identified in Q4 2013. HemCon believes that $3 million is a reasonable level of capital investment to assume on the Effective Date. All other assumptions in the Plan are contingent on the satisfaction of this assumption and that NewCo, as well as the Reorganized Debtor, are established with adequate working capital. It is necessary to point out, however, that Debtor has not received any binding commitments for new investments in NewCo.

Assuming the initial funding can be obtained, HemCon believes that the objective to identify a further $4 million in Q4 2013 and to complete the Phase II clinical trials is realistic. At this juncture NewCo would be established, the Phase II clinical trials in progress and interim safety data should be available. Additionally, several potential sources of funding are anticipated to be accessible including collaborative and/or investment income from a corporate partner, follow-on investment from existing investors or new investment, including venture capital.

E. RISK FACTORS

Reorganized Debtor's and NewCo's risk factors will differ in nature and are set out below both jointly where they apply to both entities and separately for each respective entity. For each entity, operations and financial results are subject to various risks and uncertainties that could adversely affect its business, cash flows, financial condition and results of operations. Additional risks and uncertainties not currently known to HemCon or that are not identified here may also materially and adversely affect each business, cash flows, financial condition, or results of operations. Statements that refer to expectations, projections, or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These statements are not

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guarantees and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results could differ materially and adversely from forward-looking statements or projections. Some important factors that could cause the Reorganized Debtors' and/or NewCo's actual results to differ from expectations in any forward-looking statements include, but are not limited to, those risks discussed and summarized below.

1. General Factors

a. HemCon Has Made a Number of Assumptions With Respect to its Restructuring Plan and the Financial Terms Upon Which the Reorganized Debtor and NewCo Will Exit Bankruptcy

If the agreed terms with its Creditors on exiting bankruptcy differ substantially from those on which financial projections are currently based, Reorganized Debtor and NewCo's projected financial performance could be materially and adversely affected. Furthermore, Debtor has prepared its financial projections based on its current tax situation and anticipated tax consequences of the Plan. Any other tax consequences, including any tax matters that may arise relating to its past annual tax returns or future financial performance, have not been taken into account.

b. Dependence on Patent and Other Proprietary Rights

The Reorganized Debtor and NewCo's success largely depends on its ability to market technologically competitive products. If Reorganized Debtor or NewCo fail to obtain or maintain adequate intellectual property protection, the either Reorganized Debtor or NewCo may not be able to prevent third parties from using either Reorganized Debtor or NewCo's proprietary technologies or may lose access to critical technologies. Also, either Reorganized Debtor or NewCo's currently pending or future patent applications may not result in issued patents, and issued patents are subject to claims concerning priority, scope and other issues.

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c. Intellectual Property Litigation and Infringement Claims Could Cause either Reorganized Debtor or NewCo to Incur Significant Expenses or Prevent either Reorganized Debtor or NewCo From Selling Certain Products

The medical device and blood product industries are characterized by extensive intellectual property litigation. Regardless of outcome, such claims are expensive to defend and divert the time and effort of management and operating personnel from other business issues. A successful claim or claims of patent or other intellectual property infringement against either Reorganized Debtor or NewCo could result in payment of significant monetary damages and/or royalty payments, or negatively impact either Reorganized Debtor or NewCo's ability to sell current or future products in an affected category, and could have a material adverse effect on either Reorganized Debtor or NewCo's business, cash flows, financial condition, or results of operations.

d. If either Reorganized Debtor or NewCo Loses the Services of Any of its Senior Management or Scientific Personnel, their respective Businesses' May Suffer

Either Reorganized Debtor or NewCo's success depends in large part upon its ability to identify, attract, and retain qualified senior management, staff to develop LyP, and other key personnel. If either Reorganized Debtor or NewCo is unable to retain key personnel, the respective businesses could suffer.

e. HemCon is Subject to Extensive Governmental Regulations Relating to the Manufacturing, Labeling and Marketing of its Products

Substantially all of Debtor's products are subject to regulation by the FDA and other governmental authorities both inside and outside of the United States. The process of obtaining regulatory approvals to market a medical device or blood component product can be costly and time consuming, and approvals might not be granted for future products on a timely basis, if at all.

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2. Risk Factors Specific to Reorganized Debtor

a. Financial Performance May Vary From Projections

The Reorganized Debtor's projected financial performance will depend in significant part on its success in increasing sales in civilian and military markets as well as U.S. and international markets. Furthermore, increasing sales will be dependent on additional licensing and distributor agreements and the extent to which HemCon can maintain and expand upon its present distribution channels.

The Debtor's projections for U.S. and international operations depend on the revenue growth of existing products, in particular in the surgical, civilian and military markets, as well as the successful introduction of existing products into new markets. There can be no assurance that projections for sales or increased sales in existing or future markets will be achieved.

Debtor's current products could be rendered obsolete or uneconomical by technological advances by one or more of Debtor's present or future competitors. Competitive factors include price, customer service, technology, innovation, quality, reputation, and reliability. Competitors may respond more quickly to new or emerging technologies; have greater financial, marketing, and other resources, including product performance data, than Debtor; or may be more successful in attracting potential customers, employees, and strategic partners. Given these factors, there can be no assurance that planned revenue projections can be achieved or that the Debtor's current market position will be maintained or improved upon.

b. Competition in Developing Improved Products is Significant and Results From Time To Time in Product Obsolescence

The markets in which the Debtor operates are highly competitive, new products and procedures are introduced into the market on a regular basis. These marketplace changes may cause some of the Reorganized Debtors' products to become

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obsolete. If actual life cycles for Reorganized Debtors' products, product demand, or acceptance of new product introductions are less favorable than projected by management, rates of revenue attrition may be accelerated and a higher level of inventory write-down may result.

c. HemCon Licensed its Underlying Bandage Technology from Others. Any Termination of the License or Limitations in its Scope Could Limit the Reorganized Debtor's Rights to Manufacture Existing or Planned Products

The Debtor's core chitosan bandage technology is used under license from Providence Health System—Oregon, and Kenton Gregory, M.D. If Reorganized Debtor was to default on its royalty or reporting obligations, the license could be terminated. In addition, the license is exclusive in the field of hemostatic control. The licensors reserve the right to use the technology in other fields.

3. Risk Factors Specific to NewCo and the LyP product

a. New Product Development Is Uncertain

HemCon has experienced delays in new product development and introduction in the past; development of LyPs may be delayed or may not be successful. NewCo's future financial performance and anticipated increase in valuation will depend upon NewCo's success in attracting new financing and the outcome of its clinical trials, starting with the Phase II clinical trials due to start in the first half of 2013. It will also depend on its ability to run clinical trials in accordance with budget, identify third-party suppliers, and to manufacture or have manufactured LyP Product at competitive prices within its projected timeframes. LyP could be rendered obsolete or uneconomical by technological advances by one or more of NewCo's present or future competitors. Competitive factors include price, customer service, technology, innovation, quality, reputation, and reliability. Competitors may respond more quickly to new or emerging technologies; have greater financial, marketing, and other resources, including product performance data, than HemCon; or may

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be more successful in attracting potential customers, employees, and strategic partners. Given these factors, there can be no assurance that planned sales projections can be achieved or that the NewCo will achieve a significant market position.

b. Limitations of AB Plasma Supplies

NewCo must ensure that it will be able to enter into a satisfactory long-term arrangement with a frozen plasma fractionator to receive an adequate supply of Type AB fresh frozen plasma at a price that will permit NewCo to price competitively in the marketplace. An increased demand for AB FP, either from hospitals and/or competing plasma component manufacturers, could limit NewCo's supply of starting material.

c. Regulatory Clearance for Blood Products

For LyP, classified as a "blood component," the NewCo will be undergoing a series of expensive clinical trials culminating in a BLA application for licensure. This process is highly challenging and financially demanding, and there is no certainty of a successful or continued funding to licensure. In addition, if NewCo fails to comply with applicable regulatory requirements in general for its products, NewCo may be subject to a range of sanctions, including warning letters, monetary fines, product recalls and the suspension of product manufacturing, and criminal prosecution.

d. Cost of LyP

The cost of a unit of LyP is expected to be significantly higher than the cost of a unit of FFP. Even if, as expected, significant advantages of LyP over FFP can be shown for civilian hospitals, such hospitals are under pressure to reduce health care costs. The higher cost of LyP will likely adversely affect its adoption rate in civilian hospitals.

e. Termination of Cooperative Agreement

To date, most funding for the development of LyP has been provided under a Cooperative Agreement with the U.S. Army. The Army ceased making payments under the Cooperative Agreement in ~~2012~~ 2011, and the Plan provides for termination of the

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Cooperative Agreement. ~~Although Debtor is engaged in discussions that may result in funds under the Cooperative Agreement, or substitute funds, being made available to NewCo, perhaps through a third party, there can be no assurance that any future funding for LyP will be provided by the Army or that NewCo will be able to establish or maintain a satisfactory working relationship with the Army.~~ Representatives of the Army have stated that the Army will not make funds available to HemCon in the future. There can be no assurance that NewCo will be able to establish a satisfactory working relationship with the Army.

f. Future Funding is Uncertain

NewCo's projections assume that investors will provide $2 million to $3 million to NewCo through the purchase of Series A Preferred Stock. NewCo currently does not have any commitments from investors to purchase Series A Preferred Stock. To the extent that investor or other funding is committed or received for NewCo's operations, there can be no assurance that the funding received will be sufficient to pay the costs of completion of clinical trials or product development. NewCo's business plan calls for obtaining additional funding during 2013. Further funding is not assured. Without adequate funding from investors, from a third party under a collaboration arrangement, or from government grants or cooperative agreements, NewCo will fail. If additional funding is received through the sale of additional stock or other securities, the transaction could result in substantial dilution to investors.

F. CONDITIONS PRECEDENT

In order for the Plan to become effective, the following conditions must occur and be satisfied unless waived by Debtor: (a) the Bankruptcy Court shall have entered the Confirmation Order in form and substance reasonably satisfactory to Debtor; and (b) all documents, instruments, and agreements, each in form and substance satisfactory to Reorganized Debtor and NewCo, provided for or necessary to implement the Plan shall have

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been agreed upon, executed and delivered, unless such execution or delivery has been waived by the party to be benefitted thereby.

G. ALTERNATIVES TO CONFIRMATION OF THE PLAN

If a Plan is not confirmed, Debtor or another party in interest may attempt to formulate or propose a different plan or plans of reorganization. Such plans might involve a reorganization and continuation of Debtor's business, a sale of Debtor's business as a going concern, an orderly liquidation of Debtor's assets, or any combination thereof. If no plan of reorganization is determined by the Bankruptcy Court to be confirmable, the Bankruptcy Case may be converted to a liquidation proceeding under Chapter 7 of the Bankruptcy Code.

In a Chapter 7 liquidation, a Trustee would be appointed or elected with the purpose of liquidating Debtor's assets. Typically, in a liquidation, assets are sold for less than their going concern or fair market valuation and, accordingly, the return to Creditors is less than the return in a reorganization, which derives the value to be distributed from the business as a going concern. Proceeds from a Chapter 7 liquidation would be distributed to Creditors and Interest holders of Debtor in accordance with the priorities set forth in the Bankruptcy Code. Generally, distributions would not be made until the end of a Chapter 7 case and there would be no interim distributions. If Debtor's case was converted to Chapter 7, the Secured Creditor would likely receive relief from the automatic stay to collect the liquidation value of its collateral, and General Unsecured Creditors and Interest holders would likely receive nothing. Debtor urges all parties to vote to accept the Plan.

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XI. CONCLUSION

Please read this Disclosure Statement and the Plan carefully. After reviewing all the information and making an informed decision, please vote by using the enclosed ballot.

DATED this ~~15th~~ 12th day of ~~February~~ March, 2013.

HEMCON MEDICAL TECHNOLOGIES, INC.

By _____
Barry Starkman, CEO

Submitted by:

TONKON TORP LLP

By _____
Albert N. Kennedy, OSB No. 821429
Timothy J. Conway, OSB No. 851752
Attorneys for Debtor

035365/00001/4372838v2

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UNITED STATES BANKRUPTCY COURT

OREGON DISTRICT OF OREGON

In re: HemCon Medical Technologies, Inc., Debtor.	Case No. 12-32652-elp11 **DEBTOR'S THIRD AMENDED DISCLOSURE STATEMENT (DATED MARCH 12, 2013)**

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I. INTRODUCTION AND SUMMARY

A. INTRODUCTION

On April 10, 2012 (the "Petition Date"), HemCon Medical Technologies, Inc. ("Debtor," "HemCon" or the "Company") filed a voluntary petition under Chapter 11 of Title 11 of the United States Bankruptcy Code (the "Bankruptcy Code"). On March 12, 2013 , Debtor filed this Third Amended Disclosure Statement (the "Disclosure Statement") and its Third Amended Plan of Reorganization (the "Plan") with the U.S. Bankruptcy Court for the District of Oregon (the "Bankruptcy Court"). A copy of the Plan is attached hereto as **Exhibit 1**.

This Disclosure Statement is being provided to you by Debtor to enable you to make an informed judgment about the Plan. This Disclosure Statement has been prepared to disclose information that in Debtor's opinion is material, important, and helpful to evaluate the Plan. Among other things, this Disclosure Statement describes the manner in which Claims and Interests will be treated. This Disclosure Statement summarizes the Plan, explains how the Plan will be implemented, outlines the risks of and alternatives to the Plan, and outlines the procedures involved in confirmation of the Plan. The description of the Plan contained in this Disclosure Statement is intended as a summary only and is qualified in its entirety by reference to the Plan itself. If any inconsistency exists between the Plan and this Disclosure Statement, the terms of the Plan are controlling. You are urged to review the Plan and, if applicable, consult with your own counsel about the Plan and its impact on your legal rights before voting on the Plan.

Capitalized terms used but not defined in this Disclosure Statement shall have the meanings assigned to such terms in the Plan or the Bankruptcy Code. Factual information contained in this Disclosure Statement is the representation of Debtor only and not of its attorneys, consultants or accountants. The information has been obtained from the books and records of Debtor as well as other sources deemed reliable. Debtor has prepared

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the information contained herein in good faith, based on information available to Debtor. The information herein has not been subject to a verified audit. No representation concerning Debtor or the Plan is authorized by Debtor other than as set forth in this Disclosure Statement.

The statements contained in this Disclosure Statement are made as of the date hereof, unless another time is specified herein, and the delivery of this Disclosure Statement shall not imply that there has been no change in the facts set forth herein since the date of this Disclosure Statement and the date the material relied on in preparation of this Disclosure Statement was compiled.

This Disclosure Statement may not be relied on for any purpose other than to determine how to vote on the Plan, except that Creditors, accredited Equity Security Holders, and other accredited investors may rely on it for purposes of deciding whether to participate in the equity offering described in this Disclosure Statement and the Plan. Nothing contained herein shall constitute an admission of any fact or liability by any party, or be admissible in any proceeding involving Debtor or any other party, or be deemed advice on the tax or other legal effects of the Plan on the holders of Claims or Interests.

This Disclosure Statement has been approved by Order of the Bankruptcy Court as containing information of a kind and in sufficient detail to enable a hypothetical reasonable investor typical of holders of Claims or Interests of relevant classes to make an informed judgment concerning the Plan. The Bankruptcy Court's approval of this Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy Court either for or against the Plan.

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan to commence on _____, 2013 at _____ Pacific time. That hearing will be held at the U.S. Bankruptcy Court for the District of Oregon, 1001 SW Fifth Avenue, Eighth Floor, Portland, Oregon 97204, before the Honorable Elizabeth L. Perris. The hearing

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on confirmation may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the hearing on any adjournment thereof.

A ballot has been enclosed with this Disclosure Statement for use in voting on the Plan. In order to be tabulated for purposes of determining whether the Plan has been accepted or rejected, ballots must be received at the address indicated on the ballot no later than 4:00 p.m. on _____, 2013. Debtor believes that confirmation of the Plan is in the best interests of the holders of Claims and urges you to accept the Plan.

If the Plan of Reorganization is approved, the Common Stock and the Series A Preferred Stock have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"). HemCon is relying on Section 3(a)(9) and Section 4(2) of the Securities Act and similar "blue sky" law provisions as well as, to the extent applicable, the exemption for the Securities Act and equivalent state law registration requirements provided by Section 1145(a) of the Bankruptcy Code, to exempt from registration under the Securities Act and "blue sky" laws the offer and sale of new securities in connection with the solicitation of the Plan of Reorganization.

This Disclosure Statement contains projected financial information and estimates of the value that demonstrate the feasibility of the Plan of Reorganization and HemCon's ability to continue operations upon emergence from proceedings under the Bankruptcy Code. HemCon prepared such information for the limited purpose of furnishing information to certain Creditors to allow them to make an informed judgment regarding acceptance of the Plan of Reorganization, and to potential purchasers of Series A Preferred Stock to permit them to make an informed investment decision. The projections and estimates of value should not be regarded for the purpose of this Disclosure Statement as representations or warranties by HemCon as to the accuracy of such information or that any such projections or valuations will be realized. Actual results could vary significantly from these projections.

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You must rely upon your own examination of HemCon and the terms of the Plan of Reorganization including, without limitation, the merits and risks involved. You should carefully consider the risk factors outlined in Section X.E beginning on page 84 of this Disclosure Statement before deciding whether or not to vote with respect to the Plan of Reorganization or invest in Series A Preferred Stock.

Persons who will receive Common Stock or Series A Preferred Stock upon confirmation and approval of the Plan should be aware that they may be required to bear the financial risks of their investment in the Common Stock and the Series A Preferred Stock for an indefinite period of time. Neither the Securities and Exchange Commission ("SEC") nor any state securities commission has approved or disapproved of the securities to be offered pursuant to the Plan of Reorganization or determined if this Disclosure Statement is truthful or complete. Any representation to the contrary is unlawful and is a criminal offense.

B. SUMMARY OF THE PLAN

A copy of the Plan is attached hereto as **Exhibit 1** and discussed in detail later in this Disclosure Statement. The following description of the Plan is intended as a summary only and is qualified in its entirety by reference to the Plan. Debtor urges each holder of a Claim to carefully review the Plan, together with this Disclosure Statement, before voting on the Plan.

Debtor will reorganize into two companies. All of the existing assets and liabilities will remain within Debtor with the exception of those assets and rights that relate to LyP Product ("LyP"). These LyP assets and rights, whether licensed or owned, including all respective IP, will be assigned into a new company. For the purposes of this Disclosure Statement and the Plan this new company will be referred to as NewCo.

The assets and liabilities remaining with Debtor will be those that relate to Debtor's medical devices business, see "Medical Devices Business" in Section IV A below. The intention of Debtor will be to monetize these assets within a three-year period

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commencing on the Effective Date of the Plan ("Transition Period"). It is Debtor's intention to continue to operate its medical device business during the Transition Period and by doing so to increase the potential return from the sale of these assets. The United States will retain its non-exclusive, non-transferrable, irrevocable license to practice or have practiced for and on behalf of the government the LyP Product and certain of the Medical Device Business technology to the extent provided by the terms of its Agreements with Debtor and applicable law.

The Banks' Secured Claim will be paid (a) from the sale of the equity interests in or assets of the medical devices business; (b) pursuant to the Royalty and Security Agreement, an initial payment of $50,000, plus payments equal to 2% net revenue from the manufacture and sale of the LyP Product; and (c) from the Deferred Bard Payment of $1,500,000. The Banks' Secured Claim shall continue to be secured by a security interest in Debtor's assets of the same kind and category and with the same priority that it held as of the Petition Date. In addition, the Banks will have or retain a security interest in the Deferred Bard Payment and the LyP Product.

Unsecured Creditors will be issued shares of Common Stock in NewCo. Common Stock will be issued at the rate of one share for each $50 of Allowed Unsecured Claim. The total number of shares issued to Creditors if all Claims are Allowed could approximate 1 million. An additional 700,000 shares of Common Stock in NewCo will be reserved for issuance under potential stock options for consultants, directors and employees.

It is anticipated that NewCo will be a new stand-alone company initially capitalized by raising $2 to $3 million in new capital by the issuance of between 0.8 million to 1.2 million shares of Series A Preferred Stock to Investors. All Creditors and Equity Security Holders have the opportunity to invest in the Series A Preferred Stock. See Section VII.C.2.a. The Series A Preferred Shares will be issued at $2.50 per share. They will have a liquidation preference of par plus 5% per annum per share and be converted into

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Common Stock if NewCo conducts a public offering of its Common Stock at a price of at least $7.50 per share.

Administrative Expense Claims and Priority Claims are expected to be paid in full. Small Unsecured Creditors (defined as holders of Unsecured Claims that are equal to or less than $4,000 and holders of Unsecured Claims who file a written election to reduce their Unsecured Claims to $4,000) will receive a one-time distribution of 25% of their Claims on or before 60 days after the later of the Effective Date or the date their Claim is Allowed.

Debtor will file a motion to assume or reject any unexpired lease or executory contract it seeks to have assumed or rejected by filing a motion(s) prior to the Confirmation Date. Any unexpired lease or executory contract not expressly assumed or rejected will "ride through" the Bankruptcy Case.

On December 21, 2012, the Court entered an order authorizing Debtor and its subsidiaries to sell GuardIVa®, an infection control product, plus associated intellectual property and trademark to Bard Access Systems, Inc. ("Bard"). The terms and conditions of the sale are cash payments of up to $4.5 million plus certain inventory purchases. Of this $4.5 million, $1.5 million (the "Deferred Bard Payment") is contingent on issuance of authorization to apply a CE Mark to GuardIVa® for sale of the product in the European Economic Area. Debtor anticipates receiving CE Mark clearance in 2013. Secured Creditors hold a partial lien over the sale proceeds. The first phase of the sale has closed and approximately $3 million has been paid to Debtor's subsidiaries in Europe. Five hundred thousand dollars has been disbursed to the Banks, and approximately $800,000 has been used in connection with operations in Europe and the United States. The Plan provides that the Deferred Bard Payment will be paid to the Banks and the remainder of proceeds of the Bard Transaction will be available to fund administrative expenses, cure payments on executory contracts, priority claims, and provide working capital for Reorganized Debtor.

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It is estimated that funding costs for Phase II clinical trials for LyP until completion, together with NewCo's operating costs through the third quarter of 2014, will be approximately $7 million. The level of expenditure will depend in part upon (1) the rate of patient recruitment, (2) final negotiation of contracts relating to the clinical trials, and (3) the final number of patients recruited into the trials. Debtor anticipates that there will be several potential sources for the additional funding needed through the third quarter of 2014. These potential sources include a combination of (1) a follow-on round from existing and/or new Investors, (2) venture investors, (3) finance from a corporate investor, and (4) revenues or grant income. No revenues or grant income have been included in the projections for NewCo to September 30, 2014 attached to this Disclosure Statement.

Debtor believes NewCo's ability to secure additional capital funding midway through the clinical trials will be feasible based upon the nature of the interim data review for safety purposes. The Data Monitoring Committee is to review the database to ensure that the subjects receiving LyP are not experiencing an increase in frequency of adverse events over that of the control subjects receiving fresh frozen plasma ("FFP"). This interim safety data analysis is anticipated to ensure that LyP is non-inferior to the FFP with regard to safety events. It is anticipated that this analysis will be supportive in attracting the remaining $2.5 million to $3.5 million required to complete the Phase II clinical trials.

Debtor considers that, assuming a successful outcome to the Phase II clinical trials, the equity in NewCo will have reached a significantly higher valuation than that on the Effective Date of the Plan. Debtor considers that this enhanced valuation point should be sufficient to identify the further funding for NewCo to complete the final stages of clinical trials and secure product manufacturing capabilities. It is also possible that the business could be sold at that time to new investors with then-existing shareholders receiving cash for their stock. Subject to successful outcomes of the Phase II trials, it would then be the intention for NewCo, in the timeframe 2015 to 2017, to submit to the U.S. Food and Drug

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Administration ("FDA") a Biologics License Application ("BLA"). The timing of submission, amongst a number of factors, will depend upon the extent of FDA regulatory requirements to be met. If approved by the FDA, NewCo would then be authorized to commence selling product. Achievement of FDA approval, assuming a viable market is available and accessible to LyP, should result in further increases in the valuation of NewCo and another opportunity for a value realizing event for shareholders. However, these future events are too uncertain at this point to be able to place a present value on the ultimate future return to Unsecured Creditors.

Debtor believes the Plan represents the only opportunity for Unsecured Creditors and Equity Security Holders to realize any value from their claims and interests. Debtor owes over $22 million to Secured Creditors. Over $45 million in unsecured claims have been filed. Debtor estimates that its medical device business currently has a value between $2 million and $3 million. Although Debtor believes that value will increase, there is no reasonable likelihood that it will exceed the amount of the claims of Banks holding a security interest in the assets of Debtor. The LyP Product has little or no present value absent new investment, and it is subject to the security interests of the Bank. To date, no binding commitments have been received for new investment in NewCo. However, if NewCo can attract investment sufficient to fund the Phase II clinical trials for the LyP Product, Debtor believes there could be significant value for the common stock that will be issued to Unsecured Creditors and preferred stock acquired by investors. NewCo has been structured as a stand-alone entity in order to be as attractive as possible for new investment. Creditors and Equity Security Holders will have the opportunity to invest Series A Preferred Stock (see Section VII.C.2.a) and share in any resulting value creation.

The Effective Date of the Plan shall be the first day of the first full month after the Confirmation Date and after which the conditions to effectiveness set forth in Section 6.12 of the Plan have been waived or satisfied.

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C. BRIEF EXPLANATION OF CHAPTER 11

Chapter 11 is the principal reorganization provision of the Bankruptcy Code. Pursuant to Chapter 11, a debtor attempts to reorganize its business for the benefit of the debtor, its creditors, and other parties in interest.

The formulation and confirmation of a plan of reorganization is the principal purpose of a Chapter 11 case. A plan of reorganization sets forth a proposed method for compensating the holders of claims and interests in the debtor. A claim or interest is impaired under a plan of reorganization if the plan provides that the legal, equitable, or contractual rights of the holder of such claim or interest are altered. A holder of an impaired claim or interest is entitled to vote to accept or reject the plan. Chapter 11 does not require all holders of claims and interests to vote in favor of a plan in order for the Bankruptcy Court to confirm it. However, the Bankruptcy Court must find that the plan meets a number of statutory tests before it may approve the plan. These tests are designed to protect the interests of holders of claims or interests who do not vote to accept the plan, but who will nonetheless be bound by the plan's provisions if it is confirmed by the Bankruptcy Court.

An official committee of unsecured creditors is appointed by the U.S. Trustee's office in most Chapter 11 cases to, among other things, negotiate the plan of reorganization on behalf of the unsecured creditors of the debtor. A committee of unsecured creditors was appointed by the U.S. Trustee in this case.

II. VOTING PROCEDURES AND CONFIRMATION OF PLAN

A. BALLOTS AND VOTING DEADLINE

A ballot to be used for voting to accept or reject the Plan is enclosed with each copy of this Disclosure Statement mailed to all Creditors. After carefully reviewing this Disclosure Statement and its exhibits, including the Plan, please indicate your acceptance or rejection of the Plan by voting in favor or against the Plan on the enclosed ballot as directed below.

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The Bankruptcy Court has directed that, to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received by Debtor no later than 4:00 p.m. Pacific time on _____, 2013 at the following address:

Tonkon Torp LLP,
Attention: Spencer Fisher
1600 Pioneer Tower
888 SW Fifth Avenue
Portland, OR 97204-2099

or via facsimile transmission to Spencer Fisher at (503) 972-3867.

Holders of each Claim scheduled by Debtor or with respect to which a Proof of Claim has been filed will receive ballots and are permitted to vote based on the amount of the Proof of Claim, except as discussed below. If no Proof of Claim has been filed, then the vote will be based on the amount scheduled by Debtor in its Schedules. The Bankruptcy Code provides that such votes will be counted unless the Claim has been disputed, disallowed, disqualified, or suspended prior to computation of the vote on the Plan. A Claim to which an objection has been filed is not allowed to vote unless and until the Bankruptcy Court rules on the objection. Holders of disputed Claims who have settled their dispute with Debtor are entitled to vote the settled amount of their Claim. The Bankruptcy Code and rules provide that the Bankruptcy Court may, if timely requested to do so by the holder of such Claim, estimate or temporarily allow a disputed Claim for the purposes of voting on the Plan.

If a person holds Claims in more than one Class entitled to vote on the Plan, such person will be entitled to complete and return a ballot for each Class. If you do not receive a ballot or if a ballot is damaged or lost, please contact:

Tonkon Torp LLP
Attention: Spencer Fisher
1600 Pioneer Tower
888 SW Fifth Avenue
Portland, OR 97204-2099
Telephone number: (503) 802-2167

All persons entitled to vote on the Plan may cast their vote for or against the Plan by completing, dating, and signing the enclosed ballot and returning it, by First Class mail or hand delivery, to Debtor at the address indicated above. In order to be counted, all ballots must be executed and received at the above address no later than 4:00 p.m. Pacific time on _____, 2013. Any ballots received after 4:00 p.m. Pacific time on _____, 2013 will not be included in any calculation to determine whether the parties entitled to vote on the Plan have voted to accept or reject the Plan.

Ballots may be received by Debtor by facsimile transmission to Tonkon Torp LLP, Attention: Spencer Fisher, at (503) 972-3867. Ballots sent by facsimile transmission will be counted if faxed to Mr. Fisher and received by 4:00 p.m. Pacific time on _____, 2013.

When a ballot is signed and returned without further instruction regarding acceptance or rejection of the Plan, the signed ballot shall be counted as a vote accepting the Plan. When a ballot is returned indicating acceptance or rejection of the Plan but is unsigned, the unsigned ballot will not be included in any calculation to determine whether parties entitled to vote on the Plan have voted to accept or reject the Plan. When a ballot is returned without indicating the amount of the Claim or in an inaccurate amount, the amount shall be as set forth on Debtor's Schedules or any Proof of Claim filed with respect to such Claim or Order of the Court.

B. PARTIES ENTITLED TO VOTE

Pursuant to Section 1126 of the Bankruptcy Code, each Class of impaired Claims or Interests that is not deemed to reject the Plan is entitled to vote to accept or reject the Plan. Any holder of an Allowed Claim that is in an impaired Class under the Plan, and whose Class is not deemed to reject the Plan, is entitled to vote. A Class is "impaired" unless the legal, equitable, and contractual rights of the holders of Claims in that Class are left unaltered by the Plan or if the Plan reinstates the Claims held by members of such Class by

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(1) curing any defaults, (2) reinstating the maturity of such Claim, (3) compensating the holder of such Claim for damages that result from the reasonable reliance on any contractual provision of law that allows acceleration of such Claim, and (4) otherwise leaving unaltered any legal, equitable, or contractual right of which the Claim entitles the holder of such Claim. Because of their favorable treatment, Classes that are not impaired are conclusively presumed to accept the Plan. Accordingly, it is not necessary to solicit votes from the holders of Claims in Classes that are not impaired. Classes of Claims or Interests that will not receive or retain any money or property under a Plan on account of such Claims or Interests are deemed, as a matter of law under Section 1126(g) of the Bankruptcy Code, to have rejected the Plan and are likewise not entitled to vote on the Plan.

Under Debtor's Plan, Classes 1 and 2 are not impaired and, therefore, are deemed to have accepted the Plan. Classes 3, 4, 5, 6, and 7 are impaired under the Plan. Persons holding Claims in Classes 3, 4, 5, 6, and 7 are entitled to vote to accept or reject the Plan.

C. VOTES REQUIRED FOR CLASS ACCEPTANCE OF THE PLAN

As a condition to confirmation, the Bankruptcy Code requires that each impaired Class of Claims or Interests accept the Plan, subject to the exceptions described below in the section entitled "Cram Down of the Plan." At least one impaired Class of Claims must accept the Plan in order for the Plan to be confirmed.

For a Class of Claims to accept the Plan, Section 1126 of the Bankruptcy Code requires acceptance by Creditors that hold at least two-thirds in dollar amount and a majority in number of the Allowed Claims of such Class, in both cases counting only those Claims actually voting to accept or reject the Plan. The holders of Claims who fail to vote are not counted as either accepting or rejecting the Plan. If the Plan is confirmed, the Plan will be binding with respect to all holders of Claims and Interests in each Class, including Classes and members of Classes that did not vote or that voted to reject the Plan.

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D. "CRAM DOWN" OF THE PLAN

If the Plan is not accepted by all of the impaired Classes of Claims and Interests of Debtor, the Plan may still be confirmed by the Bankruptcy Court pursuant to Section 1129(b) of the Bankruptcy Code's "Cram Down" provision if the Plan has been accepted by at least one Impaired Class of Claims, without counting the acceptances of any Insiders of Debtor, and the Bankruptcy Court determines, among other things, that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each non-accepting Impaired Class of Claims or Interests. Debtor believes the Plan can be confirmed even if it is not accepted by all impaired Classes of Claims and will request the Bankruptcy Court to confirm the Plan in accordance with Section 1129(6) of the Bankruptcy Code or otherwise modify the Plan in the event any Class of Creditors does not accept the Plan.

E. CONFIRMATION HEARING

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan to commence on _____, 2013, at _____ Pacific time. The Confirmation Hearing will be held at the U.S. Bankruptcy Court for the District of Oregon, Courtroom 1, 1001 SW Fifth Avenue, Portland, Oregon, before the Honorable Elizabeth L. Perris, United States Bankruptcy Judge. At the hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and whether it is in the best interests of the Creditors of Debtor. Prior to the hearing, Debtor will submit a report to the Bankruptcy Court concerning the votes for acceptance or rejection of the Plan by the persons entitled to vote thereon.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan. Any objections to confirmation of the Plan must be made in writing and filed with the Bankruptcy Court and received by counsel for Debtor no later than _____, 2013, by 4:00 p.m. Pacific time. Unless an objection to confirmation is timely filed and received, it will not be considered by the Bankruptcy Court.

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III. COMPANY BACKGROUND AND INFORMATION

A. DEBTOR

HemCon Medical Technologies, Inc. was founded in 2001. It is a diversified life sciences company that develops, manufactures, and markets innovative wound care/infection control medical devices and blood products. These products are and will be for the emergency medical, surgical, military, pharmaceutical, and, for medical devices, the over-the-counter ("OTC") markets. HemCon's medical device products, blood products, technologies, and infrastructure together form a life sciences company represented by its existing products and future pipeline potential. Products include three basic technology platforms including chitosan and micronized dispersible oxidized cellulose ("m•doc™") for its medical devices business and freeze dried (or dried lyophilized) plasma ("LyP") with respect to its Blood Products.

B. GENERAL BACKGROUND AND OVERVIEW

HemCon's headquarters are in Portland, Oregon. HemCon maintains a 32,000-square -foot manufacturing facility in Portland for the manufacture of its chitosan-based wound care products and LyP for clinical trials. HemCon also holds 100% of the outstanding stock of Castlerise Investment Limited, which is the holding company of its wholly-owned subsidiary, HemCon Medical Technologies Europe, Ltd. ("HemCon Europe") headquartered in Dublin, Ireland. HemCon Europe maintains three staff in Ireland and nine staff in the Czech Republic who jointly manage the production and European distribution of HemCon modoc™ and certain chitosan-based products.

C. PROPRIETARY TECHNOLOGY PLATFORMS

1. Medical Devices

HemCon medical device products are fabricated from chitosan (pronounced "ky-toe-san"), a naturally occurring, biocompatible polysaccharide, and m•doc™ a

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proprietary HemCon biomedical polymer composed of microdispersed calcium and sodium salts of polyanhydroglucuronic acid derived from natural cotton.

This chitosan platform, with its unique and natural characteristics, combined with HemCon's proprietary manufacturing processes, allows HemCon to bring to market products that are highly effective and reliable.

Chitosan is a polysaccharide most often derived from the exoskeletons of shellfish such as shrimp and has long been recognized as an effective and safe hemostatic agent that is used in products to control severe bleeding. Its primary action works outside of the coagulation cascade, thereby allowing for faster control of bleeding and use with most patients on coagulation therapies or with bleeding disorders.

Chitosan has a positive charge and it attracts red blood cells and platelets, which have a negative charge. As the red blood cells and platelets are drawn toward the bandage through this ionic interaction, a strong seal is formed at the dermal wound site. This supportive, primary seal allows the body to effectively activate its coagulation pathway, initially forming organized platelets. HemCon dressings are designed to maintain this seal and serve as a frontline support structure as the platelets and red blood cells continue to aggregate until hemostasis is achieved. The strong sealing action described allows the body to naturally clot. HemCon dressings do not rely solely on the clotting cascade to stop bleeding.

The HemCon hemostatic dressings also offer antibacterial properties. Chitosan is naturally antibacterial and offers properties against a wide range of gram positive and gram negative organisms. The HemCon process adds to this antibacterial property, allowing certain HemCon products to carry an FDA-cleared antibacterial claim. This additional benefit gives this technology a significant commercial advantage over similar competing technologies.

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Chitosan
• Rapid control of moderate to severe external bleeding • Controls bleeding outside of normal clotting cascade • Provides antibacterial properties • Proprietary product forms: lyophilized and coated gauze

Technology Benefits Summary

The m•doc™ platform has excellent biocompatibility and allows control of oozing to moderate bleeding by activation of the intrinsic clotting cascade.

One key characteristic of m•doc™ is that it is readily formed into mats, fibers, sponges, gels, films, and sprays. Clinical testing in Europe has demonstrated m•doc™ has a safe bioresorbability profile. It promotes normal wound healing responses and can be formulated to deliver active pharmaceutical agents.

m•doc™
Proprietary biomaterial • Control of oozing to moderate bleeding • Readily formed into mats, fibers, sponges, gels, films & sprays • Provides modest antibacterial properties • Clinical bioresorbable safety demonstrated

Technology Benefits Summary

2. Blood Products

a. Plasma Product (LyP)

LyP is a minimally altered plasma product created by thawing single-donor frozen plasma and transferring it into a robust package that undergoes a patent pending lyophilization process to remove the water. Unlike today's frozen plasma, which can take 45 to 90 minutes to thaw and deliver, HemCon's LyP is prepared in less than two minutes to ensure the patient receives plasma quickly, and rapidly corrects coagulopathies to reduce the need for additional blood products. LyP is quite stable at room temperature and even longer when refrigerated. It eliminates the need for freezers and thawing devices and enables storage at the point of care, all which results in faster administration. LyP also reduces waste resulting from unused thawed plasma and its rugged container was designed to prevent container breakage rates seen as high as 40%.

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Under its agreement with the U.S. Army (which to this point has provided R&D funding through a Cooperative Agreement) and pursuant to relevant government regulations, HemCon is the owner of the LyP technology. The government holds a paid-up, non-exclusive, non-transferrable, irrevocable license to use the LyP technology and certain other technologies of Debtor for government.

HemCon has filed five U.S. pending patent applications and 12 foreign patent applications (in China, Korea, Japan, Australia, Canada and Europe). One U.S. patent has been granted, and one of the pending U.S. patent applications was recently allowed and is now pending grant. HemCon has proprietary positions and know-how around freeze-drying (lyophilization lyophilizing) of plasma for preparation of a single donor plasma product in a lyophilization container for plasma ("LCP") that enables rapid plasma reconstitution.

HemCon is in the process of preparing an updated LCP patent application. This new patent application will provide an enhanced intellectual property position for HemCon's LCP technology.

b. Universal Lyophilized Plasma ("ULyP")

A concurrent project to LyP is the creation of a universal lyophilized plasma ("ULyP"). Today, universal plasma (Blood Type AB) is only available from 4% of the population, creating supply issues that force institutions to wait for type-specific plasma. A method for manufacturing single-donor universal plasma is being developed by HemCon that removes the anti-B antibody present in Type A plasma (40% of the population), rendering it universal. Utilizing a proven technology and process co-developed with ProMetic BioSciences (Cambridge, UK), Universal LyP could be stored closer to the point of care and removes concerns and risks associated with typing and cross-matching errors.

D. FINANCIAL HISTORY

With the exception of achieving a profit, before reorganization expenses, for the period from April 10 to December 31, 2012, HemCon has incurred losses since 2008.

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The principal cause of these losses arose from the Company's dependency on military revenues from hemostatic bandages, in particular the U.S. Army, and the decision by the U.S. Army to switch its supply of hemostatic bandages to a competitor using a different technology toward the end of 2008. This resulted in HemCon incurring a sudden and substantial reduction in revenues. The majority of these revenues were derived from the sales of HemCon's 4" x 4" bandage. Total worldwide revenues for this bandage for 2008, 2009, 2010, and 2011 were $35.4 million, $3.3 million, $2.5 million, and $0.6 million, respectively.

In 2008, HemCon's group consolidated income from continuing operations (after taxes) on total revenues of $41.9 million was $3.7 million. Comparatively, in 2009, total revenues were $13 million, with a loss of $12.9 million; and for 2010, total revenues of $14.9 million, with a loss of $8.2 million. Results stated for 2008 to 2010 have been extracted from audited financial statements. The estimated unaudited result for 2011 on an equivalent basis, with revenues of $11.9 million, was a loss of $6.1 million. Following revenues of $10.3 million, the provisional loss from continuing operations after taxes and reorganization expenses for 2012 was $1.2 million. The reduction in losses from 2009 to 2012, with relatively similar levels of revenues, was achieved mainly through significant reductions in operating expenses. This was a time-consuming and complex process as the Company adjusted to the impact of lost 4" x 4" bandage revenues, developed and launched a broader portfolio of medical device products, diversified its customer base, maintained regulatory compliance, developed LyP to the point of being ready to commence Phase II clinical trials, and defended the patent litigation lawsuit with respect to certain chitosan-based products.

Historic and projected financial performance for the group, and separately HemCon, is detailed in Appendices A to C. The assumptions to the projections are described in Section X.E below.

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HemCon has funded its operations and acquisitions to date with approximately $76 million in non-dilutive grants from the U.S. military, which included funding to purchase HemCon bandages, $19 million in private financings with outside investors, $37 million in bank debt, and separately internally-generated cash flows.

E. LITIGATION

On March 17, 2006, Marine Polymer Technologies, Inc. ("MPT") filed a complaint against the Company claiming that HemCon's purified chitosan infringed on MPT's United States Patent No. 6,864,245 (the "'245 Patent"). The '245 Patent is directed to a purified poly-β-1→4-N-acetylglucosamine species derived from aseptically cultured microalgae. The complaint was filed in the United States District Court for the District of New Hampshire. Routine pretrial fact and expert discovery was completed in July 2007. The Court held a Markman Hearing (patent claim construction) on March 27, 2008. On May 6, 2008, the Court issued an Order on Markman Claim Construction (the "Markman Order"). After entry of the Markman Order, the parties conferred, but settlement was not reached. The case proceeded to trial in 2010 and judgment was entered against HemCon for approximately $29 million (before interest) in damages and an injunction against selling certain of its chitosan-based products. HemCon filed an appeal to the U.S. Court of Appeals for the Federal Circuit. In the fall of 2011, a three-judge panel of the Court of Appeals entered its decision reversing the District Court judgment. MPT sought rehearing by the Court of Appeals *en banc*. On March 15, 2012, in a 5-to-5 split decision, an *en banc* panel of the U.S. Court of Appeals for the Federal Circuit affirmed the District Court's ruling against HemCon. HemCon filed a petition for rehearing *en banc*. On May 4, 2012, the Federal Circuit Court of Appeals notified the parties that given the bankruptcy filing, the petition for rehearing *en banc* would be stayed during the pendency of the bankruptcy proceedings. The automatic stay also stays any action before the Supreme Court seeking a writ of certiorari. Pursuant to 11 U.S.C. § 108(c), the deadline for filing a writ is extended until 30 days after

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the stay is terminated. HemCon will continue to review its position in seeking a rehearing and appeal to the Supreme Court and determine the most appropriate course of action. In making its decision, HemCon will consider the extent of future expenses to be incurred, the likelihood of a successful outcome, and the impact on Reorganized Debtor and NewCo. It is unlikely that either HemCon or NewCo will have the financial capacity to fund a rehearing or appeal.

Meanwhile, following the District Court's trial ruling, HemCon successfully reformulated its chitosan product line with the principal objective of preventing any further alleged infringement of any issued patents. The reformulated product line has been branded as HemCon PRO products.

F. GOVERNMENTAL USE LICENSE

The United States provided funding for the development of HemCon's LyP technology and certain other intellectual property. To the extent that intellectual property was developed with funding from the United States, then, as provided in agreements, statutes, and regulations, the United States has a paid-up, non-exclusive, non-transferable, irrevocable license to practice or have practiced on behalf of the United States such intellectual property. The government has such a license to practice the LyP technology and may have a license to practice other intellectual property. The Plan is not intended to limit or eliminate any such government license. Debtor and Reorganized Debtor have no intention of abandoning any intellectual property.

G. CORPORATE OFFICERS, DIRECTORS AND MANAGEMENT TEAM

1. Corporate Officers and Management Team

Barry Starkman, *President and CEO.* Barry Starkman was appointed May 29, 2012 and serves as HemCon's President and Chief Executive Officer. Mr. Starkman's experience spans pharmaceutical products, biotech, and medical devices, matching the commercial applications for HemCon's LyP Program and Medical Devices

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division. His background also includes manufacturing management in the areas of facilities design, cGMP manufacturing requirements, and Lean 6 Sigma applications.

Prior to joining HemCon, Mr. Starkman served as Vice President of Operations at Promega, where he was responsible for global manufacturing, planning, and logistics for the $300 million organization. Mr. Starkman had previously overseen the design, construction, start-up and operation of Genentech's $450 million state-of-the-art formulation, packaging, and distribution facility in Portland, serving as General Manager. Earlier in his career, Mr. Starkman worked for 24 years for Merck, taking on increasing responsibility that culminated at Director of Manufacturing within Vaccine Operations. Mr. Starkman received his bachelor's degree in Geology from Lafayette College, Easton, Pennsylvania, and holds a Master of Science in Environmental Engineering from Drexel University, Philadelphia, Pennsylvania.

Nick Hart, *CFO.* Nick Hart serves as CFO for HemCon Medical Technologies. Mr. Hart joined the Company in 2008 in the role of chief financial officer, following the acquisition of Alltracel Pharmaceuticals, where he also was Chief Financial Officer. Prior to this, Mr. Hart worked in the life sciences sector for over 20 years, in a variety of positions, including chief operating officer and acting chief executive officer. Mr. Hart has worked as CFO for NASDAQ and LSE-listed companies. In the earlier part of his career he worked within a number of manufacturing organizations in a financial role. Mr. Hart received his bachelor's degree in Economics and Statistics from Kingston University, London. He is a fellow member of the Institute of Chartered Management Accountants.

Simon McCarthy, Ph.D., *Chief Scientific Officer*. Simon McCarthy joined HemCon in 2003. His area of scientific expertise is in polymeric biomaterials, their chemistry, characterization, biomedical application, and molecular biology. He serves as HemCon's Chief Scientist and is responsible for the research and development of new

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products and devices to control bleeding and promote wound repair. In 2001, as senior scientist, he co-invented the HemCon® Bandage with Dr. Kenton Gregory. He has overseen 18 granted patents and 33 current patent applications on chitosan dressings for HemCon. In 2007, he and Lisa Buckley proposed a single-donor lyophilized plasma solution to the U.S. Army. He is the inventor and co-inventor of one issued patent and 18 current patent applications on lyophilized plasma for HemCon. At HemCon, he has acted as Principal Investigator and Co-Investigator on Awards totaling more than $45 million. Dr. McCarthy received his Ph.D. in polymer chemistry from Monash University in Melbourne, Australia. While a scientist at the Australian Cooperative Research Center for Cardiac Technology (1991-1999), he co-invented the novel polyurethane "Elast-Eon" which has now been implanted in over 3 million cardiac devices. He has authored or co-authored more than 20 scientific papers and is a co-holder of multiple patents on polyurethanes and polyesters for biomedical applications.

Lisa Buckley, MPH, *Senior Vice President of Research and Development*. Ms. Buckley is the Principal Investigator for lyophilized plasma projects, securing over $35 million in funding, and has led development and oversight of the HemCon lyophilized plasma (LyP) program since 2008. This program continues to be recognized by the U.S. Army for its high level of performance and technical excellence. As a member of HemCon's management team, Ms. Buckley provides scientific leadership and strategic direction in HemCon's LyP Product. Ms. Buckley has over 20 years of experience in translational medical research and management, as well as over 10 years in product development. Prior to her role with the LyP Product, Ms. Buckley developed and oversaw critical developmental testing in pre-clinical models to demonstrate effectiveness of HemCon's 4 x 4 and ChitoGauze® dressings.

Prior to joining HemCon, Ms. Buckley was a founding scientist at the Oregon Medical Laser Center in 1991. She also previously held positions at the New York City

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Department of Health and Massachusetts General Hospital. Ms. Buckley has authored and co-authored scientific papers and abstracts and is co-holder of five patents and three patent applications. She received a bachelor of science in Biology from Boston College and a Master of Public Health from Columbia University.

2. Current Board of Directors

William Wiesmann, M.D., *Chairman of the Board of Directors, Co-Founder, HemCon*. Dr. Wiesmann, co-founder of HemCon, is the President and Founder of a consulting company and several small biotech companies collectively called the BioSTAR Group. Dr. Wiesmann served as the Director for Combat Casualty Care at the U.S. Army Medical Research and Material Command Post at Ft. Detrick in Frederick, Maryland until he retired from the U.S. Army as a Colonel in 1997. Throughout his career, Dr. Wiesmann has garnered extensive business expertise, including formation of research and development ("R&D") partnerships and teaming agreements between government, industry, and academic laboratories, as well as directing multi-million dollar programs for DARPA, NASA, and the Army Medical Research and Material Command. Dr. Wiesmann has successfully led or assisted in taking six medical products through FDA approval to market, and has overseen simultaneous multi-million dollar awards on development of medical products with successful performance and delivery.

Dr. Wiesmann has been published in over 70 scientific publications, authored five book chapters, and has 45 patents awarded and pending. He is a member of the University of Cincinnati Department of Biomedical Engineering External Advisory Board, and a member of the National Council at Washington University School of Medicine.

Dr. Wiesmann received his undergraduate degree in chemistry from the University of Cincinnati in Ohio, and his medical degree from Washington University in St. Louis, Missouri. He completed advanced research training as a fellow at the National Heart, Blood and Lung Institute at the National Institutes of Health. Dr. Wiesmann served as

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a senior scientist at the Walter Reed Institute of Research and as an attending nephrologist. In 2008, Dr. Wiesmann was awarded an Honorary Doctor of Science from the University of Cincinnati.

Kenton Gregory, M.D., *Board Member, Co-Founder, HemCon***.** Dr. Kenton Gregory, co-founder of HemCon, was co-inventor of the chitosan technology that was the foundation intellectual property of HemCon. Dr. Gregory is an associate professor of biomedical engineering and an assistant professor of medicine, practicing cardiology at Oregon Health and Science University ("OHSU"). He is the founder and director of the OHSU Center for Regenerative Medicine. Dr. Gregory is one of the five founding program managers for the $90 million Armed Forces Institute for Regenerative Medicine. He is currently principal investigator for over $40 million in biomedical research grants approved for funding from the U.S. Army MRMC, SOCOM, DARPA and DTRA, with a 25-year history of being a proven performer in developing biomedical products for the Department of Defense.

Dr. Gregory received his undergraduate degree in Chemical Engineering and Doctor of Medicine from the University of Southern California. He completed his internship and residency in Internal Medicine, and a fellowship in Cardiology, at the Wadsworth Veterans Administration Hospital in Los Angeles, California, and an additional research fellowship in Cardiology at the Irvine Medical Center in Orange, California. He has held teaching positions at the University of California, Irvine Medical School, and Harvard University School of Medicine, and served as staff cardiologist at Massachusetts General Hospital. He held an endowed chair in laser medicine and surgery at the Providence St. Vincent Medical Center, and was founder and director at the Oregon Medical Laser Center.

Dr. Gregory has founded or co-founded nine biotechnology companies based upon his inventions and has brought numerous inventions from concept through FDA

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approval to commercial products. Dr. Gregory has been awarded 40 domestic and international patents. He has sat on eight corporate boards and sits on Boards for USC, NIH advisory boards, and boards for non-profit institutes. He has authored and/or co-authored over 50 original reports and manuscripts. He has been Principal Investigator on five FDA-sponsored clinical trials, and received over $80 million in grants and contracts to discover and develop new medical products from hemorrhage control and biomaterials to regenerative medicine. He is a member of numerous medical societies and editorial boards of peer reviewed medical journals. Among a number of awards, Dr. Gregory has received the U.S. Army Medical Research and Materials Command Award for Excellence, The U.S. Army Top Ten Inventions Award, and the 2009 Genius Award from the Oregon Museum of Science and Industry.

Andrew Miller, *Board Member, CEO, Stimson Lumber*. Andrew W. Miller is the President/CEO of Stimson Lumber Company in Portland, Oregon. Stimson is an integrated timberland and wood products manufacturing company with operations in Oregon, Washington, Idaho, and Montana. Prior to joining Stimson in 1991, Mr. Miller was employed in the Forest Products Industry with Plum Creek Timber and Weyerhaeuser. Mr. Miller serves on multiple regional and national industry association boards, and several non-profit Boards, in the Portland area. Mr. Miller graduated from Grinnell College (Grinnell, Iowa) with a bachelor of arts in Economics, and earned an MBA in Finance from Columbia University.

IV. PRODUCTS AND MARKETING OPPORTUNITIES

A. MEDICAL DEVICES BUSINESS

As discussed above under "Summary of the Plan" on page 4, Reorganized Debtor intends to continue to manufacture and supply the medical device products as described in this section. However, the objective of post-confirmation operations will be to maximize the value of the business in order to sell it in whole or part to pay down the

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Secured Creditors over three years. The Company intends to ensure continuity of supply of all its products to its customers by one or a combination of the following actions, (1) maintaining manufacturing in its existing facility; (2) relocating all or part of its manufacturing to a new, less expensive, right-sized facility; or (3) transferring all or part of its production to third-party contract manufacturers. The solution will be based upon a number of factors, not the least of which is potential buyers' desires and/or negotiations on the current property lease.

1. Product Portfolio

HemCon has introduced to the market a range of new products from its technology and platforms since February 2009. Some of the products which now form the basis for the Company's revenue from HemCon's chitosan and m•doc™ technology platforms are described below.

a. GuardaCare®XR Surgical Hemostatic Temporary Surgical Dressing: Chitosan-Based

GuardaCare®XR Surgical, the recently FDA-cleared hemostatic temporary surgical dressing, was launched in the first quarter of 2012 and is anticipated to become the flagship product of HemCon's Medical Device division. The product is a chitosan derivative coated gauze with an x-ray detectable element that is indicated for the temporary control of severe bleeding in surgical wounds and traumatic injuries. GuardaCare®XR Surgical was developed from HemCon's military-gauze platform.

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GuardaCare®XR Surgical

GuardaCare®XR Surgical dressing with a radiopaque element sets HemCon apart from the competition in the surgical arena as it is able to control moderate to severe bleeding, conditions where other products often struggle to achieve hemostasis. The dressing is also ideal for control of oozing, nuisance, and surgical bleeding. The dressing significantly reduces the amount of blood loss and therefore minimizes the use of surgical pads and gauze during a procedure, without causing visual obstruction to the surgical field. These features are important to surgeons and operating room nurses because they are able to perform procedures without interruption and delay due to uncontrolled or nuisance bleeding. The product is cost-effective and is priced competitively against surgically indicated hemostatic agents, which are often significantly more expensive.

Since January 2012, HemCon has started to collect clinical data through collaborations and also through post-market feedback. To date, the product has been used successfully in a range of procedures, including those in cardio-thoracic, vascular, spinal, OB-GYN, plastics, and trauma arenas.

The U.S. surgical market is the biggest market by far that HemCon will have entered to date and represents a sizable opportunity for the Company. The dressing provides surgeons with an enhanced solution for control of bleeding and supports hospital-wide cost savings initiatives.

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b. ChitoGauze®: Chitosan-Based

Since 2009, HemCon has been determined to regain market share in the military hemostatic market. HemCon, with its proven military track record and comprehensive understanding of battlefield needs, set out to design a new and easy-to-apply dressing that targets early and rapid control of hemorrhage to mitigate against the massive blood loss that leads to high rates of mortality and morbidity. ChitoGauze® is the next generation product in HemCon's hemostatic dressing chitosan platform. It makes a significant new contribution to, as well as borrowing from, fabric medical gauze technology that is already familiar to first responders. It was cleared by the U.S. FDA (K090026) and it is intended as "a hemostatic dressing for the external, temporary control of severely bleeding wounds."

The ChitoGauze® dressing is composed of polyester/rayon blend non-woven medical gauze that is coated with a chitosan derivative. The three inch by four yard (3" x 4 yds.) dressing is z-folded and vacuum packaged with a small product profile of H 5.75 in. x W 5.0 in. x D 0.65 in. The z-folded configuration was incorporated at design phase with end-user input and allows for easy handling and rapid application when time is critical.

ChitoGauze®

Several reports and studies have been performed and published demonstrating the efficacy and safety of ChitoGauze®. This has led to increasing military and pre-hospital adoption of the product. As examples, ChitoGauze® is the dressing of choice for

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U.S. Special Operations and is also carried by ambulance services in England. Penetration of the U.S. Army was delayed by the U.S. Army's requirement for internal testing of leading available hemostats prior to their being fielded. A study of ChitoGauze® performed by the Naval Medical Research Unit ("NMRU") was completed in March 2012. ChitoGauze® performed well and proved to be superior to the incumbent Army dressing, Combat Gauze, a kaolin based technology.

The NMRU testing results have been presented to the Committee on Tactical Combat Casualty Care panel ("CoTCCC") that recommends and approves fielding of hemostatic dressing for use by the U.S. Army, Navy, and Air Force. As previously demonstrated in HemCon's own internal and independent studies, HemCon ChitoGauze® performed well compared to other tested hemostats and, consistent with the NMRU results discussed above, when compared to Combat Gauze. The CoTCCC panel was recently replaced with respect to approving hemostatic dressings by the U.S. Army Institute of Surgical Research ("ISR"). Based on the NMRU study, HemCon anticipates that a vote on hemostatic devices could be conducted by the ISR in 2013 when it is understood that the ISR will hold its first meeting. This optimism comes from the NMRU report, which includes commentary suggesting additional chitosan-based products could be added to the protocol list.

c. GuardaCare®: Chitosan-Based

The emergency medicine, pre-hospital market was a natural transition from the military settings for HemCon. A small market and sporadic use make this a difficult market to fully penetrate without a dedicated sales force and strategy. The HemCon GuardaCare® product line, based on the same platform as the military ChitoGauze® dressing, offers a low profile, smaller, flexible hemostatic agent able to control severe bleeding while providing antibacterial properties. GuardaCare® also has application in chronic surgical wound debridement, where the product can be used to control bleeding and

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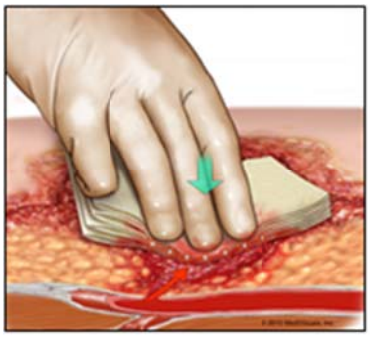
potentially allow for bedside debridement of such wounds, saving the hospital the associated costs of the operating room.



GuardaCare®

GuardaCare®

d. HemCon Patch®: Chitosan-Based

The HemCon Patch is a reliable hemostatic dressing in a smaller, flexible lyophilized patch utilizing HemCon's proprietary chitosan technology. The HemCon Patch is ideal for bleeding control following heart catheterization procedures. The product provides patients with a safe and comfortable post-procedural experience by delivering fast hemostasis that minimizes artery damage and frees up medical personnel. It is one of the only hemostatic products to obtain an FDA anti-bacterial claim, reducing patient risks of hospital-acquired infections.

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HemCon Patch®

The HemCon Patch was launched in March 2009 and was distributed by Cardinal Health. At the end of October 2012, the distribution contract with Cardinal Health was terminated and since then the HemCon Patch has been sold directly by the Company. Initial signs are encouraging, with 88% of HemCon's Patch accounts, as measured by total revenues, contractually converting to direct sales from HemCon. The product gained a market share at one point close to 10% and is competitively priced. The cath lab market was the first stable and predictable market HemCon entered. Growth in this market has been limited by competitive influences that have eroded the originally high prices as lower cost alternatives have sought to enter the market. Despite this, the HemCon Patch offers several advantages over the competition to allow the product to maintain its market share.

e. HemCon Dental Dressing: Chitosan-Based

The HemCon Dental Dressing is a chitosan-based dressing designed for use by oral surgeons and general practitioners to protect oral mucosal tissues following procedures such as tooth extractions, periodontal grafts, etc. HemCon received 510(k) clearance from the FDA in July 2006 and its CE mark in July 2007 for the HemCon Dental Dressing. The HemCon Dental Dressing offers several benefits to the patient over competing solutions, including reduced extraction site pain and increased ability to resume normal activity, including eating, drinking, and brushing teeth.

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Dental Dressings

Limits on the indication for use of the product in the United States (inability to claim hemostasis, although the product is based on the HemCon Bandage technology) have made it difficult to position the product in the United States market. Consideration will be given to obtaining the hemostasis claim through conduct of an FDA sanctioned clinical trial. It shows potential in international markets such as Europe and Japan, where its indications for use are less limited (i.e. hemostatic claims) and the overall number of extractions and oral procedures are higher than the U.S. market.

f. Strip First Aid - Consumer Version: Chitosan-Based

HemCon also offers an over-the-counter consumer version of its efficacious professional hemostatic dressings. It is called the HemCon Strip First Aid and is available for public consumer use. This product has substantial application for use by the millions of patients on blood thinners such a Coumadin, Plavix, Effient, etc. Positioning of this product in the marketplace through advertising, pricing, and promotion through cardiologists should result in significant growth of this product line.

g. GuardIVa® Antimicrobial Hemostatic IV Dressing: m•doc™-based

On December 21, 2012, the Court entered its Order authoring Debtor to sell GuardIVa® plus associated intellectual property and trademark to Bard Access Systems, Inc. The sale closed on February 6, 2013. Refer to the section above entitled "Summary of the Plan" on page 4.

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h. Synaero™ Hemostatic Gel: m•doc™-based

It is estimated that there are over 1.8 million endoscopic ENT surgical procedures, 70% of which required hemostatic intervention. Current products are either packed into the space, blocking visibility and causing patient discomfort, or are expensive gels that do not work well and cause significant scarring.

Synaero™ is the first HemCon Europe-launched product of a range of potential gel-based products. Synaero™ Hemostatic Gel represents the next step in ENT surgical hemostasis, introducing a surface-acting hemostatic gel that controls bleeding and maintains a patient airway after surgery. The gel, developed in conjunction with and distributed by ENTrigue Surgical Inc. ("ESI"), contains HemCon's proprietary formulation of oxidized cellulose, a material with a proven history of hemostatic capabilities.

Application onto nasal mucosa provides hemostasis without the need for packing, giving surgeons clear visibility of the surgical field, allowing for more precise and faster procedures, as well as increased patient comfort. The hemostatic gel effectively controls oozing bleeding and is being used during and after sinus surgery.

Synaero™ Hemostatic Gel

i. Consumer Products / OTC Products: m•doc™-Based

A number of m•doc™ delivery systems have been developed for use on particular wound types and are sold as OTC hemostatic solutions in a co-branded/private label distribution policy.

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HemCon Europe produces an aerosol spray containing m•doc™ powder for use in the OTC market. This spray is used to stop capillary bleeding from minor cuts, grazes, and surface wounds. On application, the spray quickly dries to a fine white powder, which on contact with the blood absorbs it and forms a soft artificial clot, stopping the bleeding quickly and efficiently. This does not need to be removed from the wound and reduces the risk of renewed bleeding. A shaker bottle containing m•doc™ powder for use in the OTC market is another HemCon Europe product.

A nasal plug has been devised for anterior nose bleeding wounds and epistaxis treatment. These are m•doc™-coated polyvinyl acetal ("PVA") plugs for use when nose bleeds occur. This product absorbs the flow of blood from the nasal cavity and assists in the formation of a clot.

Dressings of different sizes are also sold. m•doc™-impregnated dressings are plasters designed to stop bleeding from minor cuts, grazes, and surface wounds within one to two minutes. The newest products are hemostatic gels based on the m•doc™ platform. These gels are ideal for minor cuts and grazes, including those caused by shaving and for other surface wounds in visible areas.

Consumer Products / OTC Products

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j. Summary of Current Product Portfolio Structure

HemCon Product Line - Current Products	
	**GuardaCare®XR Surgical** Temporary Surgical Hemostatic Dressing: • Distributed through independent surgical reps (1099s) • Entered market January 2012 • Strong competitive advantage in controlling severe bleeding in OR • Application in multiple surgical disciplines
	**ChitoGauze®** Military focused chitosan coated gauze dressing • Exclusively represented by **North American Rescue** (NAR) for worldwide military sales • Promotion and sales ongoing but pending ISR recommendation • Positive results on NMRU testing showed ChitoGauze® to be an efficacious hemostat with the potential to be added to the military protocol list • Obtained CE clearance for EU sales
	**GuardaCare®** Acute care focused, chitosan coated gauze hemostatic dressings: • Launched in Sept 2010 • Pre-hospital and emergency medicine • Obtained CE clearance for EU sales
	**HemCon Patch®** Lyophilized chitosan, cath lab focused hemostatic dressing • Since October 26, 2012 sold directly by HemCon • Entered market in March 2009 • Product supported by ideal portfolio of clinical data • Competitive threats from low-cost new market entrants • Zeria Japan key product focus
	**HemCon® Dental Dressing** Lyophilized chitosan dressing for extraction and oral surgery use • Represented by **U.S.** and international distributors • Improved packaging and manufacturing initiatives underway • Zeria Japan key product focus
	**GuardIVa® Antimicrobial Hemostatic IV Dressing** Foam dressing with CHG and oxidized cellulose, ideal for catheters •
	**Synaero™ Hemostatic Gel** Oxidized cellulose hemostatic gel, specific for sinus and ENT surgeries • Exclusively represented by **ENTrigue Surgical** • Entered market October 2010 • CE clearance obtained and setting up international distributors

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m.doc™ Product Line
Multiple delivery systems of oxidized cellulose hemostat for the OTC market
- Distributed under private label across World
- Nasal Plugs available at Drugstore.com in U.S.
- Various First Aid kit opportunities available

2. Medical Device Market Opportunities

A product line such as HemCon's has many applications through a hospital's continuum of care. The surgical and wound care product portfolio focuses in hemorrhage control and infection control. In the wound care market, the HemCon product line is well established and generates revenue that supports the medical device division and serves as the springboard for new product development ideas. The surgical market has new potential that HemCon is now able to address with its latest product introduction.

The main market categories and respective products are identified below:

Market	U.S. Mkt Size & Trends	HemCon Product	Competition	International Strategy
Surgical	$450M CAGR (compound annual growth rate) 7%	GuardaCare®XR Temp Surgical	None directly 5 main in market	Submitting for CE (European Conformity) clearance. 2012 launch in Japan, Saudi Arabia, EU 2014
Military	$50M	ChitoGauze®	2+	Dependent on CoTCCC (Committee on Tactical Combat Casualty Care) approval
Interventional Cath Lab	$40M CAGR -10% Price erosion -30%	HemCon Patch	13	Launched in Japan. 2012 launch in Turkey and EU
Dental	$40M	HemCon Dental Dressing	2	Japan / EU
ENT Surgical	$35M	Synaero Hemostatic Gel	10-15	EU push
Trauma ED / EMS	$10M Stagnant market in U.S.	HemCon Bandages, ChitoGauze®, GuardaCare®	10+	Prometheus (UK)
Consumer	New for advanced hemostatic agents	First Aid	Multiple	m.doc well established in Europe via private brand. TRI kit strategy for USA

HemCon Main Market Categories

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a. Surgical Market

The largest market opportunity for HemCon is the surgical market. This market segment has significant potential for HemCon's products and is a focus of the Company's medical device operations. The entire worldwide surgical market for wound closure, suture, hemostats, sealants, tissue glues, and adhesions prevention products was $7 billion in 2006. It is expected to reach $10 billion by 2011, growing at a compound annual growth rate ("CAGR") of 7.5%. Hemostat products alone accounted for $595 million in 2006. The worldwide hemostat market was expected to increase at 7% through 2011, reaching $842 million. This growth is fueled by increased incidence of surgery, greater adoption of advanced hemostatic products within the United States, and the European surgical environment, and the need for improved hemostasis and infection control products during minimally invasive surgical procedures.

	2006 Total Wound/ Securement Mkt. ($ Million)	**Share of World**	**2006 Hemostat Mkt. Segment** ($ Millions)	**CAGR**	**2011 Hemostat Mkt. Segment** ($ Million)
U.S.	$3620	53%	$320	7%	$446
Japan	$ 699	10%	$ 60	3%	$ 84
Europe	$1121	16%	$ 95	4%	$135
ROW	$1295	21%	$120	4-5%	$177
Global Total	**$6735**	**100%**	**$595**	**5%**	**$842**

Global Hemostatic Surgical Market

More recent figures show a total global market share for 2011 of $741 million for hemostatic products (see graph below). GuardaCare®XR Surgical is classified as mechanical hemostats and competes favorably in this segment, but has the opportunity to take market share from other segments as well due to its broad bleeding control capabilities and applications across multiple surgical disciplines.

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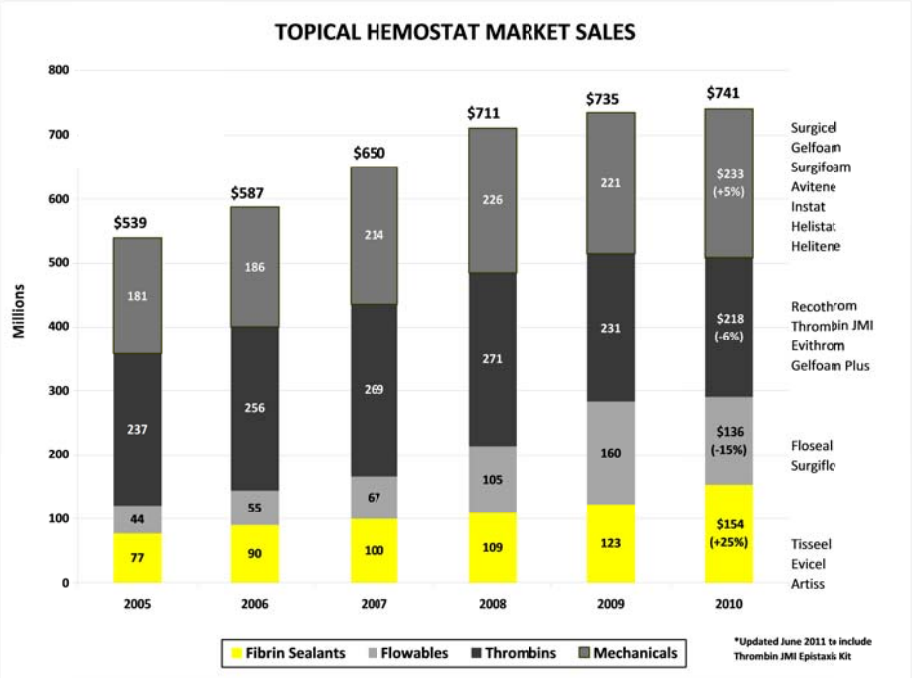

Topical Hemostat Market Sales 2005 – 2010 *Source: IMS Data*

The channel strategy for commercialization of GuardaCare®XR Surgical aims to maintain control over all aspects of the promotion of the product, as opposed to the Company's alternative methodology of appointing distributors. HemCon has attempted to do so by creating a sales network that combines specialty surgical dealers and independent surgical representative agencies, managed directly by HemCon. Since product launch at the beginning of the year, success has been limited. This is believed to be due in part to the uncertainty resulting from HemCon's voluntary petition under Chapter 11, lack of clinical data for specific surgeries, and the consequential lack of commitment to HemCon products by HemCon's independent surgical representatives. A total re-examination of the marketing and distribution model is anticipated once additional resources are available.

b. Wound Care and Infection Control Market

Outside the operating room, wound care is a major healthcare market with an estimated value of $10 billion in 2007, predicted to grow to $12.5 billion in 2012. The $4.6 billion global advanced wound care segment is the fastest growing area, with double-

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digit growth of 10% per year. The market is characterized by a steady advancement in technology and products that are more clinically efficient, cost-effective, and more broadly applicable than conventional treatments.

In the United States, approximately 21 million annual reported procedures could use a HemCon dressing. The global market is estimated at twice the size of the United States market opportunity at 42 million annual procedures.

Nosocomial infections (hospital-acquired) affect approximately 2 million people in the United States and cost more than $11 billion to healthcare providers. In acute care settings, nosocomial infections are becoming a severe problem that is closely monitored by healthcare providers. Many microorganisms have developed resistance to common antibiotics and dangerous bacteria are lurking daily around hospitals and clinics. Methicillin-resistant Staphylococcus aureus ("MRSA") is one of the many growing problem organisms, as not only is it a danger for sick patients with open wounds, but it also infects healthy people, spreads easily, and accounts for many of the 90,000 fatal infections acquired in U.S. hospitals each year.

All of the HemCon dressings have advanced hemostatic capabilities and HemCon's external dressings offer antibacterial properties against a wide range of microorganisms, including MRSA and other nosocomial infections, as detailed in the table below:

		GuardaCare®	ChitoGauze®	HemCon Bandage Family	GuardIVa® Hemostatic Antimicrobial IV Dressing
Microorganism	Gram Stain	Log Reduction*	Log Reduction*	Log Reduction*	Log Reduction
Staphylococcus aureus (MRSA)	+	>5.0	>4.1	>4.0	5.50
Staphylococcus aureus (MRSA)	+	>5.1	>4.2	-	-
Staphylococcus epidermidis (MRSE)	+	>4.4	>4.2	>5.2	5.53
Pseudomonas aeruginosa	-	>5.1	>4.1	>4.3	5.76
Enterococcus faecalis (VRE)	+	>5.4	>4.0	>5.4	5.52
Acinetobacter baumanii	-	>5.2	>4.4	>4.2	5.55
Citrobacter freundii	-	>5.2	>4.3	>4.3	-
Enterobacter cloacae	-	>4.9	>4.1	>4.2	-

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Microorganism	Gram Stain	GuardaCare® Log Reduction*	ChitoGauze® Log Reduction*	HemCon Bandage Family Log Reduction*	GuardIVa® Hemostatic Antimicrobial IV Dressing Log Reduction
Streptococcus mutans	+	>4.7	>4.0	>5.2	-
Streptococcus pneumoniae	+	>5.4	>5.1	5.8	-
Escherichia coli	-	>4.9	>4.1	>5.2	5.58
Klebsiella pneumoniae	-	>5.2	>4.0	>5.3	4.83
Streptococcus pyogenes	+	5.0	>4.2	>5.5	-
Salmonella choleraesius	-	>4.6	>4.1	>5.1	-
Stenotrophomonas maltophilia	-	>5.1	>4.0	>5.1	-
Citrobacter koseri	-	>4.7	>4.1	-	-
Proteus mirabilis	-	>5.0	>4.2	>5.2	-
Proteus vulgaris	-	>4.6	>4.3	>4.8	-
Moraxella catarrhalis	-	>4.9	>4.1	>4.1	-
Clostridium difficile	+	>5.0	>4.0	>5.0	-
Shigella species	-	>4.3	>4.0	>5.3	-
Micrococcus luteus	+	>5.0	>4.0	4.9	-
Vibrio cholerae	-	>4.0	>4.1	>4.9	-
Enterobacter aerogenes	-	>5.0	4.8	>5.0	-
Enterococcus faecalis (VRE)	+	>5.3	2.6	-	-
Serratia marcescens	-	>4.5	5.0	5.0	-
Candida Albicans		-	-	--	4.72
Aspergilluls Niger					4.20

* Only single strains of most species mentioned have been tested. The clinical utility of these results is unknown.

- Denotes that the organism was not tested

c. Interventional Cath Lab

Focusing on the cath lab, in 2006 nearly 6 million catheter procedures took place in North America. These numbers are expected to continue growing at modest rates, reaching 17.5 million procedures globally by 2013. The majority, 69%, of these procedures were closed with manual compression techniques, and this is a decreasing trend as more advanced external patches become available. By 2013, it is estimated that external patches will be used on 17% of vascular procedures, or 3 million patches worldwide. The United States market for external patches alone will consume 1.28 million units and is valued at nearly $44 million. U.S. and E.U. sales currently make up 80% of the market and will continue to experience modest growth, while emerging countries grow at rates over 5%. Growth is fueled by aging populations, global prevalence of cardiovascular and peripheral

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disease, adoption and growth of noninvasive procedures, and the emergence of developing countries with improved healthcare.

Since the product's 2009 launch, the HemCon Patch has been sold in the United States through the Company's distributor, Cardinal Health. On October 26, 2012, this relationship was terminated and since then HemCon has sold directly. Initial signs of this transition to HemCon are encouraging, with 88% of product revenues being contractually transferred to the Company. Internationally, the product is CE-marked, and is available through a variety of specialized distribution partners across Europe, Africa, and Asia, with successes also in Turkey, Italy, Scandinavia, South Korea, and Japan.

Territory	Regulatory Status
U.S.	Approved for Sale
Canada	Approved for Sale
Europe	Approved for Sale
Japan	Approved for Sale
Israel	Approved for Sale
South Africa	Approved for Sale
South Korea	Approved for Sale
Mexico	Registration in Process
Argentina	Registration in Process

Cath Lab Sales Territories

d. Military Market

Uncontrolled hemorrhage resulting from traumatic injuries continues to be the leading cause of preventable death in both the civilian and current military environments, accounting for up to 40% of civilian and 50% of combat-related deaths. Uncontrolled extremity or otherwise compressible hemorrhage remains the leading cause of preventable battlefield death.

HemCon has a strong history and products that have been tested repeatedly and used successfully for over eight years in actual life-saving emergencies, saving hundreds of lives. ChitoGauze®, although not formally mandated, is the hemostat of choice of the U.S. Army Special Operations Command and by several other military units with their own decision power. With the current middle eastern conflict winding down, the deployment of

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troops overseas will slow, and assuming the current conflict comes to an end and the troops begin to return home, the war time numbers will be reduced. However, the Department of Defense will continue to support missions throughout the world that will necessitate a hemostatic device.

North American Rescue ("NAR") is the exclusive worldwide distributor for a line of ChitoGauze® product for military sales. NAR is focused on decreasing preventable death by providing the most effective and highest quality mission-critical medical products to the military, federal agencies, civilian law enforcement, emergency medical services, and pre-hospital life savers. Some key international distribution partners are supporting the introduction and adoption of ChitoGauze® with their respective militaries.

Territory	Regulatory Status
U.S.	Approved for Sale
Canada	Approved for Sale
Europe	Approval for Sale
Israel	Approved for Sale
Japan	Approved for Sale
South Africa	Approved for Sale
South Korea	Registration in Process
Argentina	Registration in Process

Military Sales Territories

e. Dental

During 2005-2006, a total of 119.5 million oral and maxillofacial procedures were conducted in the United States. Of those procedures, HemCon conservatively estimates that 4.48 million patients experienced bleeding that justified the use of a HemCon dressing. The majority (87%) of these procedures were performed by oral and maxillofacial surgeons. HemCon estimates the market opportunity for all select dental specialties to be over $43.6 million as shown in the table:

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		# Procedures Experiencing Bleeding*		
Total U.S. Procedures		**Conservative**	**Average**	**Optimistic**
OMS	57,427,790	3,897.988	15,059.171	28,183,538
Prosthodontics	5,655,170	282,759	1,555,172	2,827,585
Periodontics	17,907,730	288,127	684,705	1,081,283
Endodontics	613,220	14,967	86,281	157,596
Total	81,603,910	4,483,840	18,395,329	32,250,002

Dental Procedural Market Experiencing Bleeding

The United States potential market is expected to experience a growth of 6.8% for the period 2005 to 2010, representing an average compounded annual growth of 1.4%. Internationally, it is expected that these numbers are even higher, especially in developing countries where these technologies are not as widespread. However, this is a market that has been difficult for HemCon to penetrate due to the lack of a hemostatic indication, and partially fueled by HemCon's pricing structure, coupled with dentists' reluctance to use a premium product. HemCon is currently reviewing its cost base and pricing structure for the product with the goal of moving the dental dressing to become a standard of care and increasing its revenues for this product significantly.

Surgicel from J&J and Gelfoam from Pfizer are the most notable competitive products on the market. While they have strong brand presence, the products tend to be less efficacious without the use of thrombin. Some of the competitive products swell, pop out of extraction sites, are difficult to place, and don't stay in place without suturing. Gelfoam also cannot be used with antibiotic agents. Few new products have entered the market and prices have remained stable. This is partially due to the FDA's lengthy and expensive PMA regulatory requirements for oral hemostats.

In the United States and Europe, HemCon Dental Dressing is available through different distributors. Zeria Pharmaceuticals in Japan also carries the dental product and is having success due to the large number of tooth extractions in the country. European and other international sales are at an advantage in that they are able to promote the product

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with a hemostatic claim. In the United States this is the only HemCon product that does not carry a hemostatic claim, due to different regulations within the FDA for oral devices.

Territory	Regulatory Status
U.S.	Approved for Sale
Canada	Approved for Sale
Europe	Approved for Sale with Hemostatic Claim
Japan	Approved for Sale with Hemostatic Claim
Israel	Approved for Sale
South Africa	Approved for Sale
Other	Registrations in Process

HemCon Dental Dressing Sales Territories

f. Trauma ED / EMS Market

The National Trauma Institute reports that in the United States, trauma is the leading cause of death in people aged 1 to 44, responsible for over 160,000 deaths annually. There are 37 million emergency department visits in a single year; 15% of these cases will have moderate to severe bleeding, representing 5.5 million bleeding wounds in emergency departments in the United States alone. The emergency department wounds are unpredictable and hard to trend, as they are indeed emergency procedures. This market is difficult to penetrate due to the fragmented demand.

Territory	Regulatory Status
U.S.	Approved for Sale
Canada	Approved for Sale
Europe	Approved for Sale
Japan	Approved for Sale
Israel	Approved for Sale
South Africa	Approved for Sale
South Korea	Approved for Sale
Mexico	Registration in Process
Argentina	Registration in Process

EMS Trauma Sales Territories

g. Consumer Market

There are approximately 40 million prescriptions written for the three leading blood-thinners (Plavix, Warfarin, and Coumadin) in the United States each year. HemCon believes there are over 10 million people in the United States on a prescription anticoagulant. HemCon estimates there are approximately 19 million people in the United States over the

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age of 65 on some type of aspirin therapy. These prescription and non-prescription medications affect the body's normal ability to stop bleeding to varying degrees. Consequently, these patients are at constant risk of sustaining injuries or wounds that do not easily clot and therefore suffer from extended bleeding. In addition, it is estimated that 2 million people in the United States have some form of genetic coagulopathy, such as von Willebrand's disease or hemophilia. Current methods of stopping uncontrolled bleeding are either costly or are unable to quickly stop bleeding, often requiring the patient to visit an emergency room. The HemCon Strip FIRST AID, available from retail outlets such as Drugstore.com, is a solution that has the potential to become a more widely used product. In support of this, HemCon recently signed a United States distributor to sell certain of HemCon's consumer products range into the retail and first aid market. Revenues are anticipated to commence from this distributorship in mid-2013.

h. Sales and Marketing

For HemCon's Medical Device Division, the Company markets its U.S. products through a very small direct sales force, independent surgical representatives, independent representatives and strategic licensing and partnering agreements.

Sales to the military are through North American Rescue. Through certain members of senior management, its board of directors, its sales force, and distribution partners, HemCon has long-standing relationships with the U.S. military and its allies.

3. Medical Device Research and Development

a. Research

HemCon conducts research in-house and also utilizes contract service providers as required while maximizing available grant opportunities. Grant-funded research into a potential absorbable surgical hemostat, as well as potential burn dressings, scar reduction and wound healing dressings, and others, is underway. The lyophilized plasma

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opportunity leading to the development of LyP is a good example of success coming from such grant-funded research.

b. Product Development

With a track record of introducing innovative products based on HemCon's core technology available on an international level, HemCon has a large and market-focused product pipeline in place designed to improve the standard of care with new and exciting product offerings. More recently, product development has been minimal due to downsizing; however, the potential to develop further products from HemCon's technology platforms is substantial.

B. LYP PRODUCTS PRODUCT DEVELOPMENT

As discussed above under "Summary of the Plan" on page 4, all of the assets relating to Debtor's lyophilized human plasma program ("LyP") will be transferred to a new company, NewCo. NewCo will be independent to HemCon and the Reorganized Debtor.

1. Lyophilized Human Plasma Program

The vision of NewCo will be to become the leading global plasma resuscitation company. The company expects to launch its first plasma product, single-donor LyP, by 2017. NewCo also plans to pursue commercial container revenue and licensing opportunities with global plasma partners. To date, HemCon has already been approached by research institutions to assist with studies designed to expand the current indications. LyP also plans to leverage its extensive plasma know-how to develop a pipeline of lyophilized plasma related products.

a. The Limitations of Frozen Plasma

Early administration and higher initial doses of plasma in trauma patients have been proven in numerous retrospective studies to increase survival rates. Evidence reported by recent observations in combat environments indicates that plasma should be delivered in combination with red blood cells in a ratio of 1:1 for patients who are in hemorrhagic shock

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and coagulopathic. This is a significant change in itself from the historic 6:1 ratio. The new 1:1 ratio demonstrated a 40% decrease in mortality in a combat support hospital and numerous retrospective studies now support the use of giving plasma faster and in the new 1:1 ratio to reduce mortality. The major problem is that today plasma cannot meet the newly-instated early transfusion requirements. It is stored frozen; is susceptible to bag breakage; and is type-specific, requiring the blood bank to safely match its type to the patient's blood type, making administration difficult.

b. Lyophilized Human Plasma

In 2008, HemCon was awarded military funding to develop a lyophilized (freeze-dried) human plasma product ("LyP") to improve survival rates of soldiers experiencing bleeding and coagulopathy. Funding awarded in the form of a Cooperative Agreement has now totaled $33.5 million. To date, $25 million has been distributed by the U.S. Army and spent by HemCon, Inc. under the Cooperative Agreement. Distributions have been suspended by the U.S. Army.

As LyP has been classified as a blood product, HemCon is required to complete a full set of clinical trials prior to applying for FDA licensure. LyP is due to enter Phase II clinical trials as soon as adequate funding to start the trial is assured, with the goal of gaining FDA licensure in the timeframe of 2015 to 2017, depending upon the extent of regulatory requirements to be met and assuming successful development. Completion of the clinical trials will be dependent upon Plan confirmation and availability of adequate funding.

FDA licensure will be required for the United States for LyP due to its classification as a blood product. However, a similar full set of clinical trials will not be required to obtain a CE Mark for LyP in the European Economic Area. This provides the possibility of commercializing LyP at an earlier date in Europe compared to the United States.

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LyP has both military and significant commercial market opportunities. The commercial market includes a replacement for fresh frozen plasma as a ready-to-use product. There is potential application in trauma, surgical bleeding, pharmaceutical indications, blood banking, stockpiling, and in the veterinary field. There is also the possibility of broader application of components of the product, namely the delivery device unit, in other settings.

Potential funding opportunities exist through the Biomedical Advanced Research and Development Authority ("BARDA"), to address a gap in emergency preparedness of our country's blood supply. The ability to stockpile blood products for use in emergencies will represent a significant advancement in the ability to respond in an emergency. LyP offers a tangible solution to that gap since it can be stored without the use of freezers, can be prepared rapidly, and has a longer shelf life than current fresh frozen plasma.

HemCon is also engaged in developing a universal lyophilized dried plasma product that would provide a plasma product that could be used in patients with any blood type. Subject to identifying other funding, NewCo intends to incorporate universal LyP into the later stages of its clinical trial regimen. Today naturally-occurring universal AB plasma is found in only 4% of the population, and creating a universal LyP Product has the potential to increase the universal supply of plasma to 40% of blood donated. Market analysis by HemCon suggests that a universal LyP Product could allow plasma to be stored outside the blood bank and could speed plasma availability to the patient. This would be a substantial benefit in general, as well as a cost saving. Universal plasma could also have potential with regard to pharmaceutical applications.

The success of the LyP Product has yielded additional research opportunities and partnerships, with the potential to expand the indications for use of LyP onto a broader pharmaceutical platform, including markets for the treatment of traumatic brain injury and sepsis.

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c. The Lyophilized Plasma Market

Over 5.1 million units of plasma will be transfused in the United States in 2016. Given the premium price of LyP over the cost of today's frozen plasma, NewCo will target 37% of the market requiring "urgent" plasma, which equates to over 1.9 million units, which at $200 a unit results in a $380 million market opportunity. Studies are also being conducted for the use of plasma in patients with traumatic brain injury and considered for sepsis. If plasma is shown to improve patient outcomes in these patient populations, the "urgent" plasma market estimates would increase significantly.

Additional revenue upside from sales of LyP, its container, and licensing in the global marketplace is anticipated. The global market is viewed in terms of either developed or developing countries. While developed countries are meeting 80% of their blood product needs, developing countries are meeting only 40% of their requirements. Less organized collection systems, limited access to freezers, and frequent power outages are limiting the supply of plasma in developing countries. They also face an increasing demand for quality blood products, growth in surgical procedures, escalating populations, and a slower adoption of the new 1:1 plasma ratios. Hence, developing countries are failing to meet their plasma needs. Given differences in regulatory pathways abroad, international commercial opportunities may occur earlier than HemCon's U.S. sales estimates.

d. Lyophilized Plasma Development Competitive Landscape

HemCon's lyophilized plasma product (LyP) begins with licensed, freshly frozen ($\leq$ -18° C $\leq$ 8 hour post whole blood donation), pathogen-screened, traceable, single donor plasma, designated as Fresh Frozen Plasma ("FFP"). HemCon further controls the FFP according to best practice by selecting only male donor FFP with proposed future screening against HLA and HNA antibodies. Subsequent sterile transfer and lyophilization (freeze drying) of LyP in a unique, rugged plastic container allows for rapid reconstitution and the preservation of product integrity. Because LyP's starting product is FFP, and

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because lyophilization of LyP produces minimal changes in plasma protein activity, the United States Food and Drug Administration ("FDA") has designated HemCon's lyophilized plasma (LyP) as a minimally manipulated blood component. Competitive dried plasma products being developed in the United States use pooled, pathogen reduced plasma and/or processes that affect protein activity that will require a Biologic Drug designation.

The U.S. competitive environment for licensure of a dried plasma product will be limited because of the high barrier to entry for FDA licensure of products that require a traditional drug development path with Phases I and II clinical trials to generate safety data and a pivotal Phase III trial to demonstrate safety and efficacy. HemCon's LyP is presently ready to commence Phase II warfarin and liver trials. Neither U.S. competitor has commenced Phase I trials. Two European groups currently produce lyophilized plasma but the Company believes these groups do not intend to market in the US. A third competitor with European sales of a pathogen reduced solvent detergent pooled plasma has indicated it will enter the lyophilized plasma market but is yet to sell its solvent detergent plasma in the U.S. or to file an IND for a U.S.-based Phase I lyophilized plasma trial.

The majority of competitors are using pooled source plasma from paid donors as their starting material whereas HemCon uses FFP from screened, unpaid donors, which is considered the FDA's plasma gold standard: FFP has been proven to be safe and effective in millions of transfusions in the US. For manufacture of protein therapies from pooled plasma, FDA requires viral reduction methods to reduce the risk of viral contamination. One such method is solvent detergent treatment and is used by several competitors. Residual solvent and detergent are extracted from the solvent detergent treated plasma as part of the manufacturing process. This manipulation leaves a small amount of solvent detergent residue in the plasma and affects clotting and anticlotting protein activity. Concerns with solvent detergent treatment are summarized in a recent FDA position paper from the BPAC meeting held in May 2012, noting that solvent detergent treated products have shown

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decreased Protein S activity. Reduction in Protein S is of clinical concern because it can increase the risk of thromboembolic events (stroke or blood clots).

Two U.S.-based competitors are developing a novel spray drying process in the preparation of dried plasma. Spray drying of plasma does not provide for the controlled long residence, low temperature drying conditions available with lyophilization. Because of the considerably shorter residence time in spray drying, residual moisture is significantly higher than moisture levels achieved using lyophilization. The lowest moisture levels with spray drying are reported to be 2-5% w/w. To ensure product stability, it is generally known that moisture level in lyophilized protein products should be no more than 1% w/w. The process of spray drying itself requires use of elevated pressure and temperature during the drying process that can alter protein structure, which in turn may result in decreased potency and stability of the product. In contrast to spray drying, lyophilization of proteins, and especially plasma, provides for excellent control of the drying process at low temperature thus ensuring reliable long-term product stability. HemCon has data demonstrating excellent retention of clotting factor activities using their proprietary lyophilization cycle. Further support for lyophilization's minimal impact on plasma protein activity is found in a proteomic study evaluating protein structure before and after lyophilization and supports lack of change in protein conformations post-lyophilization.

HemCon's lyophilized container for plasma ("LCP") is a unique rugged plastic (polypropylene) design that protects and preserves the integrity of the lyophilized plasma product during processing, storage, and reconstitution. The LCP enables optimal freezing structure, providing for ease of drying to low moisture (≤1% w/w) and for rapid reconstitution and administration. Also, the LCP eliminates the current problem of plasma bag breakage associated with U.S. Military fresh frozen plasma use that is estimated to effect up to 40% of overseas shipments. French and German lyophilized plasma manufacturers are using open glass bottles that are unsuitable for single donor plasma use. These glass bottles

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are bulky, prone to breakage, provide for less than optimal freezing structure, and have long reconstitution times as a consequence.

e. Development and Clinical Trial Pathway

The U.S. Army Medical Materiel Command has made development of lyophilized human plasma a top priority to provide access to life-saving plasma in severely wounded soldiers. LyP has completed a successful Phase I clinical trial, and will start its Phase II trials at nine clinical trial sites throughout the U.S. as soon as adequate funding to start the trials is available. Completion of the clinical trials will be dependent upon formation of NewCo and availability of funding.

HemCon's ULyP has also received development funds. It intends, on the provision of additional funding, to incorporate ULyP into later stage clinical trials. To help gain market acceptance of the universal ProMetic resin technology and potentially drive earlier sales, the development of a universal medical device that would only require a 510(k) registration is being evaluated. The device would be sold to blood collection centers, which would run recently-collected Type A plasma through the device and filter it to create Universal Type AB plasma prior to freezing. The device would turn what is now a 4% universal supply into a 40% supply.

f. Sales and Marketing

For the LyP Product, NewCo will aim to work with both National and Regional Blood Centers (e.g., American Red Cross, Puget Sound Blood Center, and New York Blood Center) to form channel partnerships for the supply of LyP to hospital blood banks. These partners could serve as both raw material suppliers, providing fresh frozen plasma and then to distributors of the final LyP Product. Blood centers are very influential in the blood banking market and their endorsement of LyP will be essential to the ultimate success of the product. In addition, many hospitals prefer to obtain all their blood products

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from one supplier and, therefore, the blood centers will get a small margin for the logistical services.

Education and sales efforts will either come from NewCo directly, utilizing a dedicated direct sales force, or through a Global Strategic Blood Partner with an existing sales and marketing infrastructure. Potential strategic partners include: CSL Behring, Baxter, and CaridianBCT. Market adoption is expected to be slow given historical adoption rates of previous blood products, the conservative nature of blood bankers, and the complexity of departments involved in the storage, preparation, and use of LyP.

2. Universal Plasma

It is intended that the launch of the single-donor lyophilized plasma product will be followed by a single-donor Universal product that utilizes the ProMetic technology. If the FDA permits, it is intended to incorporate ULyP into later stage clinical trials.

To help gain market acceptance of the universal ProMetic resin technology and potentially drive earlier sales, the development of a Universal Medical Device that would require a 510(k) registration is being evaluated. The device would be sold to blood collection centers, which would run recently-collected Type A plasma through the device and filter (patent to be filed) to create Universal (Issoaglutinin reduced) plasma prior to freezing. The device would turn what is now a 4% universal supply into a 40% supply.

3. Additional Plasma Opportunities

While these products will have the potential to revolutionize the industry, early research has been conducted on a series of additional products to expand its product portfolio and plasma indications. Concentrated lyophilized plasma and lyophilized platelet rich plasma are two opportunities. Significant military and commercial interest also exists for combination products that include factor concentrates, plasma plus oxygen carriers, and a multifunctional resuscitation fluid of stabilized dried platelets, plasma, and oxygen carrier.

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V. THE BANKRUPTCY CASE

A. THE BANKRUPTCY FILING

In response to the March 15, 2012 decision of the U.S. Court of Appeals for the Federal Circuit affirming the District Court Judgment against HemCon and in favor of MPT, HemCon filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code on April 10, 2012. The purpose of filing the Chapter 11 was to preserve the operating value of Debtor and restructure its finances in a manner that would allow the Company to thrive and continue in the production and development of lifesaving products and technologies.

B. "FIRST DAY" AND OTHER OPERATIONAL ORDERS

At the beginning of the Bankruptcy Case, the Bankruptcy Court entered several orders that Debtor requested for purposes of maintaining ongoing business operations and to ensure that the Chapter 11 filing would not disrupt Debtor's operations. These orders, among other things, granted relief necessary to facilitate Debtor's transition between pre-petition and post-petition business operations. The orders included authorization to use cash collateral, determine adequate assurances to utility companies, and authorize the payment of pre-petition wages, salaries, compensation, expenses, benefits, and related taxes.

C. EMPLOYMENT OF PROFESSIONALS

Debtor has retained Tonkon Torp LLP as its general counsel in this case. Debtor also sought and obtained Bankruptcy Court approval for the employment of Miller Nash as special purpose counsel in connection with corporate, intellectual property, litigation, and acquisition matters. Debtor has retained Obsidian Finance Group LLC as its financial consultant. Moss Adams has been engaged to assist Debtor with tax and accounting matters. Debtor has also been authorized to retain, employ, and compensate ordinary course foreign patent professionals utilized by Debtor for foreign patent matters.

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D. CREDITORS' COMMITTEE

The U.S. Trustee's office appointed an Official Unsecured Creditors' Committee pursuant to Sections 1102(a) and (b) of the Bankruptcy Code in this Chapter 11 Case ("Creditors' Committee"). The Creditors' Committee is comprised as follows:

Marine Polymer Technologies, Inc.
c/o Sergio Finkielsztein, CEO
107 Water Street
Danvers, MA 01923

Puget Sound Blood Center
c/o Robert J. Gleason, CFO
921 Terry Avenue
Seattle, WA 98104

Cardinal Health 200, LLC
c/o Tyronza Walton
Manager, Credit Underwriting
7000 Cardinal Place
Dublin, OH 43017

The Creditors' Committee has retained David A. Foraker and the firm of Greene & Markley PC, 1515 SW Fifth Avenue, Suite 600, Portland, Oregon 97201, as legal counsel.

VI. ASSETS AND LIABILITIES

A. ASSETS

1. HemCon Europe

Debtor has a 100% interest in Castlerise Investment Limited, which is the holding company for HemCon Medical Technologies Europe, Ltd. ("HemCon Europe"). HemCon Europe develops, manufactures, and markets innovative hemostasis control products for the healthcare market. HemCon Europe is solely focused on bringing products to the professional healthcare market and consumer health solutions to the general public.

HemCon Europe has its main office in Dublin, Ireland; maintains a small assembly facility in Jicin, Czech Republic; and R&D laboratories in Tisnov, Czech Republic.

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HemCon Europe employs three staff in Ireland and nine staff in the Czech Republic. Both its professional and consumer-based products are sold through multiple distributors.

HemCon Europe had two commercialized medical devices in the professional wound care market: GuardIVa®, an antimicrobial hemostatic dressing IV intended for use with catheter insertion sites; and Synaero™, a hemostatic gel for post- and intra-operative ENT use. HemCon Europe also has a portfolio of consumer products sold as co-branded or private label in the wound care market.

On December 21, 2012, the Bankruptcy Court entered its Order authorizing HemCon to sell its GuardIVa® infection control product plus associated intellectual property and trademark to Bard Access Systems, Inc. The sale closed on February 6, 2013. Refer to the section above entitled "Summary of the Plan" on page 4.

2. Synedgen, Inc.

HemCon owns 100,000 shares of Series A Preferred Stock in Synedgen, Inc. ("Synedgen"), which it acquired for $25,000 in 2009. Synedgen was founded in 2009 and is focused on the development of new treatments based on a natural polysaccharide pharmaceutical to enhance wound healing, reduce infection and inflammation, and to develop life-saving treatments and preventative measures against drug resistant microorganisms, all of which will have significant impact on U.S. military troops, as well as U.S. and international health care. Synedgen research has led to the development of a platform of polymer derivatives and varied applications that specifically address the unmet need for therapies targeted to complications in patients with cystic fibrosis, oral care, respiratory tree or GI tract, tissue damage, and treatments for bacterial infections, including infections involving bacteria that have developed resistance to traditional antibiotics. Synedgen is currently in the preclinical research and development phase. HemCon is in the process of negotiating for the sale of its shares back to Synedgen.

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3. IP Portfolio

HemCon has a robust portfolio of patents both in the United States and internationally in its primary commercial markets. The Company has its own proprietary technologies and licensed technologies across its medical platforms. Broadly speaking, HemCon seeks to protect the technology itself, the process of manufacture, and the individual applications of the technology. The table below is a summary of the current patent status of HemCon at the time of this document's creation.

Platform	US Granted	US Pending	OUS Granted	OUS Pending
Plasma	1	5	0	13
Chitosan	6	8	12	25
Oxidized Cellulose	4	3	23	20
Total	**11**	**16**	**35**	**58**

U.S. and OUS Granted and Pending HemCon Patents

4. Chapter 5 Claims

Debtor has not yet completed its investigation of potential claims against parties under Chapter 5 of the Bankruptcy Code, including claims for recovery of preferences. However, at this time it does not appear that there will be any significant Chapter 5 claims.

5. Claims Against and Settlement With Cardinal Health

Debtor believes it has claims against Cardinal Health 200, LLC relating to an exclusive distribution agreement dated December 1, 2009, pursuant to which Cardinal Health 200, LLC was the distributor of various products manufactured by Debtor (the "Distribution Agreement"). Cardinal Health 200, LLC filed a motion for relief from the automatic stay for the purpose of terminating the Distribution Agreement. On August 24, 2012, the Bankruptcy Court entered a Stipulation and Order Granting Cardinal Health 200, LLC Relief from Stay, for Cause, to Terminate a Certain Agreement providing for the termination of the

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Distribution Agreement effective October 26, 2012. After Debtor instituted the present bankruptcy case, and while the Distribution Agreement was still in effect, Cardinal Health 200, LLC widely distributed promotional materials that disparaged Debtor's products and took other actions apparently intended to encourage customers to switch to products from other manufacturers. Debtor's business and reputation were damaged as a result of Cardinal Health 200, LLC's actions, giving rise to potential claims against Cardinal Health 200, LLC for defamation, false advertising, unfair competition, interference with business relations, breach of contract, and other claims. Cardinal Health 200, LLC vehemently denies that Debtor has any cognizable claims against it and will vigorously defend any such claims.

Debtor has rejected its Distribution Agreement with Cardinal Health Canada dated as of May 1, 2010, as amended by Amendment No. 1 dated February 1, 2012. As a result, Cardinal Health Canada may have a Rejection Claim. Debtor has no present knowledge of any claim against Cardinal Health Canada. In order to avoid the expense and uncertainty of litigation, Cardinal Health 200, LLC and Cardinal Health Canada (together "Cardinal") and Debtor have reached a settlement pursuant to which Cardinal will release all claims it has or may have against Debtor, including its Unsecured Claim for $1,211,031.09 filed as Claim 46, and any Rejection of Claim, and Debtor will release all claims it has or may have against Cardinal. The mutual releases are incorporated into the Plan.

6. Equipment

Debtor owns certain equipment that is used in connection with its manufacturing operations. The resale value of the equipment is not significant. In addition, HemCon has possession of certain equipment that is owned by the United States. The equipment is listed in Debtor's Statement of Financial Affairs filed at Docket #67. The Army has inquired whether Debtor has an interest in acquiring the Army's equipment. Neither Debtor nor Reorganized Debtor have any interest in acquiring the equipment. NewCo may or may not have an interest in acquiring the equipment.

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B. LIABILITIES

1. Bank of America

The secured debt of the Company is held by three different lenders (Bank of America, Bank of the West, and Silicon Valley Bank) evidenced by Notes to the lenders dated February 21, 2008, and a certain Credit Agreement dated as of February 21, 2008, as amended by a First Amendment to Credit Agreement dated as of September 18, 2008, a Second Amendment to Credit Agreement dated as of October 17, 2008, and a Third Amendment to Credit Agreement dated as of November 3, 2009 (collectively, the "Credit Agreement") wherein Bank of America is the administrative agent, letter of credit issuer, and swing line lender (collectively hereafter "Bank"). The maximum amount of the loan was $37 million and was principally utilized to acquire Alltracel Pharmaceuticals PLC, an AIM-listed and Dublin, Ireland-based company, in May 2008. Debtor and Bank are parties to various other loan and credit agreements, and security and pledge agreements, pursuant to which the Bank asserts it holds security interests and liens in and upon certain personal property of Debtor more particularly described in the agreements, including, without limitation, certain of Debtor's cash and deposit accounts, inventory, accounts, equipment, negotiable instruments and general intangibles, and payments, proceeds, products, offspring, rents, or profits resulting from the use, lease, sale, or disposition thereof. Deposit accounts in which prepayments were made by the United States of America, Department of Defense, to Debtor pursuant to certain contracts ("Defense Department Deposit Account") are excluded from the Bank's collateral. The Bank's asserted charging interest in the shares of Castlerise Investment Limited is limited to 65% of the shares of that entity. The Bank filed a Proof of Claim as a Secured Creditor in the sum of $22,720,035.37 as of the Petition Date, including principal, interest, fees, and costs. The Bank has been paid $500,000 since the Petition Date.

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2. Washington County

Washington County asserts a Secured Claim for unpaid personal property taxes due both pre-petition and for taxes accrued after the Petition Date. The approximate amount of Washington County's filed Claim is $450,000. Debtor believes the Proof of Claim of Washington County was not timely filed.

3. Unsecured Claims

The Proof of Claim deadline was August 3, 2012. For governmental entities, the Claims deadline was October 7, 2012. Debtor has not yet begun the process of auditing filed Proofs of Claim. Debtor's schedules list 42 General Unsecured Creditors with Claims of approximately $39 million. Three of those Creditors' Claims total over $35 million, of which the largest is Marine Polymer at $34.2 million relating to the litigation discussed in Section III.E above. As discussed in Section III.E above, HemCon will continue to review its position, with respect to the patent litigation case, in seeking a rehearing and appealing to the Supreme Court during the period up until Confirmation of its Plan, and then will determine the most appropriate course of action. HemCon or NewCo must seek the rehearing or the appeal within 30 days of the Effective Date or the Marine Polymer claim will be deemed allowed in full. There are 27 Unsecured Creditors listed in the schedules with claims of $4,000 or less. Proofs of Claims were filed by 49 Unsecured Creditors. It is estimated that General Unsecured Claims could be up to approximately $45 million.

4. Professionals and Other Administrative Expense Claims

Administrative Expense Claims in this case will primarily consist of the Allowed Claims of Debtor's professionals, including Tonkon Torp LLP, Miller Nash LLP, Obsidian Finance Group LLC, Moss Adams LLP, ordinary course foreign patent professionals utilized by Debtor for foreign patent matters, and others. In addition, Administrative Expense Claims will include Claims of the Creditors' Committee's counsel, Greene & Markley PC.

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In addition to the Administrative Expense Claims of professionals employed in the Bankruptcy Case, entities holding Claims for any goods received by Debtor within 20 days before the date of commencement of the Case that had been sold to Debtor in the ordinary course of business are entitled to an Administrative Expense Claim under Section 503(b)(9) of the Bankruptcy Code. Debtor is in the process of auditing these Claims and estimates that the amount will be approximately $65,000. The total estimated amount of Administrative Expense Claims will be set forth in Debtor's Pre-Confirmation Report and memorandum to be filed by Debtor prior to the Confirmation Hearing.

5. Executory Contracts

The Plan provides that existing executory contracts and unexpired leases will be assumed and assigned to Reorganized Debtor or NewCo, rejected, or "ride through" the Bankruptcy Case. Debtor will file a motion on or before the Confirmation Date seeking to assume or reject those contracts it intends to assume or reject. Any executory contract or unexpired lease not subject to such motion will ride through the Bankruptcy Case. In the event an executory contract is rejected, the affected Creditor must file any Claim based upon the rejection within 30 days of the Effective Date or the date the rejection order is entered, whichever is later.

VII. DESCRIPTION OF PLAN

A. UNCLASSIFIED CLAIMS

Administrative Expense Claims and Priority Tax Claims are not classified. An Administrative Expense Claim is a Claim against Debtor constituting an expense of administration of the Bankruptcy Case allowed under Section 503(b) of the Bankruptcy Code including, without limitation, the actual and necessary costs and expenses of preserving the estate and operating Debtor's businesses during the Case; Claims for the value of goods received by Debtor within 20 days before the Petition Date sold in the ordinary course of business; any indebtedness or obligations incurred by Debtor during the pendency of the

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Case in connection with the provision of goods or services to Debtor; compensation for legal and other professional services and reimbursement of expenses; and statutory fees payable to the U.S. Trustee.

A "Priority Tax Claim" is a Claim of a governmental unit of the kind entitled to priority under Section 507(a)(8) of the Bankruptcy Code or that would otherwise be entitled to priority but for the Secured status of the Claim. It is uncertain at this time if Debtor owes any amounts with respect to Priority Tax Claims.

Pursuant to the Plan of Reorganization, Administrative Expense Claims and Priority Tax Claims will be paid in full on the later of the Effective Date or the date on which any such Administrative Expense Claim or Priority Tax Claim becomes an Allowed Claim. However, the Administrative Expense Claims representing liabilities incurred in the ordinary course of business (including amounts owed to vendors and suppliers that have sold goods or furnished services to Debtor after the Petition Date), if any, will be paid in accordance with the terms and conditions of the particular transactions and any other agreements relating thereto. Debtor will include the amount of such expenses in the report of Administrative Expense Claims to be filed prior to the hearing on confirmation.

B. CLASSIFIED CLAIMS

The following summary of distributions under the Plan to Classified Claims does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Plan attached hereto as Exhibit 1.

1. Class 1 (Other Priority Claims). Class 1 is unimpaired. Debtor is presently unaware of any Class 1 Claims. To the extent there are such claims, each holder of an Allowed Class 1 Claim will be paid in full in Cash the amount of its Allowed Class 1 Claim, including all interest, costs, fees, and charges provided for under any agreement under which such Claim arose or is otherwise allowed by law, on the later of (a) the Effective Date or (b) the Allowance Date, unless such holder shall agree, or has agreed, in writing to a

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different treatment of such Claim (including any different treatment that may be provided for in any documentation, agreement, contract, statute, law or regulation creating and governing such Claim).

2. Class 2 (Employee Benefit Claims). Class 2 is unimpaired. Debtor is not aware of any such claims. To the extent such Claims exist, the legal, equitable, and contractual rights of each holder of a Class 2 Claim will not be impaired or altered by this Plan. Each holder of a Class 2 Claim will have and retain each and all of its legal, equitable and contractual rights relating to such Claim. Reorganized Debtor will pay and perform each and all of its obligations to each holder of a Class 2 Claim relating to such Class 2 Claim as and when due; provided, however, that the rights of the holders of Class 2 Claims will be subject to modification or termination as provided by the terms of any applicable plan, fund, agreement, contract or program.

3. Class 3 (Bank of America, as Administrative Agent). Class 3 is impaired. The Class 3 Claim includes the Claim of three different lenders: Bank of America, Bank of the West, and Silicon Valley Bank, pursuant to a Credit Agreement wherein Bank of America is the administrative agent, letter of credit issuer, and swing line lender. The Class 3 Claim is secured by the personal property of Debtor. The Class 3 Secured Claim shall be Allowed in the amount of $22,720,035.37, less any payments received during the period from the Petition Date to the Effective Date. The Class 3 Allowed Secured Claim shall be paid (a) by Reorganized Debtor from proceeds of the Deferred Bard Payment; (b) by Reorganized Debtor from net proceeds from the sale of the equity interests in or assets of Reorganized Debtor, after satisfaction of the Allowed Class 7 Washington County Secured Claim from the proceeds of the sale of Reorganized Debtor's equipment and payment of Reorganized Debtor's operating expenses, expenses of sale, and compensation owing to the Plan Agent; and (c) by NewCo pursuant to the Royalty and Security Agreement. Payment of the Class 3 Claim shall continue to be secured by a security interest in the LyP

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Product, the Deferred Bard Payment, and Reorganized Debtor's assets of the same kind and category, and with the same priority, that secured the Class 3 Claim on the Petition Date. The Banks shall not have an Unsecured Claim.

4. Class 4 (General Unsecured Claims). Class 4 is impaired. Class 4 consists of General Unsecured Claims not otherwise classified or treated under the Plan. Each holder of a Class 4 Claim shall receive one share of Common Stock in NewCo in exchange for each $50 of its Allowed Class 4 Claim and the right to acquire, under certain conditions, shares of Series A Preferred Stock.

5. Class 5 (Small Unsecured Claims). Class 5 is impaired. Class 5 consists of Allowed Unsecured Claims that are equal to or less than $4,000 and holders of Allowed Unsecured Claims who file a written election to reduce their Unsecured Claim to $4,000, provided the election is made at the time ballots are due for voting on the Plan or such later date at the sole discretion of Reorganized Debtor. Each holder of an Allowed Class 5 Claim will be paid in Cash 25% of the Allowed amount of such Claim within 60 days following the later of (a) the Effective Date, or (b) the Allowance Date.

6. Class 6 (Equity Security Holders). Class 6 is impaired. The Equity Securities of the Class 6 Equity Security Holders will be cancelled. Equity Security Holders will have the right, at any time until 60 days after the Effective Date to subscribe to purchase Series A Preferred Stock in NewCo on the terms set forth in Section 6.3 of the Plan and described below.

7. Class 7 (Washington County). Class 7 is impaired. Washington County has a prepetition and administrative Secured Claim for personal property taxes in the approximate amount of $450,000. The Class 7 Claim is Washington County's prepetition Secured Claim. Following the Effective Date, Reorganized Debtor will commence the sale of its equipment and pay the net proceeds to Washington County until the Washington County Secured Claim is paid in full, including interest as provided in Oregon law.

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C. IMPLEMENTATION OF THE PLAN

1. Reorganized Debtor

On the Effective Date, Debtor shall assign and transfer to NewCo all of Debtor's rights and interests in and to the LyP Product, free and clear of all claims, liens, encumbrances, charges and other interests except the Government Use License and the rights and interests of the Banks as provided in the Royalty and Security Agreement.

On the Effective Date, all Equity Securities of Debtor will be cancelled and 100 shares of newly-issued common stock will be issued to the Plan Agent. The Plan Agent will be Obsidian Finance Group, LLC ("Obsidian"). Reorganized Debtor's board of directors will be David Brown and Kevin Padrick, the principals of Plan Agent. They will remain on the board of directors so long as Obsidian remains the Plan Agent. From and after the Effective Date, Reorganized Debtor shall be managed by the Plan Agent.[1] The Plan Agent shall use its best efforts to cause Reorganized Debtor to fulfill its duties and obligations under the Plan and to complete all distributions required by the Plan, including periodic payments of excess cash to the Class 3 Creditors and payment of the Allowed Class 3 Secured Claim on or before the third anniversary of the Effective Date. The Plan Agent shall have broad and exclusive power to manage Reorganized Debtor, including the right to hire and fire employees; sell, transfer, or license assets; borrow money; incur debt; enter into joint ventures or partnerships; issue or cause the issuance of preferred or other classes of stock; and acquire, purchase, or lease properties or facilities; and merge or sell the stock of Reorganized Debtor. The Plan Agent shall have power, authority, and responsibility to take any and all such actions as the Plan Agent, in its good faith discretion, deems necessary or appropriate to cause Reorganized Debtor to fulfill its duties and obligations under the Plan. The Plan Agent is authorized to engage and pay professionals, including attorneys,

[1] Section 6.1.2 of the Plan allows for the possibility that the assets of Debtor will be sold at or prior to the Effective Date and that, consequently, the Plan Agent will not be appointed.

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accountants, and others, to assist Reorganized Debtor in fulfilling its obligations. Such professionals may include, but are not limited to, any professionals that were engaged by Debtor at any time prior to the Effective Date, and may include Reorganized Debtor's current officers and shareholders. Without limiting the foregoing, Plan Agent may engage, retain, or employ any of Debtor's officers, shareholders, or employees to manage or assist in managing the operations of Reorganized Debtor or in any other capacity deemed appropriate by Plan Agent. Reorganized Debtor shall compensate the Plan Agent on terms acceptable to Plan Agent and the Banks. The Plan Agent shall continue in such capacity until the first to occur of (a) the assets of Reorganized Debtor have been sold and the proceeds disbursed; (b) the stock of Reorganized Debtor has been sold or Reorganized Debtor has been merged and the proceeds disbursed; or (c) Reorganized Debtor and its estate are subject to a case under Chapter 7 of the Bankruptcy Code. The Plan Agent shall have authority to initiate and pursue any claims or causes of action, including any claims or causes of action arising under Chapter 5 of the Bankruptcy Code.

2. NewCo

On or before the Effective Date, NewCo shall be formed. On the Effective Date, one share of Common Stock will be issued to holders of Allowed Class 4 Claims in exchange for each $50 of each holder's Allowed Class 4 Claim. If the Allowed amount of a Class 4 Claim is not determined or is subject to dispute, then the Common Stock will be issued to the holder of that Claim when the Claim is Allowed. Seven hundred thousand shares of Common Stock will be reserved for issuance as stock options, restricted stock, or other stock-based grants to be granted to consultants, employees and directors for services rendered after the Effective Date.

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a. Series A Preferred Stock

On and after the Effective Date, NewCo will offer for sale up to 4,000,000 shares of Series A Preferred Stock to investors, including Creditors and Equity Security Holders. The offering of Series A Preferred Stock will be subject to the following:

• Investors:	Series A Preferred Stock will be issued to accredited investors only.
• Total Offering Amount:	NewCo reserves the right, in its sole discretion, to limit the number of shares sold or to sell additional shares above the total offering amount.
• Minimum Investment:	$25,000 for Claim holders. $250,000 for other investors.
• Price Per Share:	$2.50.
• Acceptance of Commitments to Invest:	Commitments to invest will be accepted by NewCo through the 60th day following the Effective Date. In the event the offering is over-subscribed, then NewCo reserves the right, in its sole discretion, to allocate shares among investors, to sell additional shares, or both. In the event the offering is under-subscribed, NewCo may, in its sole discretion, extend the offering.
• Dividends:	Series A Preferred Stock will accrue cumulative dividends at a rate of 5% per annum (the "Series A Accruing Dividend"). Series A Accruing Dividends will be payable only when declared or as set forth below under the heading "Liquidation Preference." Dividends may not be declared or paid on Common Stock unless dividends at the same rate are declared and paid on Series A Preferred Stock.
• Liquidation Preference:	In connection with a liquidation, prior to and in preference to holders of Common Stock, but subject to payment of liquidation preferences to which future senior classes of Preferred Stock are entitled, holders of Series A Preferred Stock will be entitled to receive per-share proceeds equal to the greater of (i) an aggregate amount equal to the original issue price per share of Series A Preferred Stock (the "Series A Original Issue Price"), plus all Series A Accruing Dividends (the "Series A Liquidation Amount") or (ii) the amount that holders of Series A Preferred Stock would have received had they converted Series A Preferred Stock into Common Stock immediately prior to Liquidation. In

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	connection with Liquidation pursuant to which holders of Series A Preferred Stock receive the amount specified in clause (ii), holder of Series A Preferred Stock will not be entitled to receive Series A Accruing Dividends. Any merger, stock sale, or sale of assets in which control of NewCo is transferred will be deemed to be a Liquidation, unless otherwise agreed by holders of a majority of Series A Preferred Stock (the "Series A Requisite Investors").
• Conversion Rights:	Holders of Series A Preferred Stock will have the option to convert shares at any time into Common Stock. The total number of shares of Common Stock into which a share of Series A Preferred Stock may be converted initially will be determined by dividing the Series A Original Issue Price by the conversion price applicable to Series A Preferred Stock (the "Series A Conversion Price"). The Series A Conversion Price will be initially equal to the Series A Original Issue Price. The Series A Conversion Price will be subject to adjustment for any stock split, dividend or similar recapitalization with respect to Common Stock and as set forth below under "Anti-Dilution Protection."
• Anti-Dilution Protection:	The Series A Conversion Price will be subject to a weighted-average anti-dilution adjustment in the event Reorganized Debtor issues securities at a per-share price that is less than the then-current Series A Conversion Price (subject to customary exceptions).
• Automatic Conversion:	Series A Preferred Stock will be automatically converted into Common Stock, at the then applicable Series A Conversion Price, upon: (i) an underwritten public offering of shares of Common Stock with gross proceeds of not less than $35,000,000 at a per-share price that is not less than three times the Series A Original Issue Price, adjusted appropriately for any stock splits, stock dividends or the effect of any recapitalization, or (ii) the election of the Series A Requisite Investors.
• Voting Rights:	After the issuance of 500,000 shares of Series A Preferred Stock, the Series A Preferred Stock will be entitled to elect three out of five directors, voting as a separate class. While the number of shares of Series A Preferred Stock issued is less than 500,000, the Series A Preferred Stock will vote as a single class, together with holders of Common Stock, to elect the board of directors. On all other matters, including the election of the remaining directors, Series A Preferred Stock will vote together with the Common Stock on an as-converted basis, and not as a separate class, except when

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required by law.

- Preemptive Right: If NewCo proposes to offer any additional securities for cash, holders of Series A Preferred Stock will have the right to purchase their respective pro rata shares of the securities (calculated based on percentage of outstanding capital stock held) at the same price and terms offered.
- Right of First Refusal: Series A Preferred Stock will be subject to an assignable right of first refusal granted to NewCo, subject to customary exceptions for transfers to affiliates or for estate planning purposes.
- Definitive Agreement: Sales of Series A Preferred Stock will be governed by a stock purchase agreement containing customary representations and warranties for an entity emerging from reorganization proceedings.

b. NewCo Articles of Incorporation

NewCo shall adopt Articles of Incorporation and Bylaws as necessary to effectuate the terms of the Plan and file the Articles of Incorporation with the Secretary of State of the State of Oregon. The NewCo Articles of Incorporation shall authorize the issuance of sufficient Common and Preferred Stock to carry out the purposes of the Plan. After the Effective Date, NewCo may amend its Articles of Incorporation and bylaws in accordance with applicable state law.

c. Initial Board of Directors and Management Team

NewCo will have five members on its Board of Directors. However, initially the Board of Directors and management team will be the same as existed for Debtor prior to the Effective Date (see Section III F above). The initial President of NewCo will be Barry Starkman. A new board will be elected by the holders of Common Stock and, as appropriate, holders of Class A Preferred Stock, within 60 days after the Effective Date. The new board will determine the role and compensation of NewCo's officers. Upon the sale of at least 500,000 shares of Series A Preferred Stock, three directors shall be elected by holders of Series A Preferred Stock, voting as a separate Class. The initial board shall serve until such

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time as different directors are elected as provided in NewCo's Bylaws. The initial board will not have authority to issue or to grant options to acquire any reserved stock.

3. Setoffs

Debtor may, but shall not be required to, set off against any Claim and the distributions to be made pursuant to the Plan in respect of such Claim, any claims of any nature whatsoever that Debtor may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release of any such claim Debtor may have against such holder.

4. Corporate Action

Upon entry of the Confirmation Order, all actions contemplated by the Plan shall be authorized and approved in all respects (subject to the provisions of the Plan), including, without limitation, the following: (a) the adoption and filing with the Secretary of State of the State of Oregon of the Restated Articles of Incorporation, and (b) the execution, delivery and performance of all documents and agreements relating to the Plan and any of the foregoing. On the Effective Date, the appropriate officers of Reorganized Debtor are authorized and directed to execute and deliver the agreements, documents and instruments contemplated by the Plan and the Disclosure Statement in the name of and on behalf of Reorganized Debtor.

5. Business Strategy and Value Creation

a. Reorganized Debtor-Medical Devices Business

Projections for the Reorganized Debtor medical devices business, on a consolidated basis, to include HemCon Europe, show positive EBITDA and operating profits for plan years 2013 through to 2015. Financial performance forecast for 2013 is on the assumption of completing the Bard Transaction. Projections for the plan years following the Bard Transaction, with the resultant loss of GuardIVa® revenues, will be dependent on meeting an increase in revenues from the Reorganized Debtor's product base, markets, and

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geography. Increasing product revenues and an increased valuation will come from retaining a highly efficient cost base both in general and as it relates to the manufacture of its products. Revenue growth will be predicated upon the planned increase in direct selling resources, rate of penetration of the surgical, military, professional and consumer wound care markets, establishing new product development partnerships, further accumulation of distributors to register and sell Reorganized Debtor's products internationally, as well as the retention of the Reorganized Debtor's existing markets.

b. NewCo

NewCo anticipates a read-out on progress for the LyP program within the Phase II trial by the second half of 2013. Good comparative safety data to the control (fresh frozen plasma), and overall progress should provide access to further funding for the remaining development required for the LyP program. At the end of Phase II supportive data for the LyP program, along with the products competitive position, should lead to a variety of opportunities and a material and significant increase in NewCo's product valuation as relates to biological products after the successful completion of Phase II clinical trials. In addition to the military, commercial and pharmaceutical industry applications of LyP, sizable revenue opportunities should become available within international markets, blood banking, stockpiling and the veterinary field.

6. Cooperative Agreement and Army Issues

Unless previously terminated by order of the Bankruptcy Court or otherwise agreed between the parties, the Cooperative Agreement between Debtor and the United States Army Medical Research and Acquisition Activities will be terminated as of the Effective Date. The effect of the termination will be as stated in Section 6.11 of the Plan.

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D. EFFECT OF CONFIRMATION

1. Binding Effect

The treatment of, and consideration received by, holders of Allowed Claims and Allowed Interests pursuant to the Plan will be in full satisfaction of their respective Claims against or Interests in Debtor. The Confirmation Order shall bind Debtor and any Creditor, and discharge Debtor from any liability that arose before the Effective Date as provided in Sections 524 and 1141 of the Bankruptcy Code, and any debt and liability of a kind specified in Sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not: (a) a Proof of Claim based on such Creditor's debt or liability is Filed or deemed Filed under Section 501 of the Bankruptcy Code; (b) a Claim based on such debt or liability is Allowed; or (c) the holder of the Claim based on such debt or liability has accepted the Plan.

2. Vesting, Operation of Business

All LyP Product shall vest to NewCo free and clear of all rights, claims, liens, charges, encumbrances, and interests of any kind except for (a) the Government Use License, (b) the Royalty and Security Agreement, and (c) the new common and preferred stock as specifically set forth in the Plan. All remaining property of the estate shall revest in Reorganized Debtor on the Effective Date free and clear of all rights, claims, liens, charges, encumbrances, and interests, except as otherwise specifically provided in the Plan.

3. Injunction

Except as otherwise expressly provided in the Plan, all persons who have held, hold, or may hold Claims, or who may have held, hold, or may hold any Interest, are permanently enjoined, from and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceedings of any kind with respect to any Claims or Interests against Reorganized Debtor or NewCo; (b) enforcing, attaching, collecting or recovering by any manner or any means any judgment, award, decree, or order against Reorganized Debtor or NewCo; (c) creating, perfecting, or enforcing any encumbrances of

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any kind against Reorganized Debtor or NewCo with respect to any such Claim except as specifically set forth in the Plan; (d) asserting any setoff, right of subrogation or recoupment of any kind against any obligation due to Debtor, Reorganized Debtor, NewCo or their property; and (e) proceeding in any manner in any place whatsoever that does not conform to, does not comply with, or is inconsistent with the provisions of the Plan or the Confirmation Order.

4. Modification of the Plan; Revocation or Withdrawal of the Plan

Subject to Section 1127 of the Bankruptcy Code, Debtor reserves the right to alter, amend, modify or withdraw the Plan before its substantial consummation so long as the treatment of holders of Claims and Interests under the Plan are not adversely affected.

5. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order or the Effective Date having occurred, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of or relating to the Bankruptcy Case, as set forth in Article 9 of the Plan. Following the Effective Date, the Bankruptcy Court will retain non-exclusive jurisdiction of the Bankruptcy Case for the following purposes: (a) to recover all assets of Debtor and property of the estate, wherever located; (b) to hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax benefits and similar or related matters with respect to Debtor or its estate arising prior to the Effective Date or relating to the period of administration of the Bankruptcy Case, including, without limitation, matters concerning state, local, and federal taxes in accordance with Sections 346, 505 and 1146 of the Bankruptcy Code; and (c) to hear any other matter not inconsistent with the Bankruptcy Code.

With respect to the claim of MPT, the United States Court of Appeals for the Federal Circuit or the United States Supreme Court, as applicable, shall have exclusive jurisdiction to resolve any petition for rehearing or any writ of certiorari relating to or any

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appeal from the judgment entered in the United States Court of Appeals for the Federal Circuit on March 15, 2012.

6. United States Trustee Fees

Fees payable by Debtor under 28 USC § 1930, or to the Clerk of the Bankruptcy Court, will be paid in full in Cash on the Effective Date. After confirmation, Reorganized Debtor shall continue to pay quarterly fees of the Office of the United States Trustee and to file quarterly reports with the Office of the United States Trustee until this case is closed by the Court, dismissed or converted except as otherwise ordered by the Court. This requirement is subject to any amendments to 28 USC § 1930(a)(6) that Congress makes retroactively applicable to confirmed Chapter 11 cases.

VIII. LIQUIDATION ANALYSIS

A Plan of Reorganization cannot be confirmed unless the Bankruptcy Court finds that the Plan is in the "best interest of creditors" or holders of Claims against, and Interests in, the debtor subject to such plan. The best interest test is satisfied if the plan provides each dissenting or non-voting member of each impaired Class with a recovery not less than the recovery such member would receive if the debtor was liquidated in a hypothetical case under Chapter 7 of the Bankruptcy Code by a Chapter 7 Trustee. Debtor believes the holders of impaired Claims will not receive less than they would receive under a Chapter 7 liquidation. In applying the "best interest" test, the Bankruptcy Court would ascertain the hypothetical recovery in a Chapter 7 proceeding to secured creditors, priority claimants, general unsecured creditors, and equity interest holders. The hypothetical Chapter 7 recoveries would then be compared with the distribution offered to each Class of Claims or Interests under the Plan to determine that the Plan satisfied the "best interest" test set forth in the Bankruptcy Code. A Chapter 7 liquidation of Debtor's case would result in the immediate cessation of the Company's operations. Substantially all assets would be liquidated and distributed to the Secured Creditor, with the Secured Creditor realizing

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significantly less than the amount proposed under the Plan. The only unencumbered asset of Debtor is a 35% interest in HemCon Europe. Although HemCon Europe is operating on a break-even basis, it utilizes operational support from HemCon. If HemCon ceases operations, the viability of HemCon Europe would be jeopardized. Consequently, the value of the 35% interest in HemCon Europe is highly speculative and, in a liquidation, it is extremely unlikely it would have any value in excess of administrative and priority Claims. Unsecured Creditors and Interest holders would likely receive nothing in a liquidation.

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

CIRCULAR 230 DISCLAIMER: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, WE INFORM YOU THAT (A) ANY U.S. FEDERAL TAX ADVICE CONTAINED IN THIS COMMUNICATION, INCLUDING ANY ATTACHMENTS (AND IT IS NOT INTENDED THAT ANY SUCH ADVICE BE GIVEN IN THIS DISCLOSURE STATEMENT), IS NOT INTENDED OR WRITTEN TO BE USED OR RELIED UPON, AND CANNOT BE USED OR RELIED UPON, FOR THE PURPOSE OF (1) AVOIDING TAX-RELATED PENALTIES UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR (2) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY TRANSACTION OR TAX MATTER(S) ADDRESSED HEREIN, AND (B) THIS DISCUSSION WAS WRITTEN IN CONNECTION WITH DEBTOR SOLICITING ACCEPTANCE OF THE PLAN THROUGH THE DISCLOSURE STATEMENT. THIS DISCUSSION WAS WRITTEN SOLELY IN CONNECTION WITH DEBTOR'S DESCRIPTION OF ITS PLAN OF REORGANIZATION AS SET FORTH IN THIS DISCLOSURE STATEMENT AND DOES NOT CONSTITUTE TAX ADVICE.

A. INTRODUCTION

A summary description of certain U.S. federal income tax consequences of the Plan follows. This description is for informational purposes only and, owing to a lack of

definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan discussed below with respect to any particular Creditor. This disclosure describes only the principal U.S. federal income tax consequences of the Plan to Debtor and the holders of Allowed Claims. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the IRS or any other taxing authorities have been sought or obtained with respect to any tax consequences of the Plan, and the statements below are not binding on the IRS or other authorities. No representations are being made to Debtor or any holder of an Allowed Claim or Interest regarding the particular tax consequences of the confirmation and consummation of the Plan. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein. Holders of Allowed Claims and Interests are strongly urged to consult their own tax adviser regarding the U.S. federal, state, local, and foreign tax consequences of the transactions described in this Disclosure Statement and in the Plan.

B. GENERAL DISCUSSION

As part of the Plan, the Allowed Unsecured Creditors of HemCon will be entitled to receive certain assets held by HemCon that are intended to be used by NewCo in its trade or business (the "NewCo Assets"). In order to facilitate the formation of NewCo, the Allowed Unsecured Creditors will require HemCon as their agent, to transfer the NewCo Assets directly to NewCo, and in the exchange, the Allowed Unsecured Creditors will receive one share of Common Stock of NewCo for each $50 owed by HemCon to such Allowed Unsecured Creditors. As part of the same Plan, investors will transfer cash to NewCo in exchange for Preferred Stock of NewCo that is entitled to vote and to appoint directors to the board of NewCo. The Allowed Unsecured Creditors, along with the investors, will each be transferors in the NewCo formation. This transaction is intended to qualify as a tax-free Section 351 exchange for federal income tax purposes. If the NewCo

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formation does satisfy the requirements of Section 351, the shareholders of NewCo will generally have a tax basis in their NewCo stock equal to the tax basis of the property transferred in the exchange.

Debtor believes the value of the assets transferred to NewCo on behalf of Unsecured Creditors is negligible because (a) the assets will be transferred subject to the security interest of the Banks; (b) any value above the security interests of the Banks will be dependent on new investment and there are no binding commitments for new investment; and (c) new investment will be made only in exchange for preferred stock that will have a liquidation preference and be entitled to preferred dividends. Significant value will need to be created through future operations in order for the common stock issued to Unsecured Creditors to have any significant value. On the Effective Date, the ability of NewCo to generate value will be speculative. In Debtor's opinion, it is unlikely that any purchaser would pay more than $100,000 in present consideration for the LyP Product. Any sale transaction would likely involve a small ($100,000 or less) initial payment and some future royalty stream or potential profit participation. Therefore, it is Debtor's opinion that the value of the assets to be transferred is no more than $100,000.

The receipt of the NewCo stock by the Allowed Unsecured Creditors will create cancellation of debt income ("CODI") to HemCon in an amount equal to the difference in the amount of debt owed to such Allowed Unsecured Creditors minus the value of the NewCo stock received by such Allowed Unsecured Creditors. The receipt of property by a Creditor that is less than the amount of the debt owed to the Creditor generally creates a loss for federal income tax purposes. The specific tax treatment for each Allowed Unsecured Creditor will depend upon its individual tax position and as such, each Allowed Unsecured Creditor should seek its own tax counsel to advise on the tax treatment of its receipt of the NewCo stock in exchange for the forgiveness of the debt owed by HemCon to such Allowed Unsecured Creditor. Under Section 108 of the Internal Revenue Code, HemCon will not

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recognize CODI with respect to the cancellation of the Allowed Unsecured Creditor's Claims, but will be required to reduce certain of its tax attributes by the amount of CODI excluded from cross income. The tax attributes that are reduced include net operating losses and tax basis of assets. The effect of the attribute reduction requirement may be to eliminate all of the tax attributes of HemCon. HemCon may also be subject to alternative minimum tax on the CODI or other income generated by the Plan.

With respect to the remainder of the HemCon business, CODI will not be recognized by HemCon on the cancellation of the debt held by the Secured Creditors until such time as the assets subject to such debt are sold and the Secured Creditors are paid the proceeds of such sales in cancellation of their outstanding debt.

C. IMPORTANCE OF OBTAINING 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 INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY UPON A CREDITOR'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, CREDITORS ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISERS ABOUT THE U.S. FEDERAL, STATE, AND LOCAL, AND APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN, INCLUDING WITH RESPECT TO TAX REPORTING AND RECORD KEEPING REQUIREMENTS. DEBTOR AND DEBTOR'S COUNSEL EXPRESS NO OPINION AS TO THE TAX CONSEQUENCES OF THE PLAN OR THE EFFECT THEREOF ON ANY CLAIMANT AND THIS DISCLOSURE STATEMENT IS NOT INTENDED TO BE, AND MAY NOT BE, USED OR RELIED

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UPON BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE FEDERAL TAX LAW.

X. ACCEPTANCE AND CONFIRMATION OF THE PLAN

A. CONFIRMATION HEARING

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan on _____, at _____ Pacific time. The hearing will be held at the U.S. Bankruptcy Court for the District of Oregon, 1001 SW Fifth Avenue, Courtroom No. 1, before the Honorable Elizabeth L. Perris, United States Bankruptcy Judge. At that hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and whether it is in the best interest of Creditors and Interest holders of Debtor. Debtor will submit a report to the Bankruptcy Court prior to the hearing concerning the votes for acceptance or rejection of the Plan by the parties entitled to vote thereon. Any objection to confirmation of the Plan must be timely filed as stated in Section II.E above.

B. REQUIREMENTS OF CONFIRMATION

At the hearing on confirmation, the Bankruptcy Court will determine whether the provisions of Section 1129 of the Bankruptcy Code have been satisfied. If all of the provisions of Section 1129 are met, the Bankruptcy Court may enter an order confirming the Plan. Debtor believes the Plan satisfies all of the requirements of Chapter 11 of the Bankruptcy Code, that it has complied or will have complied with all of the requirements of Chapter 11, and that the Plan has been proposed and is made in good faith.

C. CRAM DOWN

As discussed in Section II.D above, a Court may confirm a Plan, even if it is not accepted by all impaired classes, if the Plan has been accepted by at least one impaired class of claims and the Plan meets the cram down requirements set forth in Section 1129(b) of the Bankruptcy Code. In the event that any impaired Class of Claims does not accept the

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Plan, Debtor will request that the Bankruptcy Court confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code or otherwise permit Debtor to modify the Plan.

D. FEASIBILITY

1. General Overview

HemCon's achievement of profitable operating performance in 2012 has been reached by new product launches, extending its platform of countries within which HemCon's products are registered, entering new markets, and significantly reducing its cost base.

The key value driver for NewCo will be Phase II data from the clinical trial. The Phase II clinical trial is intended to commence in the first half of 2013. Depending on the start date and rate of patient recruitment, early data is planned to be available in the second half of 2013, but the trial will not be completed until 2014 and prior to issuing the final report for the clinical trials. It is, however, necessary to recognize that Phase II clinical trials will only be possible if NewCo is successful in attracting investment. NewCo does not have any binding investment commitments.

Reorganized Debtor's anticipated increase in enterprise value, as typically measured by multiples of EBITDA, will be strongly linked to revenue growth net of the impact of the Bard Transaction and subsequent loss of GuardIVa® revenues. To minimize the impact, HemCon has already built in substantial efficiencies and demonstrated its expertise in reducing costs and utilizing less operating expenses.

HemCon believes there are three key elements with the potential to drive the Reorganized Debtor's revenue growth over the coming years:

a. The rate of market penetration of GuardaCare®XR Surgical within the United States market and internationally, see " GuardaCare®XR Surgical Hemostatic Temporary Surgical Dressing."

b. Expansion of HemCon's existing Wound Care and Infection Control portfolio of products by:

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(1) Increasing direct selling resources and increasing the number of reference sites;

(2) Expansion both internationally and by entry into new markets with existing products; and

(3) More competitive product pricing from a reduced manufacturing cost base.

c. Expansion of its Consumer Wound Care business.

2. Projections

Attached hereto as Appendices A through C are Debtor's historical and projected financial performance for Reorganized Debtor and NewCo. The assumptions underlying the projections follow:

a. Reorganized Debtor

Provisional product revenues for 2012 are $6 million on a consolidated basis and include product revenues generated relating to GuardIVa®, HemCon's infection control product. The Bard Transaction is an asset purchase agreement of GuardIVa® which closed on February 6, 2012.

Product revenues on a consolidated basis are forecast to increase from $5.2 million in 2013 to $8.8 million in 2015. On a comparatively like-for-like basis, product revenues in 2012 amount to $4.9 million once GuardIVa® revenues are subtracted. For the comparable period for the Debtor product revenues increase from $3.64 million in 2013 to $6.8 million in 2015.

Product revenues have been forecast by product, by distributor or sales channel, and by country, and are extrapolated off the progress made by HemCon to date in entering new markets, both domestically and internationally. The most significant element of revenue growth relates to GuardaCare®XR Surgical forecast for 2013 at $0.5 million and increasing to $1.9 million in 2015. Management believes this assumption is reasonable after taking into consideration the size of the United States market available to the product, the range of surgical applications and planned investment to be made in presenting this product

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following the Effective Date. Additional revenue growth is planned to come from consumer/OTC Wound Care sales increasing from $1.4 million in 2013 to $3 million in 2015. This increase is based on orders and forecasts received to date, and the extent of opportunity anticipated by TRI (Total Resources International, Inc.), HemCon's U.S. distributor for consumer Wound Care products.

Consolidated operating costs are projected to increase from $2.6 million in 2013 to $2.8 million in 2015. The main drivers of this movement are increases in the field force and associated selling expenses to support revenue growth offset by termination of fees associated with Chapter 11, further cost efficiencies and the elimination of costs relating to the LyP Program once transferred to NewCo, assumed to be with effect from April 1, 2013.

The net impact of increased sales and lower operating costs is for the Reorganized Debtor to improve EBITDA from a negative $1.2 million in 2012 to $1 million in 2015. Using an EBITDA multiple as a valuation methodology of 5 times, which would be historically low for the industry, the theoretical value of the Reorganized Debtor would increase from zero for 2012 and 2013 to $5 million in 2015.

On a consolidated basis for the plan period, EBITDA improves from a negative $.8 million in 2012 to $1.3 million in 2015. Using the same multiple of 5 times would result in a valuation of $6.5 million for the Reorganized Debtor on a consolidated basis. In addition, the cash accumulated by 2015 for the Consolidated Reorganized Debtor is approximately $1 million.

The assumptions used in preparing the projections to 2015 include:

- Tax has been calculated using a U.S. effective corporation tax rate of 35.0% on profit before tax. It has been assumed that upon Confirmation all of HemCon's NOLs will have been utilized as a result of the restructuring. In addition, the Medical Device Excise Tax ("Device Tax") of 2.3% is included from January 1, 2013.
- No tax will be payable relating to the Bard Transaction.

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- With respect to HemCon Europe an effective tax rate in Ireland has been assumed of 12.5%. No charge to corporation tax has been included due to NOLs carried forward.
- HemCon will manage currency exposure through hedging and, where necessary, forward currency contracts.
- No depreciation from 2013 onwards based on the net book value of property, plant, and equipment being subject to impairment review upon emergence from the Bankruptcy Case.
- The expense of compensation for stock options has not been included within the projections because, as yet, the terms for an option pool for employees have not been established.

b. NewCo

Quarterly projections have been prepared for NewCo to the third quarter of 2014 and the completion of the Phase II clinical trials for the LyP Program. No revenues have been projected for this period, although it is possible that revenues could be realized through corporate collaborations, the supply of LyP to third-party entities or grant income. No projections have been prepared beyond the third quarter of 2014 as (i) completion of Phase II, if successful, is believed by HemCon to be a significant valuation point and (ii) and as a consequence, it is unrealistic to attempt to forecast to any reasonable level of accuracy the potential impact of a successful outcome. Such variables include the consequential regulatory requirements to licensure to be determined by the FDA, the cost and extent of LyP Product manufacturing requirements and the breadth of market and commercial opportunities available.

For the projections provided in Appendix C, operating costs are comprised of two elements, (a) the running costs of NewCo of which the main factors are headcount and facilities and (b) the cost of the Phase II clinical trials. Operating costs for NewCo totaling $3.2 million have been included in the projections for the 18 months to September 30, 2014. Phase II clinical trial costs totaling $3.8 million, and mainly incurred in 2013, relate to the two 135-patient trials in warfarin and liver patients. Together, the funding required to run

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NewCo and complete the Phase II clinical trials for the LyP Program, including the production of the final trial report, is estimated to be in the region of $7 million.

To fund these costs it is projected that $3 million in new investment will be received within 30 days of the Effective Date of the Plan and a further $4 million will be identified in Q4 2013. HemCon believes that $3 million is a reasonable level of capital investment to assume on the Effective Date. All other assumptions in the Plan are contingent on the satisfaction of this assumption and that NewCo, as well as the Reorganized Debtor, are established with adequate working capital. It is necessary to point out, however, that Debtor has not received any binding commitments for new investments in NewCo.

Assuming the initial funding can be obtained, HemCon believes that the objective to identify a further $4 million in Q4 2013 and to complete the Phase II clinical trials is realistic. At this juncture NewCo would be established, the Phase II clinical trials in progress and interim safety data should be available. Additionally, several potential sources of funding are anticipated to be accessible including collaborative and/or investment income from a corporate partner, follow-on investment from existing investors or new investment, including venture capital.

E. RISK FACTORS

Reorganized Debtor's and NewCo's risk factors will differ in nature and are set out below both jointly where they apply to both entities and separately for each respective entity. For each entity, operations and financial results are subject to various risks and uncertainties that could adversely affect its business, cash flows, financial condition and results of operations. Additional risks and uncertainties not currently known to HemCon or that are not identified here may also materially and adversely affect each business, cash flows, financial condition, or results of operations. Statements that refer to expectations, projections, or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These statements are not

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guarantees and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results could differ materially and adversely from forward-looking statements or projections. Some important factors that could cause the Reorganized Debtors' and/or NewCo's actual results to differ from expectations in any forward-looking statements include, but are not limited to, those risks discussed and summarized below.

1. General Factors

a. HemCon Has Made a Number of Assumptions With Respect to its Restructuring Plan and the Financial Terms Upon Which the Reorganized Debtor and NewCo Will Exit Bankruptcy

If the agreed terms with its Creditors on exiting bankruptcy differ substantially from those on which financial projections are currently based, Reorganized Debtor and NewCo's projected financial performance could be materially and adversely affected. Furthermore, Debtor has prepared its financial projections based on its current tax situation and anticipated tax consequences of the Plan. Any other tax consequences, including any tax matters that may arise relating to its past annual tax returns or future financial performance, have not been taken into account.

b. Dependence on Patent and Other Proprietary Rights

The Reorganized Debtor and NewCo's success largely depends on its ability to market technologically competitive products. If Reorganized Debtor or NewCo fail to obtain or maintain adequate intellectual property protection, the either Reorganized Debtor or NewCo may not be able to prevent third parties from using either Reorganized Debtor or NewCo's proprietary technologies or may lose access to critical technologies. Also, either Reorganized Debtor or NewCo's currently pending or future patent applications may not result in issued patents, and issued patents are subject to claims concerning priority, scope and other issues.

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c. Intellectual Property Litigation and Infringement Claims Could Cause either Reorganized Debtor or NewCo to Incur Significant Expenses or Prevent either Reorganized Debtor or NewCo From Selling Certain Products

The medical device and blood product industries are characterized by extensive intellectual property litigation. Regardless of outcome, such claims are expensive to defend and divert the time and effort of management and operating personnel from other business issues. A successful claim or claims of patent or other intellectual property infringement against either Reorganized Debtor or NewCo could result in payment of significant monetary damages and/or royalty payments, or negatively impact either Reorganized Debtor or NewCo's ability to sell current or future products in an affected category, and could have a material adverse effect on either Reorganized Debtor or NewCo's business, cash flows, financial condition, or results of operations.

d. If either Reorganized Debtor or NewCo Loses the Services of Any of its Senior Management or Scientific Personnel, their respective Businesses' May Suffer

Either Reorganized Debtor or NewCo's success depends in large part upon its ability to identify, attract, and retain qualified senior management, staff to develop LyP, and other key personnel. If either Reorganized Debtor or NewCo is unable to retain key personnel, the respective businesses could suffer.

e. HemCon is Subject to Extensive Governmental Regulations Relating to the Manufacturing, Labeling and Marketing of its Products

Substantially all of Debtor's products are subject to regulation by the FDA and other governmental authorities both inside and outside of the United States. The process of obtaining regulatory approvals to market a medical device or blood component product can be costly and time consuming, and approvals might not be granted for future products on a timely basis, if at all.

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2. Risk Factors Specific to Reorganized Debtor

a. Financial Performance May Vary From Projections

The Reorganized Debtor's projected financial performance will depend in significant part on its success in increasing sales in civilian and military markets as well as U.S. and international markets. Furthermore, increasing sales will be dependent on additional licensing and distributor agreements and the extent to which HemCon can maintain and expand upon its present distribution channels.

The Debtor's projections for U.S. and international operations depend on the revenue growth of existing products, in particular in the surgical, civilian and military markets, as well as the successful introduction of existing products into new markets. There can be no assurance that projections for sales or increased sales in existing or future markets will be achieved.

Debtor's current products could be rendered obsolete or uneconomical by technological advances by one or more of Debtor's present or future competitors. Competitive factors include price, customer service, technology, innovation, quality, reputation, and reliability. Competitors may respond more quickly to new or emerging technologies; have greater financial, marketing, and other resources, including product performance data, than Debtor; or may be more successful in attracting potential customers, employees, and strategic partners. Given these factors, there can be no assurance that planned revenue projections can be achieved or that the Debtor's current market position will be maintained or improved upon.

b. Competition in Developing Improved Products is Significant and Results From Time To Time in Product Obsolescence

The markets in which the Debtor operates are highly competitive, new products and procedures are introduced into the market on a regular basis. These marketplace changes may cause some of the Reorganized Debtors' products to become

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obsolete. If actual life cycles for Reorganized Debtors' products, product demand, or acceptance of new product introductions are less favorable than projected by management, rates of revenue attrition may be accelerated and a higher level of inventory write-down may result.

c. HemCon Licensed its Underlying Bandage Technology from Others. Any Termination of the License or Limitations in its Scope Could Limit the Reorganized Debtor's Rights to Manufacture Existing or Planned Products

The Debtor's core chitosan bandage technology is used under license from Providence Health System—Oregon, and Kenton Gregory, M.D. If Reorganized Debtor was to default on its royalty or reporting obligations, the license could be terminated. In addition, the license is exclusive in the field of hemostatic control. The licensors reserve the right to use the technology in other fields.

3. Risk Factors Specific to NewCo and the LyP product

a. New Product Development Is Uncertain

HemCon has experienced delays in new product development and introduction in the past; development of LyPs may be delayed or may not be successful. NewCo's future financial performance and anticipated increase in valuation will depend upon NewCo's success in attracting new financing and the outcome of its clinical trials, starting with the Phase II clinical trials due to start in the first half of 2013. It will also depend on its ability to run clinical trials in accordance with budget, identify third-party suppliers, and to manufacture or have manufactured LyP Product at competitive prices within its projected timeframes. LyP could be rendered obsolete or uneconomical by technological advances by one or more of NewCo's present or future competitors. Competitive factors include price, customer service, technology, innovation, quality, reputation, and reliability. Competitors may respond more quickly to new or emerging technologies; have greater financial, marketing, and other resources, including product performance data, than HemCon; or may

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be more successful in attracting potential customers, employees, and strategic partners. Given these factors, there can be no assurance that planned sales projections can be achieved or that the NewCo will achieve a significant market position.

b. Limitations of AB Plasma Supplies

NewCo must ensure that it will be able to enter into a satisfactory long-term arrangement with a frozen plasma fractionator to receive an adequate supply of Type AB fresh frozen plasma at a price that will permit NewCo to price competitively in the marketplace. An increased demand for AB FP, either from hospitals and/or competing plasma component manufacturers, could limit NewCo's supply of starting material.

c. Regulatory Clearance for Blood Products

For LyP, classified as a "blood component," the NewCo will be undergoing a series of expensive clinical trials culminating in a BLA application for licensure. This process is highly challenging and financially demanding, and there is no certainty of a successful or continued funding to licensure. In addition, if NewCo fails to comply with applicable regulatory requirements in general for its products, NewCo may be subject to a range of sanctions, including warning letters, monetary fines, product recalls and the suspension of product manufacturing, and criminal prosecution.

d. Cost of LyP

The cost of a unit of LyP is expected to be significantly higher than the cost of a unit of FFP. Even if, as expected, significant advantages of LyP over FFP can be shown for civilian hospitals, such hospitals are under pressure to reduce health care costs. The higher cost of LyP will likely adversely affect its adoption rate in civilian hospitals.

e. Termination of Cooperative Agreement

To date, most funding for the development of LyP has been provided under a Cooperative Agreement with the U.S. Army. The Army ceased making payments under the Cooperative Agreement in 2011, and the Plan provides for termination of the Cooperative

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Historic	HemCon Medical Technologies Inc. **Consolidated** Income Statement				HemCon Medical Technologies Inc. **Income Statement**			
	UNAUDITED	AUDITED	AUDITED	AUDITED	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
	Fiscal Year Ending December 31				**Fiscal Year Ending December 31**			
	2011	**2010**	**2009**	**2008**	**2011**	**2010**	**2009**	**2008**
	$'000				$'000			
Revenues	11,934	14,912	12,952	41,881	10,479	13,480	11,435	40,880
Cost of revenues	10,598	11,699	12,046	15,296	9,997	10,890	10,961	14,311
Gross Profit	1,336	3,212	906	26,585	482	2,590	474	26,569
Operating expenses								
Research and development and clinical trials	73	1,077	3,398	5,529	77	857	2,609	4,943
Sales and marketing	1,911	2,346	2,559	3,702	1,888	2,218	2,467	3,650
General and administrative	4,735	6,360	8,264	9,037	2,940	3,976	5,529	6,791
Impairment of goodwill / intangibles	-	-	1,160	-	-	-	-	-
Total operating expenses	6,719	9,783	15,381	18,268	4,904	7,051	10,605	15,384
Income (loss) from operations	(5,383)	(6,571)	(14,475)	8,317	(4,422)	(4,461)	(10,131)	11,185
Other income (expense)								
Interest income	70	24	46	287	165	319	477	640
Interest expense	(1,842)	(3,111)	(1,464)	(2,692)	(1,822)	(3,663)	(2,488)	(1,664)
(Loss)/gain on disposal of Synpart	-	-	-	-	-	(361)	-	-
Foreign currency losses	(105)	(327)	398	(2,259)	-	-	295	(5,832)
Other income	5	301	559	818	(1)	122	(128)	(167)
Total other expenses	(1,873)	(3,113)	(460)	(3,846)	(1,658)	(3,584)	(1,845)	(7,024)
Income (loss) from continuing operatings before provision for income taxes	(7,256)	(9,684)	(14,935)	4,471	(6,080)	(8,044)	(11,976)	4,161
Provision for income taxes	1,116	1,519	2,083	(811)	1,116	2,179	1,389	(863)
Income (loss) from continuing operations	(6,140)	(8,164)	(12,852)	3,660	(4,964)	(5,866)	(10,587)	3,298
Income (loss) from discontinued operations, net of taxes	-	(5,009)	(37,396)	(778)	-	-	550	(635)
Net (loss) income before income attributable to noncontrolling interests	(6,140)	(13,173)	(50,248)	2,882	(4,964)	(5,866)	(10,037)	2,663
Loss attributable to noncontrolling interests - continuing operations	-	-	44	17				
Loss attributable to noncontrolling interests -	-	19	4	45				
Net income (loss)	(6,140)	(13,154)	(50,201)	2,944				

Agreement. Representatives of the Army have stated that the Army will not make funds available to HemCon in the future. There can be no assurance that NewCo will be able to establish a satisfactory working relationship with the Army.

f. Future Funding is Uncertain

NewCo's projections assume that investors will provide $2 million to $3 million to NewCo through the purchase of Series A Preferred Stock. NewCo currently does not have any commitments from investors to purchase Series A Preferred Stock. To the extent that investor or other funding is committed or received for NewCo's operations, there can be no assurance that the funding received will be sufficient to pay the costs of completion of clinical trials or product development. NewCo's business plan calls for obtaining additional funding during 2013. Further funding is not assured. Without adequate funding from investors, from a third party under a collaboration arrangement, or from government grants or cooperative agreements, NewCo will fail. If additional funding is received through the sale of additional stock or other securities, the transaction could result in substantial dilution to investors.

F. CONDITIONS PRECEDENT

In order for the Plan to become effective, the following conditions must occur and be satisfied unless waived by Debtor: (a) the Bankruptcy Court shall have entered the Confirmation Order in form and substance reasonably satisfactory to Debtor; and (b) all documents, instruments, and agreements, each in form and substance satisfactory to Reorganized Debtor and NewCo, provided for or necessary to implement the Plan shall have been agreed upon, executed and delivered, unless such execution or delivery has been waived by the party to be benefitted thereby.

G. ALTERNATIVES TO CONFIRMATION OF THE PLAN

If a Plan is not confirmed, Debtor or another party in interest may attempt to formulate or propose a different plan or plans of reorganization. Such plans might involve a

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reorganization and continuation of Debtor's business, a sale of Debtor's business as a going concern, an orderly liquidation of Debtor's assets, or any combination thereof. If no plan of reorganization is determined by the Bankruptcy Court to be confirmable, the Bankruptcy Case may be converted to a liquidation proceeding under Chapter 7 of the Bankruptcy Code.

In a Chapter 7 liquidation, a Trustee would be appointed or elected with the purpose of liquidating Debtor's assets. Typically, in a liquidation, assets are sold for less than their going concern or fair market valuation and, accordingly, the return to Creditors is less than the return in a reorganization, which derives the value to be distributed from the business as a going concern. Proceeds from a Chapter 7 liquidation would be distributed to Creditors and Interest holders of Debtor in accordance with the priorities set forth in the Bankruptcy Code. Generally, distributions would not be made until the end of a Chapter 7 case and there would be no interim distributions. If Debtor's case was converted to Chapter 7, the Secured Creditor would likely receive relief from the automatic stay to collect the liquidation value of its collateral, and General Unsecured Creditors and Interest holders would likely receive nothing. Debtor urges all parties to vote to accept the Plan.

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XI. CONCLUSION

Please read this Disclosure Statement and the Plan carefully. After reviewing all the information and making an informed decision, please vote by using the enclosed ballot.

DATED this 12th day of March, 2013.

HEMCON MEDICAL TECHNOLOGIES, INC.

By */s/ Barry Starkman*
Barry Starkman, CEO

Submitted by:

TONKON TORP LLP

By */s/ Albert N. Kennedy*
Albert N. Kennedy, OSB No. 821429
Timothy J. Conway, OSB No. 851752
Attorneys for Debtor

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APPENDIX A

Historic	HemCon Medical Technologies Inc. **Consolidated** Income Statement				HemCon Medical Technologies Inc. **Income Statement**			
	UNAUDITED	AUDITED	AUDITED	AUDITED	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
	Fiscal Year Ending December 31				**Fiscal Year Ending December 31**			
	2011	**2010**	**2009**	**2008**	**2011**	**2010**	**2009**	**2008**
	$'000				$'000			
Revenues	11,934	14,912	12,952	41,881	10,479	13,480	11,435	40,880
Cost of revenues	10,598	11,699	12,046	15,296	9,997	10,890	10,961	14,311
Gross Profit	1,336	3,212	906	26,585	482	2,590	474	26,569
Operating expenses								
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Impairment of goodwill / intangibles	-	-	1,160	-	-	-	-	-
Total operating expenses	6,719	9,783	15,381	18,268	4,904	7,051	10,605	15,384
Income (loss) from operations	(5,383)	(6,571)	(14,475)	8,317	(4,422)	(4,461)	(10,131)	11,185
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(Loss)/gain on disposal of Synpart	-	-	-	-	-	(361)	-	-
Foreign currency losses	(105)	(327)	398	(2,259)	-	-	295	(5,832)
Other income	5	301	559	818	(1)	122	(128)	(167)
Total other expenses	(1,873)	(3,113)	(460)	(3,846)	(1,658)	(3,584)	(1,845)	(7,024)
Income (loss) from continuing operatings before provision for income taxes	(7,256)	(9,684)	(14,935)	4,471	(6,080)	(8,044)	(11,976)	4,161
Provision for income taxes	1,116	1,519	2,083	(811)	1,116	2,179	1,389	(863)
Income (loss) from continuing operations	(6,140)	(8,164)	(12,852)	3,660	(4,964)	(5,866)	(10,587)	3,298
Income (loss) from discontinued operations, net of taxes	-	(5,009)	(37,396)	(778)	-	-	550	(635)
Net (loss) income before income attributable to noncontrolling interests	(6,140)	(13,173)	(50,248)	2,882	(4,964)	(5,866)	(10,037)	2,663
Loss attributable to noncontrolling interests - continuing operations	-	-	44	17				
Loss attributable to noncontrolling interests -	-	19	4	45				
Net income (loss)	(6,140)	(13,154)	(50,201)	2,944				

Historic	HemCon Medical Technologies Inc. Consolidated Balance Sheet				HemCon Medical Technologies Inc. Balance Sheet			
	UNAUDITED	AUDITED	AUDITED	AUDITED	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
	Fiscal Year Ending December 31				Fiscal Year Ending December 31			
	2011	2010	2009	2008	2011	2010	2009	2008
	$'000				$'000			
Assets								
Current Assets								
Cash and cash equivalents	4,267	4,212	2,823	4,061	4,112	4,163	1,988	2,294
Accounts receivable, net	680	876	1,012	13,984	447	516	756	2,119
Other accounts receivable	110	-	-	1,045	-	-	-	-
Related party receivable	-	-	593	508	-	-	-	-
Income taxes receivable	73	2,540	3,671	2,158	73	2,540	3,671	2,158
Inventories	1,172	1,240	2,042	9,796	907	984	1,673	2,233
Prepaid expenses and other	249	417	881	152	249	229	180	144
InterCo receivable	-	-	-	-	5,173	4,432	19,977	17,867
Current assets held for sale	-	-	19,172	-	-	-	-	-
Total current assets	6,552	9,286	30,193	31,704	10,961	12,865	28,245	26,815
Property and equipment, net	4,027	5,558	7,492	12,858	3,980	5,391	7,150	8,606
Deposits and other assets	53	55	166	226	28	30	783	905
Equity investments in affiliates	-	-	10	372	42,134	42,134	42,134	42,134
Deferred financing costs	-	-	642	705	-	-	-	-
Deferred income tax assets	62	62	706	67	62	62	47	1,551
Intangible assets, net	-	-	-	13,710	-	-	-	-
Goodwill	791	791	791	35,685	-	-	-	-
Non-current assets held for sale	-	133	15,483	-				
Total assets	11,485	15,884	55,482	95,327	57,165	60,482	78,360	80,011
Liabilities, Redeemable Convertible Proferred Stock and Stockholders' Equity								
Current Liabilities								
Short-term bank borrowings	-	-	-	3,500	-	-	-	-
Bank debt	22,411	22,411	37,000	-	22,411	22,411	37,000	-
Accounts payable	3,560	3,059	2,881	6,252	3,270	2,834	2,177	1,292
Accrued expenses	1,068	1,596	1,659	3,571	818	1,334	1,354	2,019
Other accounts payable	(10)	100	220	1,651	-	-	-	-
Government research and development advances	10,937	7,180	6,002	4,215	10,937	7,180	6,002	4,215
Deferred acquisition consideration	-	-	949	846	-	-	-	-
Deferred revenue s.t.	453	447	200	-	453	447	200	-
Deferred income taxes	62	62	47	230	62	62	47	-
Current liabilities related to assets held for sale	-	-	11,789	-	-	-	-	-
Total current liabilities	38,481	34,855	60,749	20,265	37,952	34,268	46,779	7,526
Long-term debt	-	-	-	33,000	-	-	-	33,000
Deferred revenue, net of current portion	1,154	1,607	1,130	394	1,154	1,607	1,130	394
Deferred acquisition consideration, net of current portion	-	-	-	949	-	-	-	-
Redeemable warrants	-	-	8	111	-	-	-	-
Derivative contract	-	601	1,047	1,303	-	601	1,047	1,303
Deferred compensation	-	-	85	45	-	-	85	45
Income taxes payable	483	1,672	1,509	-	483	1,672	1,509	-
Non-current liabilities of assets held for sale	-	-	660	-	-	-	-	-
Total liabilities	40,118	38,736	65,186	56,067	39,589	38,149	50,549	42,267

Historic	HemCon Medical Technologies Inc. Consolidated Balance Sheet				HemCon Medical Technologies Inc. Balance Sheet			
	UNAUDITED	AUDITED	AUDITED	AUDITED	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
	Fiscal Year Ending December 31				Fiscal Year Ending December 31			
	2011	**2010**	**2009**	**2008**	**2011**	**2010**	**2009**	**2008**
	$'000				$'000			
Commitments and contingencies								
Redeemable convertible preferred								
Series A	801	801	801	801	801	801	801	801
Series B	5,904	5,904	5,904	5,904	5,904	5,904	5,904	5,904
Series C	12,000	12,000	12,000	12,550	12,000	12,000	12,000	12,550
Total redeemable convertible preferred	18,705	18,705	18,705	19,255	18,705	18,705	18,705	19,255
Stockholders' equity								
Common stock	5	4	4	4	5	4	4	4
Additional paid in	6,229	5,975	5,512	3,345	(518)	(518)	(518)	(648)
FAS 123R Options	-	-	-	-	5,474	5,267	4,878	3,466
Series C warrants outstanding	-	-	-	-	115	115	115	115
Retained earnings	(54,636)	(48,496)	(35,342)	15,198	(6,204)	(1,240)	4,626	15,552
Accumulated other comprehensive income	1,065	960	1,216	1,402	-	-	-	-
Total stockholders equity (deficit)	(47,338)	(41,557)	(28,610)	19,949	(1,129)	3,628	9,105	18,489
Noncontrolling interests	-	-	201	56				
Total liabilities, redeemable, equity	11,485	15,884	55,482	95,327	57,165	60,482	78,360	80,011

APPENDIX B

FORECAST	HemCon Medical Technologies Inc. Consolidated Income Statement Including Subsidary Entities				HemCon Medical Technologies Inc. Income Statement			
	2012 P $'000	2013 F $'000	2014 F $'000	2015 F $'000	2012 P $'000	2013 F $'000	2014 F $'000	2015 F $'000
Product Revenue	5,993	5,193	7,271	8,837	5,007	3,565	5,408	6,756
Bard Transaction IV Site Dressing	500	4,500	-	-	-	-	-	-
Government R&D Revenue	3,819	745	-	-	3,819	745	-	-
	10,312	**10,438**	**7,271**	**8,837**	**8,826**	**4,311**	**5,408**	**6,756**
Cost of Sales	7,602	4,661	4,357	4,745	7,919	3,665	3,241	3,494
Gross Profit	**2,709**	**5,777**	**2,914**	**4,092**	**907**	**646**	**2,167**	**3,262**
Product Gross Margin %	37%	25%	40%	46%	18%	18%	40%	48%
Operating Expenses	3,689	2,557	2,451	2,780	2,259	1,616	1,977	2,298
Operating Profit/(Loss)	**(980)**	**3,221**	**464**	**1,312**	**(1,352)**	**(970)**	**191**	**963**
Interest Income	55	4	2	3	55	-	-	-
Interest Expense	756	-	-	-	704	-	-	-
Profit/ (Loss) before Tax	**(1,680)**	**3,225**	**466**	**1,315**	**(2,001)**	**(970)**	**191**	**963**
Provision for Income Taxes	(467)	15	67	337	(467)	15	67	337
Net (Loss)/ Income	**(1,213)**	**3,210**	**399**	**978**	**(1,534)**	**(985)**	**124**	**626**
EBITDA	**(843)**	**3,236**	**476**	**1,322**	**(1,242)**	**(970)**	**191**	**963**

2012 Net Loss includes Litigation, Legal Contract work and Bankruptcy Case fees in the amount of $636k. 2013 Net Income includes non recurring fees associated with emergence from Bankruptcy Case in the amount of $343k.
2013 through 2015 assumes recover from the shared utilisation of space and provision of resources to NewCO in the amount of $786k per annum.
No depreciation has been charged through the period since filing for Chapter 11 or in the forecast period in relation to the US business.

FORECAST	HemCon Medical Technologies Inc. Consolidated Balance Sheet Including Subsidary Entities				HemCon Medical Technologies Inc. Balance Sheet			
	2012 P $'000	2013 F $'000	2014 F $'000	2015 F $'000	2012 P $'000	2013 F $'000	2014 F $'000	2015 F $'000
CURRENT ASSETS:								
Cash and cash equivalents	438	247	306	1,020	222	223	293	686
Accounts receivable, net	549	696	824	1,042	421	443	541	732
Other accounts receivable	18	18	18	2	-	-	-	-
Income tax receivable	73	-	-	-	73	-	-	-
Inventories	1,249	1,000	1,125	1,230	882	649	720	776
Prepaid expenses	244	185	185	185	219	160	160	160
Total current assets	**2,571**	**2,145**	**2,457**	**3,479**	**1,818**	**1,474**	**1,713**	**2,355**
Property and equipment, net	54	38	25	15	-	-	-	-
Intercompany receivable-HemCon EU	0	-	-	-	4,731	481	281	281
Investment in Hawaii Chitopure	25	25	25	25	25	25	25	25
Goodwill	791	791	791	791	-	-	-	-
Deposits	28	28	28	28	28	28	28	28
Total non-current assets	**898**	**882**	**870**	**859**	**4,785**	**535**	**335**	**335**
Total assets	**3,469**	**3,028**	**3,327**	**4,338**	**6,602**	**2,009**	**2,048**	**2,689**
CURRENT LIABILITIES:								
Accounts payable	733	485	423	442	407	218	171	171
Accrued liabilities	1,240	460	421	436	1,110	314	276	291
Goverrntment Grants Deferred Revenue	350	-	-	-	350	-	-	-
Total current liabilities	**2,322**	**945**	**844**	**878**	**1,866**	**532**	**447**	**462**
Long-term debt	22,720	20,720	20,720	20,720	22,720	20,720	20,720	20,720
Pre Petition Liabilities	274	-	-	-	274	-	-	-
Total non-current liabilities	**22,994**	**20,720**	**20,720**	**20,720**	**22,994**	**20,720**	**20,720**	**20,720**
Total liabilities	**25,316**	**21,665**	**21,565**	**21,598**	**24,860**	**21,252**	**21,167**	**21,182**
Total stockholders' equity	(21,847)	(18,637)	(18,238)	(17,260)	(18,258)	(19,243)	(19,119)	(18,493)
Total liabilities, redeemable convertible preferred stock and stockholders Equity	**3,469**	**3,028**	**3,327**	**4,338**	**6,602**	**2,009**	**2,048**	**2,689**

FORECAST	HemCon Medical Technologies Inc. Cashflow Statement Including Subsidary Entities			HemCon Medical Technologies Inc. Cashflow Statement		
	2012 P	2013 F $'000	2014 F $'000	2015 F $'000	2012 P	2013 F $'000	2014 F $'000	2015 F $'000
Operating (Loss)/ Profit		**3,225**	**466**	**1,315**		**(970)**	**191**	**963**
Depreciation		16	13	10		-	-	-
Changes in assets and liabilities								
Accounts receivable		(148)	(127)	(218)		(22)	(98)	(191)
Inventories		249	(125)	(106)		233	(71)	(56)
Accounts payable		(248)	(61)	18		(189)	(46)	(0)
Government Grants Deferred Revenue		(350)	-	-		(350)	-	-
Other Accounts receivable		-	-	16		-	-	-
Prepaid expenses and other		59	-	-		59	-	-
Accrued expenses		8	(11)	-		(7)	(11)	-
Royalties		(27)	(12)	15		(27)	(12)	15
Financed Equipment Liability		(20)	(16)	-		(20)	(16)	-
Cash Generated from Operations		2,766	126	1,051		(1,292)	(63)	731
Income Tax paid		58	(67)	(337)		58	(67)	(337)
Net Cash generated/ (used) in operating activities		2,824	60	714		(1,234)	(130)	394
Cash flows from investing activities								
Interest Received		-	-	-		-	-	-
Proceeds from European Operations		0	-	-		4,250	200	-
Net cash generated by investing activities		0	-	-		4,250	200	-
Cash flows from financing activities								
Payment of Cash to Secured Creditors		(2,000)	-	-		(2,000)	-	-
Pre Petition Small Creditors, Assumed Contracts		(274)	-	-		(274)	-	-
Chapter 11 Related cashflows		(742)	-	-		(742)	-	-
Net cash generated by financing activities		(3,016)	-	-		(3,016)	-	-
CHANGE IN CASH AND CASH EQUIVALENTS		(192)	60	714		0	70	394
CASH AND CASH EQUIVALENTS -- Beginning of period		**438**	**247**	**306**		**222**	**223**	**293**
CASH AND CASH EQUIVALENTS -- End of period		**247**	**306**	**1,020**		**223**	**293**	**686**

APPENDIX C

NewCo Forecast Financial Performance

FORECAST INCOME STATEMENT

	QTR2 2013 $'000	QTR3 2013 $'000	QTR4 2013 $'000	QTR1 2014 $'000	QTR2 2014 $'000	QTR3 2014 $'000	TOTAL $'000
Income	-	-	-	-	-	-	-
Operating Expenses	505,702	534,630	555,630	534,630	534,630	555,630	3,220,852
Clinical Trial Costs	277,283	729,600	1,016,106	882,107	808,216	54,128	3,767,440
Total Operating Costs	782,986	1,264,230	1,571,736	1,416,737	1,342,846	609,758	6,988,292
Operating Profit / (Loss)	(782,986)	(1,264,230)	(1,571,736)	(1,416,737)	(1,342,846)	(609,758)	(6,988,292)
Interest Income	-	-	-	-	-	-	-
Net Profit / (Loss)	**(782,986)**	**(1,264,230)**	**(1,571,736)**	**(1,416,737)**	**(1,342,846)**	**(609,758)**	**(6,988,292)**

NewCo Forecast Financial Performance

FORECAST BALANCE SHEET

	QTR2 2013 $'000	QTR3 2013 $'000	QTR4 2013 $'000	QTR1 2014 $'000	QTR2 2014 $'000	QTR3 2014 $'000
CURRENT ASSETS:						
Cash and cash equivalents	2,360,520	1,216,458	3,714,362	2,356,866	712,133	53,585
Accounts receivable, net	-	-	-	-	-	-
Total current assets	**2,360,520**	**1,216,458**	**3,714,362**	**2,356,866**	**712,133**	**53,585**
Property and equipment, net	-	-	-	-	-	-
Total non-current assets	**-**	**-**	**-**	**-**	**-**	**-**
Total assets	**2,360,520**	**1,216,458**	**3,714,362**	**2,356,866**	**712,133**	**53,585**
CURRENT LIABILITIES:						
Accounts payable	143,506	263,674	333,314	392,554	90,667	41,878
Total current liabilities	**143,506**	**263,674**	**333,314**	**392,554**	**90,667**	**41,878**
Total non-current liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Total liabilities	**143,506**	**263,674**	**333,314**	**392,554**	**90,667**	**41,878**
Preferred Stock on Plan Confirmation	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
2nd Round Preferred Stock	-	-	4,000,000	4,000,000	4,000,000	4,000,000
Total redeemable convertible preferred stock	**3,000,000**	**3,000,000**	**7,000,000**	**7,000,000**	**7,000,000**	**7,000,000**
Retained earnings (accumulated deficit)	(782,986)	(2,047,216)	(3,618,951)	(5,035,688)	(6,378,534)	(6,988,292)
Total stockholders' equity	**(782,986)**	**(2,047,216)**	**(3,618,951)**	**(5,035,688)**	**(6,378,534)**	**(6,988,292)**
Total liabilities, redeemable convertible preferred stock and stockholders Equity	**2,360,520**	**1,216,458**	**3,714,362**	**2,356,866**	**712,133**	**53,585**

NewCo Forecast Financial Performance

FORECAST CASHFLOW

	QTR2 2013 $'000	QTR3 2013 $'000	QTR4 2013 $'000	QTR1 2014 $'000	QTR2 2014 $'000	QTR3 2014 $'000	TOTAL $'000
Operating (Loss)	**(782,986)**	**(1,264,230)**	**(1,571,736)**	**(1,416,737)**	**(1,342,846)**	**(609,758)**	**(6,988,292)**
Changes in assets and liabilities							
Accounts payable	(143,506)	(120,168)	(69,640)	(59,240)	301,887	48,790	(41,878)
Cash Used in Operations	(639,480)	(1,144,062)	(1,502,096)	(1,357,497)	(1,644,733)	(658,548)	(6,946,415)
Cash flows from investing activities							
Interest Received	-	-	-	-	-	-	-
Net Cash generated by investing activities	-	-	-	-	-	-	-
Cash flows from financing activities							
Preferred Stock on Plan Confirmation	3,000,000	-	-	-	-	-	3,000,000
2nd Round Preferred Stock	-	-	4,000,000	-	-	-	4,000,000
Net Cash generated by financing activities	3,000,000	-	4,000,000	-	-	-	7,000,000
CHANGE IN CASH AND CASH EQUIVALENTS	2,360,520	(1,144,062)	2,497,904	(1,357,497)	(1,644,733)	(658,548)	53,585
CASH AND CASH EQUIVALENTS -- Beginning of period	**-**	**2,360,520**	**1,216,458**	**3,714,362**	**2,356,866**	**712,133**	**-**
CASH AND CASH EQUIVALENTS -- End of period	**2,360,520**	**1,216,458**	**3,714,362**	**2,356,866**	**712,133**	**53,585**	**53,585**

M:\00 Financial Reporting\Forecasting\REORG III & Forecast updates\Forecast 2.12.13

EXHIBIT 1

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UNITED STATES BANKRUPTCY COURT

DISTRICT OF OREGON

In re HemCon Medical Technologies, Inc. Debtor.	Case No. 12-32652-elp11 **DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION (MARCH 12, 2013)**

DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION (MARCH 12, 2013)

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HemCon Medical Technologies, Inc., an Oregon corporation ("HemCon" or "Debtor") as Debtor and debtor-in-possession, proposes the following Plan of Reorganization, pursuant to Section 1129 (a) of Title 11 of the United States Code.

This Plan provides for the terms upon which HemCon will restructure and provide payments to its creditors. The Plan provides for Debtor to reorganize into two entities. A new company ("NewCo") will be formed to own and develop the LyP Product. The remaining assets are part of the medical devices business that will be operated by a Plan Agent charged with liquidating those assets and selling that business within three years. The Plan provides for payment to Banks of the Allowed Amount of their Secured Claim from the Deferred Bard Payments, proceeds from the sale of the medical devices business, and royalty payments from NewCo pursuant to the Royalty and Security Agreement. Unsecured Creditors shall exchange their Unsecured Claims for Common Stock and a right to acquire Series A Preferred Stock in NewCo. Small Unsecured Creditors will receive payment of 25% of their Allowed Claim within 60 days after the Effective Date. Equity Security Holders and other qualified investors will have the opportunity to acquire Series A Preferred Stock in NewCo. The Disclosure Statement is enclosed herewith to assist you in understanding this Plan and making an informed judgment concerning its terms.

ARTICLE 1

DEFINITIONS

Definitions of certain terms used in this Plan are set forth below. Other terms are defined in the text of this Plan or the text of the Disclosure Statement. In either case, when a defined term is used, the first letter of each word in the defined term is capitalized. Terms used and not defined in this Plan or the Disclosure Statement shall have the meanings given in the Bankruptcy Code or Bankruptcy Rules, or otherwise as the context requires. The meanings of all terms shall be equally applicable to both the singular and plural, and masculine and feminine, forms of the terms defined. The words "herein," "hereof," "hereto,"

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"hereunder," and others of similar import, refer to the Plan as a whole and not to any particular section, subsection, or clause contained in the Plan. Captions and headings to articles, sections, and exhibits are inserted for convenience of reference only and are not intended to be part of or to affect the interpretation of the Plan. The rules of construction set forth in Section 102 of the Bankruptcy Code shall apply. In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply. Any capitalized term that is not defined herein but is defined in the Bankruptcy Code shall have the meaning ascribed to such term in the Bankruptcy Code.

1.1. "Administrative Expense Claim" means any Claim entitled to the priority afforded by Sections 503(b) and 507(a)(2) of the Bankruptcy Code.

1.2. "Allowed" means, with respect to any Claim, proof of which has been properly Filed or, if no Proof of Claim was so Filed, which was or hereafter is listed on the Schedules as liquidated in amount and not disputed or contingent, and, in either case, a Claim as to which no objection to the allowance thereof, or motion to estimate for purposes of allowance, shall have been Filed on or before any applicable period of limitation that may be fixed by the Bankruptcy Code, the Bankruptcy Rules, and/or the Bankruptcy Court, or as to which any objection, or any motion to estimate for purposes of allowance, shall have been so Filed, to the extent allowed by a Final Order.

1.3. "Allowed Secured Claim" means an Allowed Claim that is secured by a lien, security interest, or other charge against or interest in property in which Debtor has an interest or that is subject to setoff under Section 553 of the Bankruptcy Code, to the extent of the value (as set forth in the Plan, or if no value is specified, as determined in accordance with Section 506(a) of the Bankruptcy Code or, if applicable, Section 1111(b) of the Bankruptcy Code) of the interest of the holder of such Claim in Debtor's interest in such property or to the extent of the amount subject to setoff, as the case may be.

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1.4. "Allowed Unsecured Claim" means an Allowed Claim that is not an Allowed Secured Claim or an Allowed Administrative Expense Claim.

1.5. "Avoidance Actions" means, without limitation, any and all actions, causes of action, liabilities, obligations, rights, suits, debts, sums of money, damages, judgments, claims and demands whatsoever, whether known or unknown, in law (including, without limitation, Sections 506(c), 510, 542, 544, 547, 548, 549, 550, and 553 of the Bankruptcy Code or equivalent provisions of applicable non-bankruptcy law), equity or otherwise.

1.6. "Bankruptcy Case" means the case under Chapter 11 of the Bankruptcy Code with respect to Debtor, pending in the District of Oregon, administered as *In re HemCon Medical Technologies, Inc.*, Case No. 12-32652-elp11.

1.7. "Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as amended from time to time, set forth in Sections 101 et seq. of Title 11 of the United States Code.

1.8. "Bankruptcy Court" means the United States Bankruptcy Court for the District of Oregon, or such other court that exercises jurisdiction over the Bankruptcy Case or any proceeding therein, including the United States District Court for the District of Oregon, to the extent the reference to the Bankruptcy Court or any proceeding therein is withdrawn.

1.9. "Bankruptcy Rules" means, collectively, the Federal Rules of Bankruptcy Procedure, as amended and promulgated under Section 2075, Title 28, of the United States Code, and the local rules and standing orders of the Bankruptcy Court.

1.10. "Banks" means the holders of the Class 3 Claim.

1.11. "Bard Transaction" means the sale, assignment, and transfer by Debtor, HemCon Medical Technologies Europe, Limited, and HemCon Medical Technologies

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(IP) Limited of the GuardIVa® product to Bard Access Systems, Inc. pursuant to the Order entered in this Bankruptcy Case on December 21, 2012.

1.12. "Business Day" means a day other than a Saturday, Sunday, any legal holiday as defined in Bankruptcy Rule 9006(a), or other day on which banks in Portland, Oregon are authorized or required by law to be closed.

1.13. "Cardinal" means both Cardinal Health 200, LLC and Cardinal Health Canada when they are referred to together.

1.14. "Cash" means lawful currency of the United States of America and equivalents, including, without limitation, checks, wire transfers and drafts.

1.15. "Claim" means (a) any right to payment from Debtor arising before the Effective Date, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or (b) any right to an equitable remedy against Debtor arising before the Effective Date for breach of performance if such breach gives rise to a right of payment from Debtor, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

1.16. "Class" means one of the classes of Claims defined in Article 3 hereof.

1.17. "Collateral" means any property in which Debtor has an interest that is subject to a lien or security interest securing the payment of an Allowed Secured Claim.

1.18. "Committee" means the Official Unsecured Creditors' Committee appointed in this Bankruptcy Case by the United States Trustee pursuant to Section 1102 of the Bankruptcy Code, as reconstituted by the addition or removal of members from time to time.

1.19. "Common Stock" means the authorized common stock of NewCo, the new corporation formed for the purpose of holding and developing Debtor's LyP Product.

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1.20. "Confirmation Date" means the date on which the Confirmation Order is entered on the docket by the Clerk of the Bankruptcy Court.

1.21. "Confirmation Order" means the order of the Bankruptcy Court confirming the Plan in accordance with the provisions of Chapter 11 of the Bankruptcy Code.

1.22. "Creditor" means any entity holding a Claim against Debtor.

1.23. "Debtor" means HemCon Medical Technologies, Inc. as Debtor and debtor-in-possession in the Bankruptcy Case.

1.24. "Deferred Bard Payment" means the $1,500,000 payment to be made by Bard to Debtor, Reorganized Debtor, or their subsidiaries pursuant to the Bard Transaction upon approval to apply the CE mark to the GuardIVa® Product in the European Economic Area.

1.25. "Deficiency Claim" means the portion of a Secured Claim that is unsecured.

1.26. "Disclosure Statement" means Debtor's Disclosure Statement as amended, modified, restated, or supplemented from time to time, pertaining to the Plan.

1.27. "Disputed Claim" means a Claim with respect to which a Proof of Claim has been timely Filed or deemed timely Filed under applicable law, and as to which an objection, timely Filed, has not been withdrawn on or before the Effective Date or any date fixed for filing such objections by order of the Bankruptcy Court, and has not been denied by a Final Order.

1.28. "Effective Date" means the first day of the first full month after the Confirmation Date and after which the conditions to effectiveness set forth in Section 6.12. have been waived or satisfied.

1.29. "Employee Benefit Claim" means any Claim (not otherwise classified) of a present or former employee of Debtor, or their spouses and dependents, for any

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employment-related benefit, including pension, retirement, severance, vacation, medical, disability, or death benefits under any plan, fund, agreement, contract or program established or entered into by Debtor prior to the Petition Date.

1.30. "Entity" shall have the meaning ascribed to it by Section 101(15) of the Bankruptcy Code.

1.31. "Equity Security" shall have the meaning ascribed to it in Section 101(16) of the Bankruptcy Code with respect to any Equity Security Holder of Debtor.

1.32. "Equity Security Holder" means a holder of an Equity Security of Debtor.

1.33. "Filed" means filed with the Bankruptcy Court in the Bankruptcy Case.

1.34. "Final Order" means an order or judgment entered on the docket by the Clerk of the Bankruptcy Court or any other court exercising jurisdiction over the subject matter and the parties that has not been reversed, stayed, modified, or amended and as to which the time for filing a notice of appeal, or petition for certiorari or request for certiorari, or request for rehearing, shall have expired and is no longer subject to remand, retrial, modification or further proceedings of any kind or nature.

1.35. "General Unsecured Claim" means an Unsecured Claim that is not a Small Unsecured Claim.

1.36. "Government Use License" means the paid-up, non-exclusive, non-transferable, irrevocable license or licenses of the United States to practice or have practiced on behalf of the United States the LyP Product and other intellectual property owned by Debtor to the extent that the development of such intellectual property was funded by payments or advances from the United States as provided under agreements between Debtor and the United States or by federal statutes and regulations.

1.37. "Insider" shall have the meaning ascribed to it by Section 101(31) of the Bankruptcy Code.

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1.38. "LyP Product" means Debtor's proprietary lyophilized human plasma and universal lyophilized plasma technology and all associated or related know-how, technology, products, inventory, research data, designs, formulations, specifications, raw materials, component lists, instructions for use, manufacturing processes and protocols, records, batch descriptions, validations, procedures , equipment requirements, operating manuals, installation procedures, requirements and protocols, data, records, documentation, patents, patent applications, trademarks, trade names, copyrights, regulatory clearances, and trade secrets.

1.39. "NewCo" means a corporation to be formed for the purpose of owning and developing the LyP Product. The name of the new corporation will be determined prior to the Effective Date.

1.40. "Other Priority Claim" means any Claim for an amount entitled to priority in right of payment under Sections 507(a)(3), (4), (5) (6) or (7) of the Bankruptcy Code.

1.41. "Petition Date" means April 10, 2012, the date on which the petition commencing the Bankruptcy Case was Filed.

1.42. "Plan" means this Plan of Reorganization, as amended, modified, restated, or supplemented from time to time.

1.43. "Plan Agent" means Obsidian Finance Group, LLC ("Obsidian"). If Obsidian (or any future Plan Agent) resigns or is unable to serve as Plan Agent, then Reorganized Debtor shall select the Successor Plan Agent subject to approval by the Class 3 Creditors. If the parties cannot agree upon a Plan Agent, the Court shall appoint the successor Plan Agent.

1.44. "Priority Tax Claim" means a Claim of a governmental unit of the kind entitled to priority under Section 507(a)(8) of the Bankruptcy Code or that would otherwise be entitled to priority but for the secured status of the Claim.

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1.45. "Rejection Claim" means a Claim entitled to be filed as a result of a Debtor rejecting an executory contract in this Bankruptcy Case.

1.46. "Reorganized Debtor" means Debtor from and after the Effective Date, but does not include NewCo, which will be established as a new and separate entity.

1.47. "Restated Articles of Incorporation" means the restated articles of incorporation of Debtor which shall modify and amend Debtor's Articles of Incorporation consistent with the terms of this Plan to prohibit the issuance of non-voting equity securities to the extent required by Section 1123(a)(6) of the Bankruptcy Code. The Restated Articles of Incorporation shall include a broad form of exculpation and indemnification of directors and shall be reasonably satisfactory in form and content to Plan Agent and Bank of America.

1.48. "Restated Bylaws" means the restated bylaws which shall modify and amend Debtor's prior bylaws and govern Reorganized Debtor consistent with the terms of this Plan.

1.49. "Royalty and Security Agreement" means the agreement to be executed on the Effective Date by and between Bank of America as agent for Banks and NewCo pursuant to which NewCo and its successors and assigns shall pay to Banks and their successors and assigns (a) the sum of $50,000 within 60 days of the Effective Date and (b) thereafter for each successive six-month semi-annual calendar period a royalty equal to 2% of net revenue (gross revenue net of returns, allowances, freight, and the like) from NewCo's manufacture and sale of the LyP Product and all improvements thereto until the Class 3 Claim has been paid in full, together with interest accruing from and after the Effective Date at a rate equal to 3.25% per annum. Banks shall have and retain a security interest in and lien on the LyP Product and all improvements to secure the performance by NewCo and any successors and assigns of its obligations under the Royalty and Security Agreement. The Royalty and Security Agreement shall be reasonably

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satisfactory to Bank of America and NewCo in form and content. The Royalty and Security Agreement shall, among other things, permit NewCo and its successors and assigns to freely sell, assign, or license its rights, title, and interest in and to the LyP Product and any improvement thereto, and provide that such sale, assignment, or license of the LyP Product will not constitute an event of default thereunder so long as the purchaser, assignee, or licensee assumes the obligations of NewCo thereunder. Upon payment of the Class 3 Claim in full, the rights and interests of the Banks in the LyP Product will be released and reconveyed.

1.50. "Schedules" means the Schedules of Assets and Liabilities and the Statement of Financial Affairs Filed by Debtor pursuant to Section 521 of the Bankruptcy Code, as amended, modified, restated, or supplemented from time to time.

1.51. "Scheduled Amounts" means the Claim amounts as set forth in Debtor's Schedules.

1.52. "Secured Claim" means any Claim against Debtor held by any entity, including, without limitation, an affiliate or judgment creditor of Debtor, to the extent such Claim constitutes a secured Claim under Sections 506(a) or 1111(b) of the Bankruptcy Code. The unsecured portion, if any, of such Claim shall be treated as an Unsecured Claim.

1.53. "Series A Preferred Stock" means the Series A Preferred Stock of NewCo to be issued pursuant to this Plan as more particularly described in Section 6.3.

1.54. "Small Unsecured Claims" means Unsecured Claims that are equal to or less than $4,000 or that have been reduced to $4,000 by the election of the Creditor holding such Unsecured Claim.

1.55. "Unsecured Claim" means a Claim that is not an Administrative Claim, a Secured Claim, a Priority Tax Claim, or an Other Priority Claim.

1.56. "Unsecured Creditor" means a holder of an Allowed Unsecured Claim.

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1.57. "Utility Deposits" means deposits with utilities made by Debtor after the Petition Date pursuant to Section 366(b) of the Bankruptcy Code.

ARTICLE 2

UNCLASSIFIED CLAIMS

2.1. Administrative Expense Claims. Each holder of an Allowed Administrative Expense Claim shall be paid by Reorganized Debtor in full in Cash on the later of (a) the Effective Date; or (b) the date on which such Claim becomes Allowed, unless such holder shall agree to a different treatment of such Claim (including, without limitation, any different treatment that may be provided for in any documentation, statute, or regulation governing such Claim); provided, however, that Administrative Expense Claims representing obligations incurred in the ordinary course of business by Debtor during the Bankruptcy Case shall be paid by Debtor or Reorganized Debtor in the ordinary course of business and in accordance with any terms and conditions of the particular transaction, and any agreements relating thereto.

2.2. Priority Tax Claims. Except for the Class 7 Claim of Washington County, each holder of an Allowed Priority Tax Claim will be paid by Reorganized Debtor on or before April 10, 2013 the full amount of its Claim as Allowed by 11 U.S.C. § 1129(a)(9)(C) and (D) with interest at the statutory non-default rate or, if no such rate exists, then interest shall accrue at the rate of prime plus 1% per annum fixed as of the Effective Date.

2.3. Bankruptcy Fees. Fees payable by Debtor under 28 U.S.C. § 1930, or to the Clerk of the Bankruptcy Court, will be paid in full in Cash on the Effective Date. After confirmation, Reorganized Debtor shall continue to pay quarterly fees of the Office of the United States Trustee and to file quarterly reports with the Office of the United States Trustee until this case is closed by the Court, dismissed, or converted except as otherwise ordered by the Court. This requirement is subject to any amendments to 28

U.S.C. § 1930(a)(6) that Congress makes retroactively applicable to confirmed Chapter 11 cases. After Confirmation, Reorganized Debtor shall file with the Court a monthly financial report for each month, or portion thereof, that the Bankruptcy Case remains open. The monthly financial report shall include a statement of all disbursements made during the course of the month, whether or not pursuant to the Plan.

ARTICLE 3

CLASSIFICATION

For purposes of this Plan, Claims (except those treated under Article 2) are classified as provided below. A Claim is classified in a particular Class only to the extent such Claim qualifies within the description of such Class, and is classified in a different Class to the extent such Claim qualifies within the description of such different Class.

3.1. Class 1 (Other Priority Claims). Class 1 consists of all Allowed Other Priority Claims.

3.2. Class 2 (Employee Benefit Claims). Class 2 consists of all Employee Benefit Claims.

3.3. Class 3 (Bank of America, as Administrative Agent). Class 3 consists of the Allowed Secured Claim of Bank of America, Bank of the West, and Silicon Valley Bank wherein Bank of America is the administrative agent, letter of credit issuer, and swing line lender.

3.4. Class 4 (General Unsecured Claims). Class 4 consists of all Allowed General Unsecured Claims.

3.5. Class 5 (Small Unsecured Claims). Class 5 consists of all Allowed Small Unsecured Claims.

3.6. Class 6 (Equity Security Holders). Class 6 consists of the Claims and interests of Equity Security Holders based on their Equity Security.

3.7. Class 7 (Washington County Secured Claim). Class 7 consists of the Allowed Secured Claim of Washington County.

ARTICLE 4

TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS

4.1. Class 1 (Other Priority Claims). Class 1 is unimpaired. Each holder of an Allowed Class 1 Claim will be paid in full in Cash by Reorganized Debtor the amount of its Allowed Class 1 Claim on the latter of (a) the Effective Date; or (b) the date on which such Claim becomes allowed, unless such holder shall agree or has agreed to a different treatment of such Claim (including any different treatment that may be provided for in any documentation, agreement, contract, statute, law, or regulation creating and governing such Claim).

4.2. Class 2 (Employee Benefit Claims). Class 2 is unimpaired. The legal, equitable and contractual rights of each holder of a Class 2 Claim will not be impaired or altered by this Plan. Each holder of a Class 2 Claim will have and retain each and all of its legal, equitable and contractual rights relating to such Claim. Reorganized Debtor will pay and perform each and all of its obligations to each holder of a Class 2 Claim relating to such Class 2 Claim as and when due; provided, however, that the rights of the holders of Class 2 Claims will be subject to modification or termination as provided by the terms of any applicable plan, fund, agreement, contract, or program.

4.3. Class 3 (Bank of America, as Administrative Agent). Class 3 is impaired. The Class 3 Claim includes the Claims of three different lenders: Bank of America, Bank of the West, and Silicon Valley Bank pursuant to a Credit Agreement wherein Bank of America is the administrative agent, letter of credit issuer, and swing line lender. The Class 3 Secured Claim shall be Allowed in the amount of $22,720,035.37 less any payments received during the period between the Petition Date and the Effective Date. The Class 3 Secured Claim shall be paid and satisfied from (a) proceeds of the Deferred

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Bard Payment; (b) net proceeds from the sale or disposition by Reorganized Debtor of its assets or business after satisfaction of the Allowed Class 7 Washington County Secured Claim from the proceeds of the sale of Reorganized Debtor's equipment and the payment of Reorganized Debtor's operating expenses, expenses of sale, and compensation owing to the Plan Agent; (c) net proceeds from the sale of the common stock of Reorganized Debtor after payment of the expenses of sale and compensation owing to the Plan Agent; and (d) payments by NewCo pursuant to the Royalty and Security Agreement. Payment of the Allowed Class 3 Secured Claim shall be secured by a security interest in (a) Reorganized Debtor's assets with the same priority that secured the Allowed Class 3 Secured Claim on the Petition Date and all proceeds thereof; (b) the Deferred Bard Payment; (c) the LyP Product as provided in the Royalty and Security Agreement; and (d) the Common Stock of Reorganized Debtor issued to Plan Agent pursuant to Section 6.1.3.1 of this Plan. On the Effective Date, Reorganized Debtor shall execute and deliver to the Bank of America, as administrative agent for the holders of the Class 3 Claim, such loan and security documents as may reasonably be requested by Bank of America. The holders of the Class 3 Claim shall not have Class 4 or Class 5 Unsecured Claims.

4.4. Class 4 (General Unsecured Claims). Class 4 is impaired. Holders of Class 4 Claims will receive one share of Common Stock in NewCo in exchange for each $50 of their Class 4 Claim. Fractional shares will not be issued. In addition, holders of Class 4 Claims will have the right at any time until 60 days after the Effective Date to subscribe to purchase Series A Preferred Stock as provided in Section 6.3 of this Plan.

4.5. Class 5 (Small Unsecured Claims). Class 5 is impaired. Each holder of a Class 5 Claim will paid by the Reorganized Debtor in cash in an amount equal to 25% of its Allowed Claim on or before 60 days after the Effective Date or the date its Claim becomes an Allowed Claim, whichever is later. General Unsecured Creditors may elect

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to reduce their Allowed Claims in order to be treated as a Class 5 Claimant provided the election is made at the time ballots are due for voting on the Plan or such later date permitted at the sole discretion of Reorganized Debtor.

4.6. Class 6 (Equity Security Holders). Class 6 is impaired. Equity Security Holders will have the right, at any time until 60 days after the Effective Date, to subscribe to purchase Series A Preferred Stock in NewCo as provided in Section 6.3 of this Plan.

4.7. Class 7 (Washington County Secured Claim). Class 7 is impaired. Washington County has a prepetition and administrative Secured Claim for personal property taxes in the approximate amount of $450,000. The Class 7 Claim is Washington County's prepetition secured claim. Following the Effective Date, Reorganized Debtor will commence the process of selling its equipment and pay the net proceeds to Washington County until the Washington County Secured Claim, if any, is paid in full, including interest as provided in Oregon law.

ARTICLE 5

DISPUTED CLAIMS; OBJECTIONS TO CLAIMS; SETTLEMENT

5.1. Disputed Claims; Objections to Claims. Only Claims that are Allowed shall be entitled to distributions under the Plan. Except as otherwise provided in Section 5.2 below, Debtor, Reorganized Debtor, and NewCo reserve the right to contest and object to any Claims and previously Scheduled Amounts, including, without limitation, those Claims and Scheduled Amounts that are specifically referenced herein, are not listed in the Schedules, are listed therein as disputed, contingent and/or unliquidated in amount, or are listed therein at a different amount than Debtor, Reorganized Debtor, or NewCo currently believe is validly due and owing. Unless otherwise ordered by the Bankruptcy Court, all objections to Claims and Scheduled Amounts (other than Administrative Expense Claims) shall be Filed and served upon

counsel for Debtor and the holder of the Claim objected to on or before the later of (a) 45 days after the Effective Date or (b) 60 days after the date (if any) on which a Proof of Claim is Filed in respect of a Rejection Claim or Deficiency Claim. The last day for filing objections to Administrative Expense Claims shall be set pursuant to a further order of the Bankruptcy Court. All Disputed Claims shall be resolved by the Bankruptcy Court, except to the extent that (a) Debtor may otherwise elect consistent with the Plan and the Bankruptcy Code or (b) the Bankruptcy Court may otherwise order.

5.2. Marine Polymer Technologies, Inc. ("MPT"). Debtor (prior to the Effective Date) or NewCo (after the Effective Date) may dispute or object to the Claim of MPT represented by the judgment entered in the United States Court of Appeals for the Federal Circuit ("CAFC") on March 15, 2012 (the "Judgment") by notifying the CAFC that any stay is no longer applicable and prosecuting its petition for rehearing filed on April 16, 2012 (the "Petition"), or by filing a writ of certiorari to the United States Supreme Court (together with the Petition, the "Appeal"). In either case, any Appeal must be filed within 30 days of the Effective Date. The claim of MPT shall be deemed Allowed in the event that (a) the appeal is not filed by Debtor before the Effective Date or by NewCo within 30 days of the Effective Date; (b) the Petition or writ of certiorari is denied; or (c) the Judgment is affirmed or otherwise is unaltered by the Appeal. The Circuit Court or the United States Supreme Court, as applicable, shall have exclusive jurisdiction to resolve any Appeal. The Bankruptcy Court shall have jurisdiction to determine the extent of Allowance of the claim of MPT under the Plan after any Appeal is resolved in the event of any ambiguity or dispute.

5.3. Subsequent Allowance of Disputed Claims. The holder of a Disputed Claim that becomes Allowed in full or in part subsequent to the Effective Date shall receive the distributions they would have received after the Effective Date had the Claim been Allowed at that time. Until a Disputed Claim is Allowed or disallowed,

Reorganized Debtor shall hold any distribution that would have been due to the holder in respect of such Disputed Claim.

5.4. De Minimis Post-Effective Date Payments. If a Cash payment to be made to a holder of an Allowed Claim after the Effective Date, other than to the holder of a Small Unsecured Claim, would be $20 or less in the aggregate, no such payment will be made to the holder of such Claim, unless and until the aggregate distribution on account of such Claim would be at least $20 at a subsequent distribution date.

5.5. Cardinal Health 200, LLC and Cardinal Health Canada (together "Cardinal") Settlement and Mutual Release. As set forth in Section VI.A.5. of the Disclosure Statement, Debtor believes that it has certain claims against Cardinal Health 200, LLC which Cardinal disputes. Cardinal Health 200, LLC filed a Proof of Claim asserting an Unsecured Claim in the amount of $1,211,031.09. Debtor disputes the Cardinal Health 200, LLC Proof of Claim. Debtor has rejected its Distribution Agreement with Cardinal Health Canada and Cardinal Health Canada may have a Rejection Claim. Debtor is not aware of any claims it may have against Cardinal Health Canada. For valuable consideration, Cardinal and Debtor have agreed, and as of the Effective Date, Cardinal and Debtor hereby each release and forever discharge the other of and from any and all claims, causes of action, damages, and debts of every kind and nature, whether known or unknown, matured or unmatured, contingent or non-contingent, that either has or may have as of the Effective Date against the other.

ARTICLE 6

MEANS FOR EXECUTION OF PLAN

6.1. Reorganized Debtor

6.1.1. On the Effective Date, Reorganized Debtor shall assign and transfer to NewCo all of Debtor's rights and interests in and to the LyP Product, free and clear of all

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claims, liens, encumbrances, charges, and other interests except (a) the rights and interests of Banks set forth in the Royalty and Security Agreement; and (b) the Government Use License.

6.1.2. Reorganized Debtor may, with the consent of the Bank of America, as agent for the Banks, and as authorized in the Confirmation Order (a) issue and sell 100% of its common stock, or (b) sell or assign its assets free and clear of all claims, liens, interests, and encumbrances. In either event, the net proceeds of such sale will be impressed with the liens of holders of Class 3 and Class 7 Secured Claims to the extent and with the priority such liens had as of the Effective Date and will be disbursed pursuant to the terms of the Plan or the Confirmation Order. In such event, and if provided in the Confirmation Order, the provisions of Sections 6.1.3 and 6.1.4 may have no force or effect and Reorganized Debtor may be authorized through its present management to close such sales, disburse the proceeds thereof pursuant to the Plan and the Confirmation Order, and dissolve Reorganized Debtor pursuant to Section 6.1.5.

6.1.3. Unless the Confirmation Order provides otherwise pursuant to Section 6.1.2 of this Plan:

6.1.3.1. On the Effective Date, all Equity Securities will be deemed cancelled and 100 newly issued shares of common stock in Reorganized Debtor shall be issued to the Plan Agent as agent for the holders of the Class 3 Claims.

6.1.3.2. The board of directors of Reorganized Debtor shall be David Brown and Kevin Padrick. Unless they resign or are incapacitated, they shall serve as directors so long as the Plan Agent continues in such capacity pursuant to Section 6.1.4.4 of this Plan.

6.1.4. Unless the Confirmation Order provides otherwise, pursuant to Section 6.1.2 of this Plan, from and after the Effective Date, Reorganized Debtor shall be managed by the Plan Agent.

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6.1.4.1. The Plan Agent shall use its best efforts to cause Reorganized Debtor to fulfill its duties and obligations under the Plan and to complete all distributions required by the Plan, including periodic payments of excess cash to the Class 3 Creditors and payment in full of the Allowed Class 3 Secured Claim on or before the third anniversary of the Effective Date. The Plan Agent shall have broad and exclusive power to manage Reorganized Debtor, including the right to hire and fire officers and employees; sell, transfer, or license assets; borrow money; incur debt; enter into joint ventures or partnerships; merge Reorganized Debtor; sell the stock of Reorganized Debtor; issue or cause the issuance of preferred or other classes of stock; and acquire, purchase, or lease properties or facilities. The Plan Agent shall have power, authority, and responsibility to take any and all such actions as the Plan Agent, in its good faith discretion, deems necessary or appropriate to cause Reorganized Debtor to fulfill its duties and obligations under the Plan. Any sale, license, transfer, or other disposition of assets or stock shall be free and clear of all liens, interests, and encumbrances except as set forth in this Plan or the Confirmation Order.

6.1.4.2. The Plan Agent is authorized to engage and pay professionals, including attorneys, accountants, and others, to assist Reorganized Debtor in fulfilling its obligations. Such professionals may include, but are not limited to, any professionals that were engaged by Debtor at any time prior to the Effective Date, and may include Reorganized Debtor's current officers and shareholders. Without limiting the foregoing, Plan Agent may engage, retain, or employ any of Debtor's officers, shareholders, or employees to manage or assist in managing the operations of Reorganized Debtor or in any other capacity deemed appropriate by Plan Agent.

6.1.4.3. Reorganized Debtor shall compensate the Plan Agent on terms acceptable to Plan Agent and the Bank of America, as agent for holders of the Class 3 Claim.

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6.1.4.4. The Plan Agent shall continue in such capacity until the first to occur of (a) the assets of Reorganized Debtor have been sold and the proceeds disbursed; (b) 100% of the equity stock of Reorganized Debtor has been sold or Reorganized Debtor has been merged and the proceeds disbursed; or (c) Reorganized Debtor and its estate are subject to a case under Chapter 7 of the Bankruptcy Code.

6.1.4.5. The Plan Agent shall have authority to initiate and pursue any claims or causes of action, including any claims or causes of action arising under Chapter 5 of the Bankruptcy Code.

6.1.5. Upon the sale of all assets of Reorganized Debtor and the disbursement of the proceeds, Reorganized Debtor shall be deemed dissolved under applicable law without the need for any corporate or other actions, consents, or approvals other than filing Articles of Dissolution with the Oregon Secretary of State. In addition, Plan Agent or Reorganized Debtor may, without the need for any further actions, consents, or approvals, dispose of or destroy any and all records maintained by Reorganized Debtor.

6.2. NewCo. On or before the Effective Date, NewCo shall be formed. On the Effective Date, one share of Common Stock will be issued to holders of Allowed Class 4 Claims in exchange for each $50 of each holder's Allowed Class 4 Claim. If the Allowed amount of a Class 4 Claim is not determined or is subject to dispute, then the Common Stock will be issued to the holder of that Claim when the Claim is Allowed. Sufficient treasury stock will be authorized and retained to allow for issuance to Class 4 claimants when their Claim is Allowed. An additional 700,000 shares of Common Stock will be reserved for issuance as stock options, restricted stock, or other stock-based grants to be granted to consultants, employees and directors for services rendered after the Effective Date; provided, however, that the initial board of directors of NewCo shall not have authority to issue or grant options to acquire any such reserved shares.

6.3. Series A Preferred Stock. On and after the Effective Date, NewCo will offer for sale up to 4,000,000 shares of Series A Preferred Stock to investors, including holders of Class 4 Claims and Equity Security Holders. The offering of Series A Preferred Stock will be subject to the following:

• Investors:	Series A Preferred Stock will be issued to accredited investors only.
• Total Offering Amount:	NewCo reserves the right, in its sole discretion, to limit the number of shares sold or to sell additional shares above the total offering amount.
• Minimum Investment:	$25,000 for Creditors and Equity Security Holders . $250,000 for other investors.
• Price Per Share:	$2.50.
• Acceptance of Commitments to Invest:	Commitments to invest will be accepted by NewCo through the 60th day following the Effective Date. In the event the offering is over-subscribed, then NewCo reserves the right, in its sole discretion, to allocate shares among investors, to sell additional shares, or both. In the event the offering is under-subscribed, NewCo may, in its sole discretion, extend the offering.
• Dividends:	Series A Preferred Stock will accrue cumulative dividends at a rate of 5% per annum (the "Series A Accruing Dividend"). Series A Accruing Dividends will be payable only when declared or as set forth below under the heading "Liquidation Preference." Dividends may not be declared or paid on Common Stock unless dividends at the same rate are declared and paid on Series A Preferred Stock.
• Liquidation Preference:	In connection with a liquidation, prior to and in preference to holders of Common Stock, but subject to payment of liquidation preferences to which future senior classes of Preferred Stock are entitled, holders of Series A Preferred Stock will be entitled to receive per-share proceeds equal to the greater of (i) an aggregate amount equal to the original issue price per share of Series A Preferred Stock (the "Series A Original Issue Price"), plus all Series A Accruing Dividends (the "Series A Liquidation Amount") or (ii) the amount that holders of Series A Preferred Stock would have received had they converted Series A Preferred Stock into Common Stock immediately prior to Liquidation. In connection with Liquidation pursuant to which holders of Series A Preferred Stock receive the amount specified in

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	clause (ii), holders of Series A Preferred Stock will not be entitled to receive Series A Accruing Dividends. Any merger, stock sale, or sale of assets in which control of NewCo is transferred will be deemed to be a Liquidation, unless otherwise agreed by holders of a majority of Series A Preferred Stock (the "Series A Requisite Investors").
• Conversion Rights:	Holders of Series A Preferred Stock will have the option to convert shares at any time into Common Stock. The total number of shares of Common Stock into which a share of Series A Preferred Stock may be converted initially will be determined by dividing the Series A Original Issue Price by the conversion price applicable to Series A Preferred Stock (the "Series A Conversion Price"). The Series A Conversion Price will be initially equal to the Series A Original Issue Price. The Series A Conversion Price will be subject to adjustment for any stock split, dividend or similar recapitalization with respect to Common Stock and as set forth below under "Anti-Dilution Protection."
• Anti-Dilution Protection:	The Series A Conversion Price will be subject to a weighted-average anti-dilution adjustment in the event Reorganized Debtor issues securities at a per-share price that is less than the then-current Series A Conversion Price (subject to customary exceptions).
• Automatic Conversion:	Series A Preferred Stock will be automatically converted into Common Stock at the then applicable Series A Conversion Price, upon: (i) an underwritten public offering of shares of Common Stock with gross proceeds of not less than $35,000,000 at a per-share price that is not less than three times the Series A Original Issue Price, adjusted appropriately for any stock splits, stock dividends, or the effect of any recapitalization, or (ii) the election of the Series A Requisite Investors.
• Voting Rights:	After the issuance of 500,000 shares of Series A Preferred Stock, the Series A Preferred Stock will be entitled to elect three out of five directors, voting as a separate class. While the number of shares of Series A Preferred Stock issued is less than 500,000, the Series A Preferred Stock will vote as a single class, together with holders of Common Stock, to elect the board of directors. On all other matters, including the election of the remaining two directors at a time when at least 500,000 shares of Series A Preferred Stock are outstanding, Series A Preferred Stock will vote together with the Common Stock on an as-converted basis, and not as a separate class, except when required by law.
• Preemptive Right:	If NewCo proposes to offer any additional securities for cash, holders of Series A Preferred Stock will have the right

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	to purchase their respective pro rata shares of the securities (calculated based on percentage of outstanding capital stock held) at the same price and terms offered.
• Right of First Refusal:	Series A Preferred Stock will be subject to an assignable right of first refusal granted to NewCo, subject to customary exceptions for transfers to affiliates or for estate planning purposes.
• Definitive Agreement:	Sales of Series A Preferred Stock will be governed by a stock purchase agreement containing customary representations and warranties for an entity emerging from reorganization proceedings.

All sales of Series A Preferred Stock to any holder of a Class 3 Claim, Class 4 Claim, and to any Equity Security Holder shall be deemed made pursuant to Section 1145(a) of the Bankruptcy Code, and shall therefore be exempt from the registration requirements of Section 5 of the Securities Act of 1933 and any state or local law requiring registration for offer or sale of a security, or registration or licensing of an issuer of, or broker or dealer in, a security.

6.4. Restated Articles of Incorporation. Reorganized Debtor shall adopt Restated Articles of Incorporation and Restated Bylaws as necessary or appropriate to effectuate the terms of the Plan, and, if appropriate, shall promptly thereafter cause the Restated Articles of Incorporation to be filed with the Secretary of State of the State of Oregon. After the Effective Date, Reorganized Debtor may amend the Restated Articles of Incorporation and may amend its Bylaws in accordance with the Restated Articles of Incorporation in accordance with such Bylaws and applicable state law.

6.5. NewCo Articles of Incorporation. NewCo shall adopt Articles of Incorporation and Bylaws as necessary to effectuate the terms of the Plan and file the Articles of Incorporation with the Secretary of State of the State of Oregon. The NewCo Articles of Incorporation shall authorize the issuance of sufficient Common and Preferred Stock to carry out the purposes of the Plan. After the Effective Date, NewCo may amend

the Articles of Incorporation and may amend its Bylaws in accordance with the Articles of Incorporation in accordance with such Bylaws and applicable state law.

6.6. Setoffs. Debtor may, but shall not be required to, set off against any Claim and the distributions to be made pursuant to the Plan in respect of such Claim any claims of any nature whatsoever that Debtor may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release of any such claim Debtor may have against such holder.

6.7. Corporate Action. Upon entry of the Confirmation Order, all actions contemplated by the Plan shall be authorized and approved in all respects (subject to the provisions of the Plan), including, without limitation, the following: (a) the adoption and filing with the Secretary of State of the State of Oregon of the Restated Articles of Incorporation, and (b) the execution, delivery, and performance of all documents and agreements relating to the Plan and any of the foregoing. On the Effective Date, the appropriate officers of Reorganized Debtor and NewCo are authorized and directed to execute and deliver the agreements, documents, and instruments contemplated by the Plan and the Disclosure Statement in the name of and on behalf of Reorganized Debtor or NewCo.

6.8. Initial NewCo Board of Directors and Management. The initial Board of Directors of NewCo shall be William D. Wiesmann, M.D., Kenton W. Gregory, M.D., and Andrew W. Miller. A new board of directors composed of five members will be elected within 60 days following the Effective Date. The new board of directors will be elected by holders of Common Stock and, if applicable, the holders of Series A Preferred Stock. The initial board shall serve until such time as the new board of directors is elected. The initial board will not issue any stock options or stock grants to consultants, employees, directors, or other persons prior to the election of the new board. The initial president of NewCo will be Barry Starkman. Mr. Starkman will serve as president until

the new board of directors is elected. Thereafter, the new board of directors shall select and determine the terms of employment of the officers of NewCo.

6.9. Utility Deposit. All utilities holding a Utility Deposit shall immediately after the Effective Date return or refund such Utility Deposit to Reorganized Debtor. At the sole option of Reorganized Debtor, Reorganized Debtor may apply any Utility Deposit that has not been refunded to Reorganized Debtor in satisfaction of any payments due or to become due from Reorganized Debtor to a utility holding such a Utility Deposit.

6.10. Event of Default; Remedy. Any material failure by Reorganized Debtor to perform any term of this Plan, which failure continues for a period of 10 Business Days following receipt by Reorganized Debtor of written notice of such default from the holder of an Allowed Claim to whom performance is due, shall constitute an event of Default. Upon the occurrence of an Event of Default, the holder of an Allowed Claim to whom performance is due shall have all rights and remedies granted by law, this Plan, or any agreement between the holder of such Claim and Debtor or Reorganized Debtor. An Event of Default with respect to one Claim shall not be an Event of Default with respect to any other Claim.

6.11. Cooperative Agreement. Unless previously terminated by Order of the Bankruptcy Court or otherwise agreed between the parties, Cooperative Agreement No. W81XWH-08-2-0078 (the "CA") between Debtor and United States Army Medical Research and Acquisition Activities shall be terminated as of the Effective Date. The termination of the CA will not alter or affect any rights of the United States (a) to any equipment that is owned by it and in the possession of Reorganized Debtor; or (b) under the Government Use License or the Proof of Claim filed as Claim 56 in this Bankruptcy Case. Further, the termination of the CA will not alter or affect any claims, counterclaims, or defenses of Debtor, Reorganized Debtor, or NewCo. Reorganized

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Debtor and NewCo have and retain the right to object to Claim 56 and assert any claims, crossclaims, and counterclaims. Neither Reorganized Debtor nor NewCo will have any obligation to assemble or deliver any equipment owned by the United States. The equipment will be available to the United States to pick up during normal business hours after receipt by Reorganized Debtor of reasonable prior written notice.

6.12. Conditions Precedent to Effectiveness of Plan. Unless waived by Debtor, the following conditions must occur and be satisfied for the Plan to become effective, and are conditions precedent to the Effective Date:

(a) The Bankruptcy Court shall have entered the Confirmation Order, in form and substance reasonably satisfactory to Debtor, which shall, among other things, provide that any and all executory contracts and unexpired leases assumed pursuant to the Plan shall remain in full force and effect for the benefit of Reorganized Debtor or NewCo notwithstanding any provision in any such contract or lease or in applicable law (including those described in Sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts, or conditions such transfer or that enables or requires termination or modification of such contract or lease; and

(b) All documents, instruments, and agreements, each in form and substance satisfactory to Reorganized Debtor and NewCo, provided for or necessary to implement this Plan shall have been executed and delivered by the parties thereto, unless such execution or delivery has been waived by the party to be benefitted thereby.

ARTICLE 7

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

7.1. Assumption and Rejection. Except as may otherwise be provided, all executory contracts of Debtor that are not otherwise subject to a prior Bankruptcy Court order or pending motion before the Bankruptcy Court will ride through this Bankruptcy Case and be enforceable by the parties thereto in accordance with their terms; provided

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that no provision relating to default by reason of insolvency or the filing of the Bankruptcy Case shall be enforceable against Reorganized Debtor or its successors or assigns. The Confirmation Order shall constitute an order authorizing the assumption and assignment of all executory contracts that are subject to a pending motion to assume or a pending motion to assume and assign. Reorganized Debtor shall promptly pay all amounts required under Section 365 of the Bankruptcy Code to cure any defaults for executory contracts and unexpired leases being assumed and shall perform its obligations from and after the Effective Date in the ordinary course of business.

7.2. Assignment. Except as may be otherwise provided in this Plan, the Confirmation Order, or other Order of the Bankruptcy Court, all executory contracts shall be deemed assigned to Reorganized Debtor as of the Effective Date or, with respect to executory contracts that are included within or are a part of the LyP Product, to NewCo. The Confirmation Order shall constitute an order authorizing such assignment of assumed executory contracts, and no further assignment documentation shall be necessary to effectuate such assignment.

7.3. Rejection Claims. Rejection Claims must be Filed no later than 30 days after the entry of the order rejecting the executory contract or unexpired lease or 30 days after the entry of the Confirmation Order, whichever is sooner. Any such Rejection Claim not Filed within such time shall be forever barred from asserting such Claim against Debtor, Reorganized Debtor, NewCo, their property, estate, and any guarantors of such obligations. Each Rejection Claim resulting from such rejection shall constitute a Small or General Unsecured Claim, as applicable.

ARTICLE 8

EFFECT OF CONFIRMATION

8.1. Debtor's Injunction. The effect of confirmation shall be as set forth in Section 1141 of the Bankruptcy Code. Except as otherwise provided in the Plan or in the

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Confirmation Order, confirmation of the Plan shall act as a permanent injunction applicable to entities against (a) the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against Debtor, Reorganized Debtor, or NewCo that was or could have been commenced before the entry of the Confirmation Order; (b) the enforcement against Reorganized Debtor, NewCo, or their assets of a judgment obtained before the Petition Date; and (c) any act to obtain possession of or to exercise control over, or to create, perfect, or enforce a lien upon, all or any part of the assets of Reorganized Debtor or NewCo.

ARTICLE 9

RETENTION OF JURISDICTION

9.1. Notwithstanding the entry of the Confirmation Order, the Bankruptcy Court shall retain jurisdiction of this Chapter 11 Case pursuant to and for the purposes set forth in Section 1127(b) of the Bankruptcy Code to:

(a) classify the Claim or interest of any Creditor or stockholder, reexamine Claims or Interests that have been owed for voting purposes, and determine any objections that may be Filed to Claims or Interests;

(b) determine requests for payment of Claims entitled to priority under Section 507(a) of the Bankruptcy Code, including compensation and reimbursement of expenses in favor of professionals employed at the expense of the bankruptcy estate;

(c) avoid transfers or obligations to subordinate Claims under Chapter 5 of the Bankruptcy Code;

(d) approve the assumption, assignment, or rejection of an executory contract or an unexpired lease pursuant to this Plan;

(e) resolve controversies and disputes regarding the interpretation of this Plan;

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(f) implement the provisions of this Plan and enter orders in aid of confirmation;

(g) determine the validity, priority or extent of any Claim or Claim of lien;

(h) adjudicate adversary proceedings and contested matters pending or hereafter commenced in this Bankruptcy Case;

(i) order and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

(j) hear and determine any applications to modify the Plan, to cure any defect or omission, or to reconcile any inconsistency in the Plan or related documents or in any order of the Bankruptcy Court, including the Confirmation Order;

(k) ensure that distributions to holders of Allowed Claims are accomplished as provided herein;

(l) hear and determine any other matters related hereto and not inconsistent with Chapter 11 of the Bankruptcy Code; and

(m) enter a final decree closing this Bankruptcy Case.

ARTICLE 10

ADMINISTRATIVE PROVISIONS

10.1. Modification or Withdrawal of the Plan. Debtor may alter, amend, or modify the Plan pursuant to Section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 at any time prior to the time the Bankruptcy Court has signed the Confirmation Order. After such time, and prior to the substantial consummation of the Plan, Reorganized Debtor may, so long as the treatment of holders of Claims and Interests under the Plan is not adversely affected, institute proceedings in Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement, or the Confirmation Order, and any other matters as may be

necessary to carry out the purposes and effects of the Plan; provided, however, that prior notice of such proceedings shall be served in accordance with Bankruptcy Rule 2002.

10.2. Revocation or Withdrawal of Plan

10.2.1. Right to Revoke. Debtor reserves the right to revoke or withdraw the Plan at any time prior to the Effective Date.

10.2.2. Effect of Withdrawal or Revocation. If Debtor revokes or withdraws the Plan prior to the Effective Date, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any claims by or against Debtor or any other Entity, or to prejudice in any manner the rights of Debtor or any Entity in any further proceeding involving Debtor.

10.3. Nonconsensual Confirmation. Debtor shall request that the Bankruptcy Court confirm the Plan pursuant to Section 1129(b) of the Bankruptcy Code if the requirements of all provisions of Section 1129(a) of the Bankruptcy Code, except Subsection 1129(a)(8), are met.

ARTICLE 11

MISCELLANEOUS PROVISIONS

11.1. Vesting. All LyP Product transferred to NewCo shall be vested in NewCo free and clear of all claims, liens, encumbrances, charges, and other interests of Creditors or Equity Security Holders arising on or before the Effective Date, except as otherwise provided herein, and NewCo may operate free of any restrictions imposed by the Bankruptcy Code or the Bankruptcy Court.

11.2. Revesting. Except as otherwise expressly provided herein, on the Effective Date all remaining property and assets of the estate of Debtor shall revest in Reorganized Debtor free and clear of all claims, liens, encumbrances, charges, and other interests of Creditors arising on or before the Effective Date, and Reorganized Debtor

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may operate, from and after the Effective Date, free of any restrictions imposed by the Bankruptcy Code or the Bankruptcy Court.

11.3. Cancellation of Documents Evidencing Unsecured Claims. As of the Effective Date (subject to resolution of any objection to the Claim if a Disputed Claim), any note, agreement, instrument, judgment, or other document evidencing an Unsecured Claim in any Class shall be deemed cancelled, null, and void, except for the right, if any, to receive distributions under this Plan; provided, however, that nothing herein shall affect the liability of any entity other than Debtor on, or the property of any entity other than Debtor for, such Claim. Further, nothing in this Plan shall be deemed to abridge the right of a Creditor to seek from another entity the full amount of compensation for a liability underlying a Claim made against Debtor, and for which another entity is potentially liable. In particular, Marine Polymer Technologies, Inc., which is a Creditor by virtue of a judgment entered against Debtor for infringing U.S. Pat. No. 6.864,245 in Civil No. 06-cv-100-JD, may seek the full scope of damages for infringement of the same patent against any other infringer.

11.4. Rights of Action. Except as otherwise expressly provided herein, any claims, rights, interests, causes of action, defenses, counterclaims, crossclaims, third-party claims, or rights of offset, recoupment, subrogation, or subordination, including, without limitation, claims under Section 550(a) of the Bankruptcy Code or any of the sections referenced therein (including, without limitation, any and all Avoidance Actions) accruing to Debtor shall remain assets of Reorganized Debtor. Reorganized Debtor, through the Plan Agent, may pursue such rights of action, as appropriate, in accordance with its best interests and for its benefit.

11.5. Governing Law. Except to the extent the Bankruptcy Code, the Bankruptcy Rules, or other federal laws as applicable, the laws of the State of Oregon

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shall govern the construction and implementation of the Plan, and all rights and obligations arising under the Plan.

11.6. Withholding and Reporting Requirements. In connection with the Plan and all instruments issued in connection therewith and distributions thereon, Debtor, Reorganized Debtor, and NewCo shall comply with all withholding, reporting, certification, and information requirements imposed by any federal, state, local, or foreign taxing authorities and all distributions hereunder shall, to the extent applicable, be subject to any such withholding, reporting, certification, and information requirements. Entities entitled to receive distributions hereunder shall, as a condition to receiving such distributions, provide such information and take such steps as Reorganized Debtor or NewCo may reasonably require to ensure compliance with such withholding and reporting requirements, and to enable Reorganized Debtor and NewCo to obtain the certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law.

11.7. Time. Unless otherwise specified herein, in computing any period of time prescribed or allowed by the Plan, the day of the act or event from which the designated period begins to run shall not be included. The last day of the period so computed shall be included, unless it is not a Business Day, in which event the period runs until the end of the next succeeding day that is a Business Day.

11.8. Section 1146(c) Exemption. Pursuant to Section 1146(c) of the Bankruptcy Code, the issuance, transfer, or exchange of any security under the Plan, or the execution, delivery, or recording of an instrument of transfer pursuant to, in implementation of, or as contemplated by the Plan, or the revesting, transfer, or sale of any real property of Debtor, Reorganized Debtor, or NewCo pursuant to, in implementation of, or as contemplated by the Plan, shall not be taxed under any state or local law imposing a stamp tax, transfer tax, or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any city, county or governmental

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unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument without requiring the payment of any documentary stamp tax, deed stamps, transfer tax, intangible tax, or similar tax.

11.9. Severability. In the event any provision of the Plan is determined to be unenforceable, such determination shall not limit or affect the enforceability and operative effect of any other provisions of the Plan. To the extent any provision of the Plan would, by its inclusion in the Plan, prevent or preclude the Bankruptcy Court from entering the Confirmation Order, the Bankruptcy Court, on the request of Debtor, may modify or amend such provision, in whole or in part, as necessary to cure any defect or remove any impediment to the confirmation of the Plan existing by reason of such provision.

11.10. Binding Effect. The provisions of the Plan shall bind Debtor, Reorganized Debtor, NewCo and all Creditors and Equity Security Holders, and their respective successors, heirs, and assigns.

11.11. Retiree Benefits. On or after the Effective Date, to the extent required by Section 1129(a)(13) of the Bankruptcy Code, Reorganized Debtor shall continue to pay all retiree benefits (if any) as that term is defined in Section 1114 of the Bankruptcy Code, maintained or established by Debtor prior to the Effective Date, without prejudice to Reorganized Debtor's rights under applicable non-bankruptcy law to modify, amend or terminate the foregoing arrangements.

11.12. Recordable Order. The Confirmation Order shall be deemed to be in recordable form, and shall be accepted by any recording officer for filing and recording purposes without further or additional orders, certifications or other supporting documents.

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11.13. Plan Controls. In the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Disclosure Statement, or any other instrument or agreement contemplated to be executed pursuant to the Plan, the provisions of the Plan shall control and take precedence.

11.14. Effectuating Documents and Further Transactions. Debtor, Reorganized Debtor, and NewCo shall execute, deliver, file, or record such contracts, instruments, assignments, and other agreements or documents, and take or direct such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of this Plan, including the delivery, as appropriate, of IRS Forms 1099 to General Unsecured Creditors.

11.15. Timing of Actions. Notwithstanding anything to the contrary herein, any action required by the Plan to be taken on the Effective Date shall be made or taken on the Effective Date or as soon as practical thereafter, but in any event within 20 days of the Effective Date.

DATED this 12th day of March, 2013.

HEMCON MEDICAL TECHNOLOGIES, INC.

By */s/ Barry Starkman*
Barry Starkman, CEO

Presented by:

TONKON TORP LLP

By */s/ Albert N. Kennedy*
Albert N. Kennedy, OSB No. 821429
Timothy J. Conway, OSB No. 851752
Of Attorneys for Debtor

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CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing **DEBTOR'S THIRD AMENDED DISCLOSURE STATEMENT (DATED MARCH 12, 2013)** on the parties indicated as "ECF" on the attached List of Interested Parties by electronic means through the Court's Case Management/Electronic Case File system on the date set forth below.

In addition, I served the foregoing on the parties indicated as "Non-ECF" on the attached List of Interested Parties by mailing a copy thereof in a sealed, first-class postage prepaid envelope, addressed to each party's last-known address and depositing in the United States mail at Portland, Oregon on the date set forth below.

DATED this 12th day of March, 2013.

TONKON TORP LLP

By */s/ Albert N. Kennedy*
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Timothy J. Conway, OSB No. 851752
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LIST OF INTERESTED PARTIES

In re HemCon Medical Technologies, Inc.
U.S. Bankruptcy Court Case No. 12-32652-elp11

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