

Below is an Order of the Court.


ELIZABETH PERRIS
U.S. Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
DISTRICT OF OREGON

In re
HemCon Medical Technologies, Inc.,
Debtor.

Case No. 12-32652-elp11

**ORDER CONFIRMING DEBTOR'S
FIFTH AMENDED PLAN OF
REORGANIZATION (APRIL 26, 2013)**

Debtor's Fourth Amended Plan of Reorganization (March 19, 2013) as amended by Debtor's Fifth Amended Plan of Reorganization (April 26, 2013) (the "Plan") [Dkt. #413] came on for hearing on April 29, 2013. Objections were filed by Providence Health Services-Oregon, Biomedical Research Services, Inc., CH Realty III/Portland Industrial, LLC, Total Resources International, Inc., and the United States of America. Each of the objections have been withdrawn or are overruled. The Court has heard and considered the evidence introduced at the hearing, the arguments of counsel, and the records in this case; now, therefore,

IT HEREBY FINDS AND CONCLUDES that:

A. This Court has jurisdiction over this case pursuant to 28 U.S.C. §§ 157 and 1334. Confirmation of the Plan is a core proceeding under 28 U.S.C. § 157(b)(2). Venue is properly before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. Notice of the confirmation hearing was provided to creditors and other parties in interest pursuant to Bankruptcy Rules 2002, 3017 and 3020, and such notice was reasonable, adequate, and sufficient in all respects.

C. The disclosure statement and ballots were transmitted and served in compliance with the Bankruptcy Code and the Bankruptcy Rules. Votes for acceptance of the Plan were solicited in good faith and in compliance with Sections 1125 and 1126 of the Bankruptcy Code and Rules 3017 and 3018 of the Bankruptcy Code.

D. The Plan complies with the applicable provisions of the Bankruptcy Code and satisfies Section 1129(a)(1) of the Bankruptcy Code. The Plan complies with the classification and other requirements of 11 U.S.C. §§ 1122 and 1123.

E. Debtor has complied with all applicable provisions of the Bankruptcy Code, Bankruptcy Rules, and Local Bankruptcy Rules, and has satisfied Section 1129(a)(2) of the Bankruptcy Code.

F. The Plan was proposed in good faith and not by any means forbidden by law, and Section 1129(a)(3) of the Bankruptcy Code has been satisfied.

G. Any payments made or to be made by Debtor, or by any person issuing securities or acquiring property under the Plan, for services or costs and expenses in, or in connection with, this Case, or in connection with the Plan and incident to this Case, have been approved by, or are subject to the approval of the Court as reasonable. Therefore, Section 1129(a)(4) has been satisfied.

H. Debtor has disclosed the identity and affiliation of any individual proposed to serve, after confirmation of the Plan, as a director or officer of Debtor, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity security holders and with public policy. Debtor has disclosed the identity of any insider that will be employed or retained by Reorganized Debtor and the nature of any compensation for such insider. Therefore, Section 1129(a)(5) has been satisfied.

I. No governmental regulatory commission has jurisdiction over the rates of Debtor, and Section 1129(a)(6) is not applicable.

J. Section 1129(a)(7) has been satisfied because each holder of a Claim in an impaired class of claims has accepted the Plan or will receive or retain under the Plan on account of such Claim property of a value as of the Effective Date of the Plan that is not less than the amount such holder would receive or retain if Debtor was liquidated under Chapter 7.

K. Section 1129(a)(8) has been satisfied because all impaired classes accepted the Plan.

L. Section 1129(a)(9) is satisfied because the Plan provides for payment in full of all priority claims in a manner and within the timeframes specified by Section 1129(a)(9)(C) and (D) of the Bankruptcy Code.

M. At least one class of impaired claims has accepted the Plan and Section 1129(a)(10) is satisfied.

N. Section 1129(a)(11) is satisfied because confirmation of the Plan is not likely to be followed by the liquidation or further reorganization of Debtor.

O. All fees payable under 28 U.S.C. § 1930 have been paid or the Plan provides for the payment of all such fees on the Effective Date of the Plan. The Plan, therefore, satisfies 11 U.S.C. § 1129(a)(12).

P. Sections 1129(a)(13) – (16) do not apply to the Plan.

Q. Because all impaired classes of claims accepted the Plan, Section 1129(b) of the Bankruptcy Code does not apply to the Plan.

R. The amendments incorporated into the Plan by Debtor's Fifth Amended Plan of Reorganization (April 26, 2013) and by this Order do not adversely change the treatment of the claim of any creditor or the interest of any equity security holder who has not accepted the amendment. Therefore, the amended plan is deemed to be accepted by all creditors who have previously accepted the plan.

S. The Agreement for Purchase and Sale of Stock made as of April 18, 2013 between TriStar Wellness Solutions, Inc. or its assigns ("TriStar") and the Debtor (the "Purchase and Sale Agreement"), a copy of which is filed in this case at Docket #398, was entered into in good faith, without collusion, and from arm's length bargaining positions. Upon the closing of the sale provided for in the Purchase and Sale Agreement, TriStar will have purchased the Reorganized Debtor's stock in good faith. Now, therefore,

IT IS HEREBY ORDERED that:

1. The Plan is confirmed in all respects pursuant to 11 U.S.C. § 1129. All objections have either been withdrawn or are hereby overruled in their entirety. Capitalized terms used but not defined in this Order shall have the meaning assigned to them in the Plan. A copy of the Plan is attached hereto as Exhibit 1.

2. The Agreement for Purchase and Sale of Stock made as of April 18, 2013 among TriStar Wellness Solutions, Inc., or its assigns, and Debtor (the "Purchase and Sale Agreement"), a copy of which is filed in this case at Docket #398, is hereby amended to provide that the Purchase Price as stated in Section 2.1 is \$3,000,000. The Purchase and Sale Agreement, as amended, and each of the agreements, documents and instruments executed in connection therewith are approved in their entirety.

3. Debtor, Reorganized Debtor and Plan Agent are authorized and directed to execute any documents and take all other actions necessary or appropriate to cause all Equity Interests in Debtor to be cancelled as of the Effective Date and to issue 100 shares of common stock to TriStar in exchange for the payment of the Purchase Price of \$3,000,000.

4. The Assignment and Assumption of Executory Contracts as set forth in Debtor's Notice of Assumption and Assignment of Executory Contracts and Cure Amounts [Dkt. #374], except for the distribution agreement with Cardinal Health Canada which is hereby rejected and those executory contracts and leases that were rejected by separate Order of the Court or by operation of 11 U.S.C. § 365(d)(4), are approved; provided that, to the extent the

assumption and assignment of a given executory contract is subject to amendments agreed to between the Debtor and the counterparty, such executory contract shall be assumed and assigned as so amended. All defaults under such Assumed and Assigned Executory Contracts will be cured on the Effective Date by Reorganized Debtor. The cure amount payable to CH Realty III/Portland Industrial, LLC shall be \$8,020.14. Reorganized Debtor shall pay all cure amounts and perform its obligations only under such executory contracts and unexpired leases as are expressly assumed by Reorganized Debtor in connection with the Purchase and Sale Agreement and all executory contracts and unexpired leases that are not expressly assumed shall be deemed rejected as of the Effective Date. TriStar has provided adequate assurances of future performance in respect of the executory contracts to be assumed by Reorganized Debtor. As to the assumption and assignment approved hereby, any provisions in any assigned executory contract that restrict, prohibit or condition the assumption of such executory contract or allow any party to such executory contract to terminate, recapture or impose any penalty, condition or renewal or extension, or modify any term or condition upon the assignment of such executory contract constitute unenforceable anti-assignment provisions shall be void and of no force and effect, but as to any subsequent assignment, such provisions shall continue to be enforceable if and to the extent provided by generally applicable law. All requirements and conditions under 11 U.S.C. § 365 for the assumption by Reorganized Debtor of the assumed executory contracts have been satisfied and Reorganized Debtor shall be fully and irrevocably vested with all right, title and interest of Debtor under the assumed executory contracts as amended, if appropriate. All counterparties to the assumed executory contracts who have received full payment of all cure amounts required hereby shall be forever barred and permanently enjoined from raising or asserting against TriStar or Reorganized Debtor any assignment fee, default, breach or claim, or pecuniary loss arising under or relating to the assumed executory contracts existing as of the Effective Date.

5. Nothing in the Plan or this Order will affect the rights of the United States of America under any Government Use License, including, but not limited to any Government Use License relating to the patent rights listed in Exhibit 2, and any such Government Use License will survive the Effective Date and any assumption or assignment contemplated in the Plan.

6. The Plan is hereby amended as follows:

a. Section 3.7: Class 7 (Washington County Claim) is amended to read: "Class 7 consists of the Allowed Claim of Washington County for prepetition and post-petition property tax through the 2012-13 tax year."

b. The last sentence of Section 1.48 is amended to read: "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, Bank of America and TriStar."

c. The first sentence of Section 6.1.5 is amended to read: "The Plan Agent is authorized to engage professionals, including attorneys, accountants, and others, to assist the Plan Agent in fulfilling its obligations."

7. On or before the Effective Date, Plan Agent and Debtor shall deposit or cause to be deposited in the Client Trust Account of Tonkon Torp LLP the funds currently held by HemCon Europe pursuant to the terms of Section 1.d. of the Tenth Interim Order Authorizing Use of Cash Collateral and Granting Adequate Protection [Dkt. #339]. The funds will be held and disbursed solely in accordance with the Orders of this Court or the written instructions of the Plan Agent. The Plan Agent will disburse the funds in payment and satisfaction of Allowed Administrative Expense Claims, Priority Tax Claims, Class 2 Claims, Class 5 Claims, fees payable pursuant to 28 U.S.C. § 1930 and other expenses and fees of the Plan Agent in discharging his obligations under the Plan. Absent prior notice and hearing, the Plan Agent will not disburse funds to Nick Hart or Barry Starkman in payment of any bonus, incentive pay or

deferred compensation earned, or relating to periods prior to the Effective Date. On or before the 15th day of each month, Plan Agent shall provide Bank of America with an accounting of all expenditures during the prior month. Plan Agent will be compensated at a rate of \$250 per hour and shall render itemized monthly statements to Bank of America. Plan Agent shall be authorized to pay such statements in the event that Bank of America does not object to such statement within 10 days of the date of delivery of each itemized statement or as otherwise agreed between Bank of America and Plan Agent. After Plan Agent has fulfilled and discharged all of his obligations under the Plan, then Plan Agent shall disburse all funds remaining in the Tonkon Torp LLP Client Trust Account to Bank of America.

8. This Court shall retain jurisdiction to resolve any controversy or claim as set forth in the Plan, including, but not limited to, any controversy or claim arising out of or relating to the Purchase and Sale Agreement.

9. All claims and causes of action of Debtor or Debtor's estate, including all claims and causes of action arising from or under Chapter 5 of the Bankruptcy Code, are expressly preserved. This Confirmation Order shall not be a bar, nor have any adverse effect due to issues of standing, res judicata, or otherwise, to the Plan Agent's pursuit of such claims and causes of action.

10. Debtor, Reorganized Debtor, Plan Agent, and their agents and officers, are hereby authorized and directed to take all actions, and enter into and execute all documents, reasonably necessary or appropriate to effectuate the Plan and to consummate the transactions contemplated by the Plan or this Order.

11. Pursuant to Section 1141 of the Bankruptcy Code, except as otherwise specifically provided in the Plan or this Order, the distributions and rights provided in the Plan and this Order shall be in complete satisfaction, discharge, and release of all Claims, whether known or unknown, against Debtor that arose prior to the Effective Date.

12. Following the closing of the sale of the Reorganized Debtor's stock to TriStar pursuant to the Purchase and Sale Agreement, TriStar shall have no liability for any claim against the Debtor arising prior to the closing of the sale other than as expressly set forth in the Purchase and Sale Agreement. The transfer of the Reorganized Debtor's stock to TriStar will not subject TriStar or its affiliates, successors or assigns, or their respective properties, to any liability for claims against the Debtor or the Debtor's assets by reason of such transfer. The Reorganized Debtor's assets are free and clear of all liens, claims, interests, obligations and encumbrances except as otherwise expressly stated in the Purchase and Sale Agreement or the Plan. TriStar has assumed no liability or obligation of the Debtor except as expressly assumed. TriStar is not a successor to the Debtor. All persons who received notice of the proposed sale of Reorganized Debtor's stock to TriStar are bound by the terms stated herein and are enjoined from pursuing TriStar to recover on any claims they may have against the Debtor.

13. If there is any conflict between the Plan and this Order, the terms of this Order shall control.

14. This Order is a Final Order. There shall be no stay of this Order under Bankruptcy Rule 3020(e) and the period in which an appeal must be filed shall commence immediately upon the entry hereof in accordance with Bankruptcy Rule 3020(e).

15. To the extent any provision designated herein as a finding of fact is more properly characterized to be a conclusion of law, it shall be so deemed, and vice versa.

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16. Debtor's Motion for Valuation of Bank of America's Interests in Purchased Assets [Dkt. #294] is denied as moot.

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I certify that I have complied with the requirements of LBR 9021-1(a)(2)(A).

Presented by:

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By /s/ Albert N. Kennedy

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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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UNITED STATES BANKRUPTCY COURT

DISTRICT OF OREGON

In re

HemCon Medical Technologies, Inc.

Debtor.

Case No. 12-32652-elp11

**DEBTOR'S FIFTH AMENDED PLAN
OF REORGANIZATION (APRIL 26,
2013)**

DEBTOR'S FIFTH AMENDED PLAN OF REORGANIZATION (APRIL 26, 2013)

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

4 This Plan provides for the terms upon which HemCon will restructure and provide
5 payments to its creditors. The Plan provides for Debtor to reorganize into two entities. A
6 new company ("NewCo") will be formed to own and develop the LyP Product. The
7 remaining assets are part of the medical devices business that will be operated by a Plan
8 Agent charged with liquidating those assets and selling that business within three years. The
9 Plan provides for payment to Banks of the Allowed Amount of their Secured Claim from the
10 Deferred Bard Payments, proceeds from the sale of the medical devices business, and royalty
11 payments from NewCo pursuant to the Royalty and Security Agreement. Unsecured
12 Creditors shall exchange their Unsecured Claims for Common Stock and a right to acquire
13 Series A Preferred Stock in NewCo. Small Unsecured Creditors will receive payment of
14 25% of their Allowed Claim within 60 days after the Effective Date. Equity Security
15 Holders and other qualified investors will have the opportunity to acquire Series A Preferred
16 Stock in NewCo. The Disclosure Statement is enclosed herewith to assist you in
17 understanding this Plan and making an informed judgment concerning its terms.

18 ARTICLE 1

19 DEFINITIONS

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

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

9 1.1. "Administrative Expense Claim" means any Claim entitled to the priority
10 afforded by Sections 503(b) and 507(a)(2) of the Bankruptcy Code.

11 1.2. "Allowed" means, with respect to any Claim, proof of which has been
12 properly Filed or, if no Proof of Claim was so Filed, which was or hereafter is listed on
13 the Schedules as liquidated in amount and not disputed or contingent, and, in either case,
14 a Claim as to which no objection to the allowance thereof, or motion to estimate for
15 purposes of allowance, shall have been Filed on or before any applicable period of
16 limitation that may be fixed by the Bankruptcy Code, the Bankruptcy Rules, and/or the
17 Bankruptcy Court, or as to which any objection, or any motion to estimate for purposes
18 of allowance, shall have been so Filed, to the extent allowed by a Final Order.

19 1.3. "Allowed Secured Claim" means an Allowed Claim that is secured by a
20 lien, security interest, or other charge against or interest in property in which Debtor has
21 an interest or that is subject to setoff under Section 553 of the Bankruptcy Code, to the
22 extent of the value (as set forth in the Plan, or if no value is specified, as determined in
23 accordance with Section 506(a) of the Bankruptcy Code or, if applicable, Section 1111(b)
24 of the Bankruptcy Code) of the interest of the holder of such Claim in Debtor's interest in
25 such property or to the extent of the amount subject to setoff, as the case may be.
26

1 1.4. "Allowed Unsecured Claim" means an Allowed Claim that is not an
2 Allowed Secured Claim or an Allowed Administrative Expense Claim.

3 1.5. "Avoidance Actions" means, without limitation, any and all actions,
4 causes of action, liabilities, obligations, rights, suits, debts, sums of money, damages,
5 judgments, claims and demands whatsoever, whether known or unknown, in law
6 (including, without limitation, Sections 506(c), 510, 542, 544, 547, 548, 549, 550, and
7 553 of the Bankruptcy Code or equivalent provisions of applicable non-bankruptcy law),
8 equity or otherwise.

9 1.6. "Bankruptcy Case" means the case under Chapter 11 of the Bankruptcy
10 Code with respect to Debtor, pending in the District of Oregon, administered as *In re*
11 *HemCon Medical Technologies, Inc.*, Case No. 12-32652-elp11.

12 1.7. "Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as
13 amended from time to time, set forth in Sections 101 et seq. of Title 11 of the United
14 States Code.

15 1.8. "Bankruptcy Court" means the United States Bankruptcy Court for the
16 District of Oregon, or such other court that exercises jurisdiction over the Bankruptcy
17 Case or any proceeding therein, including the United States District Court for the District
18 of Oregon, to the extent the reference to the Bankruptcy Court or any proceeding therein
19 is withdrawn.

20 1.9. "Bankruptcy Rules" means, collectively, the Federal Rules of Bankruptcy
21 Procedure, as amended and promulgated under Section 2075, Title 28, of the United
22 States Code, and the local rules and standing orders of the Bankruptcy Court.

23 1.10. "Banks" means the holders of the Class 3 Claim.

24 1.11. "Bard Transaction" means the sale, assignment, and transfer by Debtor,
25 HemCon Medical Technologies Europe, Limited, and HemCon Medical Technologies
26

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

3 1.12. "Business Day" means a day other than a Saturday, Sunday, any legal
4 holiday as defined in Bankruptcy Rule 9006(a), or other day on which banks in Portland,
5 Oregon are authorized or required by law to be closed.

6 1.13. "Cardinal" means both Cardinal Health 200, LLC and Cardinal Health
7 Canada when they are referred to together.

8 1.14. "Cash" means lawful currency of the United States of America and
9 equivalents, including, without limitation, checks, wire transfers and drafts.

10 1.15. "Claim" means (a) any right to payment from Debtor arising before the
11 Effective Date, whether or not such right is reduced to judgment, liquidated,
12 unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal,
13 equitable, secured or unsecured; or (b) any right to an equitable remedy against Debtor
14 arising before the Effective Date for breach of performance if such breach gives rise to a
15 right of payment from Debtor, whether or not such right to an equitable remedy is
16 reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed,
17 secured, or unsecured.

18 1.16. "Class" means one of the classes of Claims defined in Article 3 hereof.

19 1.17. "Collateral" means any property in which Debtor has an interest that is
20 subject to a lien or security interest securing the payment of an Allowed Secured Claim.

21 1.18. "Committee" means the Official Unsecured Creditors' Committee
22 appointed in this Bankruptcy Case by the United States Trustee pursuant to Section 1102
23 of the Bankruptcy Code, as reconstituted by the addition or removal of members from
24 time to time.

25 1.19. "Common Stock" means the authorized common stock of NewCo, the new
26 corporation formed for the purpose of holding and developing Debtor's LyP Product.

1 1.20. "Confirmation Date" means the date on which the Confirmation Order is
2 entered on the docket by the Clerk of the Bankruptcy Court.

3 1.21. "Confirmation Order" means the order of the Bankruptcy Court
4 confirming the Plan in accordance with the provisions of Chapter 11 of the Bankruptcy
5 Code.

6 1.22. "Creditor" means any entity holding a Claim against Debtor.

7 1.23. "Debtor" means HemCon Medical Technologies, Inc. as Debtor and
8 debtor-in-possession in the Bankruptcy Case.

9 1.24. "Deferred Bard Payment" means the \$1,500,000 payment to be made by
10 Bard to Debtor, Reorganized Debtor, or their subsidiaries pursuant to the Bard
11 Transaction upon approval to apply the CE mark to the GuardIVa® Product in the
12 European Economic Area.

13 1.25. "Deficiency Claim" means the portion of a Secured Claim that is
14 unsecured.

15 1.26. "Disclosure Statement" means Debtor's Disclosure Statement as amended,
16 modified, restated, or supplemented from time to time, pertaining to the Plan.

17 1.27. "Disputed Claim" means a Claim with respect to which a Proof of Claim
18 has been timely Filed or deemed timely Filed under applicable law, and as to which an
19 objection, timely Filed, has not been withdrawn on or before the Effective Date or any
20 date fixed for filing such objections by order of the Bankruptcy Court, and has not been
21 denied by a Final Order.

22 1.28. "Effective Date" means May 6, 2013.

23 1.29. "Employee Benefit Claim" means any Claim (not otherwise classified) of
24 a present or former employee of Debtor, or their spouses and dependents, for any
25 employment-related benefit, including pension, retirement, severance, vacation, medical,
26

1 disability, or death benefits under any plan, fund, agreement, contract or program
2 established or entered into by Debtor prior to the Petition Date.

3 1.30. "Entity" shall have the meaning ascribed to it by Section 101(15) of the
4 Bankruptcy Code.

5 1.31. "Equity Security" shall have the meaning ascribed to it in Section 101(16)
6 of the Bankruptcy Code with respect to any Equity Security Holder of Debtor.

7 1.32. "Equity Security Holder" means a holder of an Equity Security of Debtor.

8 1.33. "Filed" means filed with the Bankruptcy Court in the Bankruptcy Case.

9 1.34. "Final Order" means an order or judgment entered on the docket by the
10 Clerk of the Bankruptcy Court or any other court exercising jurisdiction over the subject
11 matter and the parties that has not been reversed, stayed, modified, or amended and as to
12 which the time for filing a notice of appeal, or petition for certiorari or request for
13 certiorari, or request for rehearing, shall have expired and is no longer subject to remand,
14 retrial, modification or further proceedings of any kind or nature.

15 1.35. "General Unsecured Claim" means an Unsecured Claim that is not a Small
16 Unsecured Claim.

17 1.36. "Government Use License" means the paid-up, non-exclusive, non-
18 transferable, irrevocable license or licenses of the United States to practice or have
19 practiced on behalf of the United States the LyP Product and other intellectual property
20 owned by Debtor to the extent that the development of such intellectual property was
21 funded by payments or advances from the United States as provided under agreements
22 between Debtor and the United States or by federal statutes and regulations.

23 1.37. "Insider" shall have the meaning ascribed to it by Section 101(31) of the
24 Bankruptcy Code.

25 1.38. "LyP Product" means Debtor's proprietary lyophilized human plasma and
26 universal lyophilized plasma technology and all associated or related know-how,

1 technology, products, inventory, research data, designs, formulations, specifications, raw
2 materials, component lists, instructions for use, manufacturing processes and protocols,
3 records, batch descriptions, validations, procedures, equipment requirements, operating
4 manuals, installation procedures, requirements and protocols, data, records,
5 documentation, patents, patent applications, trademarks, trade names, copyrights,
6 regulatory clearances, and trade secrets.

7 1.39. "NewCo" means a corporation to be formed for the purpose of owning and
8 developing the LyP Product. The name of the new corporation will be determined prior
9 to the Effective Date.

10 1.40. "Other Priority Claim" means any Claim for an amount entitled to priority
11 in right of payment under Sections 507(a)(3), (4), (5) (6) or (7) of the Bankruptcy Code.

12 1.41. "Petition Date" means April 10, 2012, the date on which the petition
13 commencing the Bankruptcy Case was Filed.

14 1.42. "Plan" means this Plan of Reorganization, as amended, modified, restated,
15 or supplemented from time to time.

16 1.43. "Plan Agent" means Nick Hart. If Plan Agent resigns or is unable to serve
17 as Plan Agent, then Reorganized Debtor shall select the Successor Plan Agent subject to
18 approval by the Class 3 Creditors. If the parties cannot agree upon a Plan Agent, the
19 Court shall appoint the successor Plan Agent.

20 1.44. "Priority Tax Claim" means a Claim of a governmental unit of the kind
21 entitled to priority under Section 507(a)(8) of the Bankruptcy Code or that would
22 otherwise be entitled to priority but for the secured status of the Claim.

23 1.45. "Purchase and Sale Agreement" means the Agreement for Purchase and
24 Sale of Stock dated as of April 18, 2013 between Debtor and TriStar, a copy of which
25 was filed at Docket #398. As a result of the auction held on April 24, 2013, the Purchase
26 Price is increased to \$3,000,000.

1 1.46. "Rejection Claim" means a Claim entitled to be filed as a result of a
2 Debtor rejecting an executory contract in this Bankruptcy Case.

3 1.47. "Reorganized Debtor" means Debtor from and after the Effective Date,
4 but does not include NewCo, which will be established as a new and separate entity.

5 1.48. "Restated Articles of Incorporation" means the restated articles of
6 incorporation of Debtor which shall modify and amend Debtor's Articles of Incorporation
7 consistent with the terms of this Plan to prohibit the issuance of non-voting equity
8 securities to the extent required by Section 1123(a)(6) of the Bankruptcy Code. The
9 Restated Articles of Incorporation shall include a broad form of exculpation and
10 indemnification of directors and shall be reasonably satisfactory in form and content to
11 Plan Agent and Bank of America.

12 1.49. "Restated Bylaws" means the restated bylaws which shall modify and
13 amend Debtor's prior bylaws and govern Reorganized Debtor consistent with the terms of
14 this Plan.

15 1.50. "Royalty and Security Agreement" means the agreement to be executed on
16 the Effective Date by and between Bank of America as agent for Banks and NewCo
17 pursuant to which NewCo and its successors and assigns shall pay to Banks and their
18 successors and assigns (a) the sum of \$50,000 within 60 days of the Effective Date and
19 (b) thereafter for each successive six-month semi-annual calendar period a royalty equal
20 to 2% of net revenue (gross revenue net of returns, allowances, freight, and the like) from
21 NewCo's manufacture and sale of the LyP Product and all improvements thereto until the
22 Class 3 Claim has been paid in full, together with interest accruing from and after the
23 Effective Date at a rate equal to 3.25% per annum. Banks shall have and retain a security
24 interest in and lien on the LyP Product and all improvements to secure the performance
25 by NewCo and any successors and assigns of its obligations under the Royalty and
26 Security Agreement. The Royalty and Security Agreement shall be reasonably

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

9 1.51. "Schedules" means the Schedules of Assets and Liabilities and the
10 Statement of Financial Affairs Filed by Debtor pursuant to Section 521 of the Bankruptcy
11 Code, as amended, modified, restated, or supplemented from time to time.

12 1.52. "Scheduled Amounts" means the Claim amounts as set forth in Debtor's
13 Schedules.

14 1.53. "Secured Claim" means any Claim against Debtor held by any entity,
15 including, without limitation, an affiliate or judgment creditor of Debtor, to the extent
16 such Claim constitutes a secured Claim under Sections 506(a) or 1111(b) of the
17 Bankruptcy Code. The unsecured portion, if any, of such Claim shall be treated as an
18 Unsecured Claim.

19 1.54. "Series A Preferred Stock" means the Series A Preferred Stock of NewCo
20 to be issued pursuant to this Plan as more particularly described in Section 6.3.

21 1.55. "Small Unsecured Claims" means Unsecured Claims that are equal to or
22 less than \$4,000 or that have been reduced to \$4,000 by the election of the Creditor
23 holding such Unsecured Claim.

24 1.56. "TriStar" means TriStar Wellness Solutions, Inc., a Nevada corporation, or
25 its assigns.

1 1.57. "Unsecured Claim" means a Claim that is not an Administrative Claim, a
2 Secured Claim, a Priority Tax Claim, or an Other Priority Claim.

3 1.58. "Unsecured Creditor" means a holder of an Allowed Unsecured Claim.

4 1.59. "Utility Deposits" means deposits with utilities made by Debtor after the
5 Petition Date pursuant to Section 366(b) of the Bankruptcy Code.

6 **ARTICLE 2**

7 **UNCLASSIFIED CLAIMS**

8 2.1. Administrative Expense Claims. Each holder of an Allowed
9 Administrative Expense Claim shall be paid by the Plan Agent in full in Cash on the later
10 of (a) the Effective Date; or (b) the date on which such Claim becomes Allowed, unless
11 such holder shall agree to a different treatment of such Claim (including, without
12 limitation, any different treatment that may be provided for in any documentation, statute,
13 or regulation governing such Claim); provided, however, that Administrative Expense
14 Claims representing obligations incurred in the ordinary course of business by Debtor
15 during the Bankruptcy Case shall be paid by Debtor or Reorganized Debtor in the
16 ordinary course of business and in accordance with any terms and conditions of the
17 particular transaction, and any agreements relating thereto.

18 2.2. Priority Tax Claims. Except for the Class 7 Claim of Washington County,
19 each holder of an Allowed Priority Tax Claim will be paid by the Plan Agent on or before
20 May 10, 2013 the full amount of its Claim as Allowed by 11 U.S.C. § 1129(a)(9)(C) and
21 (D) with interest at the statutory non-default rate or, if no such rate exists, then interest
22 shall accrue at the rate of prime plus 1% per annum fixed as of the Effective Date.

23 2.3. Bankruptcy Fees. Fees payable by Debtor under 28 U.S.C. § 1930, or to
24 the Clerk of the Bankruptcy Court, will be paid in full in Cash on the Effective Date.
25 After confirmation, the Plan Agent shall continue to pay quarterly fees of the Office of
26 the United States Trustee and to file quarterly reports with the Office of the United States

1 Trustee until this case is closed by the Court, dismissed, or converted except as otherwise
2 ordered by the Court. This requirement is subject to any amendments to 28 U.S.C.
3 § 1930(a)(6) that Congress makes retroactively applicable to confirmed Chapter 11 cases.
4 After Confirmation, the Plan Agent shall file with the Court a monthly financial report
5 for each month, or portion thereof, that the Bankruptcy Case remains open. The monthly
6 financial report shall include a statement of all disbursements made during the course of
7 the month, whether or not pursuant to the Plan.

8 ARTICLE 3

9 CLASSIFICATION

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

14 3.1. Class 1 (Other Priority Claims). Class 1 consists of all Allowed Other
15 Priority Claims.

16 3.2. Class 2 (Employee Benefit Claims). Class 2 consists of all Employee
17 Benefit Claims.

18 3.3. Class 3 (Bank of America, as Administrative Agent). Class 3 consists of
19 the Allowed Secured Claim of Bank of America, Bank of the West, and Silicon Valley
20 Bank wherein Bank of America is the administrative agent, letter of credit issuer, and
21 swing line lender.

22 3.4. Class 4 (General Unsecured Claims). Class 4 consists of all Allowed
23 General Unsecured Claims.

24 3.5. Class 5 (Small Unsecured Claims). Class 5 consists of all Allowed Small
25 Unsecured Claims.

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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 Claim). Class 7 consists of the Allowed Claim of Washington County for pre- and post-petition property taxes.

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 the Plan Agent 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 relating to Class 2 Claims of each employee that is employed by it on the Effective Date and the Plan Agent will pay and perform each and all of Debtor's Class 2 Claim-related obligations to former employees that were not employed by Reorganized Debtor on the Effective Date. 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

1 of America is the administrative agent, letter of credit issuer, and swing line lender. The
2 Class 3 Secured Claim shall be Allowed in the amount of \$22,720,035.37 less any
3 payments received during the period between the Petition Date and the Effective Date.
4 The Class 3 Secured Claim shall be paid and satisfied from (a) proceeds of the Deferred
5 Bard Payment; (b) proceeds from the sale of the common stock of Reorganized Debtor to
6 TriStar Inc. remaining after satisfaction of the Allowed Class 7 Washington County
7 Secured Claim; (c) payments by NewCo pursuant to the Royalty and Security
8 Agreement; (d) Debtor's cash remaining after the Effective Date and any adjustments
9 required pursuant to the Purchase and Sale Agreement; and (e) any cash remaining in
10 possession of the Plan Agent after the payment and satisfaction of all obligations and
11 distributions contemplated by this Plan. Payment of the Allowed Class 3 Secured Claim
12 shall be secured by a security interest in (a) all proceeds from the sale or disposition of
13 the common stock of Reorganized Debtor; (b) the Deferred Bard Payment; (c) the LyP
14 Product as provided in the Royalty and Security Agreement. The holders of the Class 3
15 Claim shall not have Class 4 or Class 5 Unsecured Claims.

16 4.4. Class 4 (General Unsecured Claims). Class 4 is impaired. Holders of
17 Class 4 Claims will receive one share of Common Stock in NewCo in exchange for each
18 \$50 of their Class 4 Claim. Fractional shares will not be issued. In addition, holders of
19 Class 4 Claims will have the right at any time until 60 days after the Effective Date to
20 subscribe to purchase Series A Preferred Stock as provided in Section 6.3 of this Plan.

21 4.5. Class 5 (Small Unsecured Claims). Class 5 is impaired. Each holder of a
22 Class 5 Claim will be paid by the Plan Agent in cash in an amount equal to 25% of its
23 Allowed Claim on or before 60 days after the Effective Date or the date its Claim
24 becomes an Allowed Claim, whichever is later. General Unsecured Creditors may elect
25 to reduce their Allowed Claims in order to be treated as a Class 5 Claimant provided the
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1 election is made at the time ballots are due for voting on the Plan or such later date
2 permitted at the sole discretion of Reorganized Debtor.

3 4.6. Class 6 (Equity Security Holders). Class 6 is impaired. Equity Security
4 Holders will have the right, at any time until 60 days after the Effective Date, to
5 subscribe to purchase Series A Preferred Stock in NewCo as provided in Section 6.3 of
6 this Plan.

7 4.7. Class 7 (Washington County Claim). Class 7 is unimpaired. Washington
8 County and Debtor have entered into a Settlement Agreement pursuant to which the
9 Claim of Washington County will be Allowed in the amount of \$200,000 and
10 Washington County will be paid the sum of \$200,000 in full satisfaction of its Claim on
11 or before May 31, 2013. The Washington County Secured Claim will be paid from the
12 proceeds of the sale of the common stock of Reorganized Debtor to TriStar.

13 **ARTICLE 5**

14 **DISPUTED CLAIMS; OBJECTIONS TO CLAIMS; SETTLEMENT**

15 5.1. Disputed Claims; Objections to Claims. Only Claims that are Allowed
16 shall be entitled to distributions under the Plan. Except as otherwise provided in
17 Section 5.2 below, Debtor, Plan Agent and NewCo reserve the right to contest and object
18 to any Claims and previously Scheduled Amounts, including, without limitation, those
19 Claims and Scheduled Amounts that are specifically referenced herein, are not listed in
20 the Schedules, are listed therein as disputed, contingent and/or unliquidated in amount, or
21 are listed therein at a different amount than Debtor, Reorganized Debtor, or NewCo
22 currently believe is validly due and owing. Unless otherwise ordered by the Bankruptcy
23 Court, all objections to Claims and Scheduled Amounts (other than Administrative
24 Expense Claims) shall be Filed and served upon counsel for Debtor and the holder of the
25 Claim objected to on or before the later of (a) 45 days after the Effective Date or (b) 60
26 days after the date (if any) on which a Proof of Claim is Filed in respect of a Rejection

1 Claim or Deficiency Claim. The last day for filing objections to Administrative Expense
2 Claims shall be set pursuant to a further order of the Bankruptcy Court. All Disputed
3 Claims shall be resolved by the Bankruptcy Court, except to the extent that (a) Debtor
4 may otherwise elect consistent with the Plan and the Bankruptcy Code or (b) the
5 Bankruptcy Court may otherwise order.

6 5.2. Marine Polymer Technologies, Inc. ("MPT"). Debtor (prior to the
7 Effective Date) or NewCo (after the Effective Date) may dispute or object to the Claim of
8 MPT represented by the judgment entered in the United States Court of Appeals for the
9 Federal Circuit ("CAFC") on March 15, 2012 (the "Judgment") by notifying the CAFC
10 that any stay is no longer applicable and prosecuting its petition for rehearing filed on
11 April 16, 2012 (the "Petition"), or by filing a writ of certiorari to the United States
12 Supreme Court (together with the Petition, the "Appeal"). In either case, any Appeal
13 must be filed within 30 days of the Effective Date. The claim of MPT shall be deemed
14 Allowed in the event that (a) the appeal is not filed by Debtor before the Effective Date
15 or by NewCo within 30 days of the Effective Date; (b) the Petition or writ of certiorari is
16 denied; or (c) the Judgment is affirmed or otherwise is unaltered by the Appeal. The
17 Circuit Court or the United States Supreme Court, as applicable, shall have exclusive
18 jurisdiction to resolve any Appeal. The Bankruptcy Court shall have jurisdiction to
19 determine the extent of Allowance of the claim of MPT under the Plan after any Appeal
20 is resolved in the event of any ambiguity or dispute.

21 5.3. Subsequent Allowance of Disputed Claims. The holder of a Disputed
22 Claim that becomes Allowed in full or in part subsequent to the Effective Date shall
23 receive the distributions they would have received after the Effective Date had the Claim
24 been Allowed at that time. Until a Disputed Claim is Allowed or disallowed,
25 Reorganized Debtor shall hold any distribution that would have been due to the holder in
26 respect of such Disputed Claim.

1 5.4. De Minimis Post-Effective Date Payments. If a Cash payment to be made
2 to a holder of an Allowed Claim after the Effective Date, other than to the holder of a
3 Small Unsecured Claim, would be \$20 or less in the aggregate, no such payment will be
4 made to the holder of such Claim, unless and until the aggregate distribution on account
5 of such Claim would be at least \$20 at a subsequent distribution date.

6 5.5. Cardinal Health 200, LLC and Cardinal Health Canada (together
7 "Cardinal") Settlement and Mutual Release. As set forth in Section VI.A.5. of the
8 Disclosure Statement, Debtor believes that it has certain claims against Cardinal Health
9 200, LLC which Cardinal disputes. Cardinal Health 200, LLC filed a Proof of Claim
10 asserting an Unsecured Claim in the amount of \$1,211,031.09. Debtor disputes the
11 Cardinal Health 200, LLC Proof of Claim. Debtor has rejected its Distribution
12 Agreement with Cardinal Health Canada and Cardinal Health Canada may have a
13 Rejection Claim. Debtor is not aware of any claims it may have against Cardinal Health
14 Canada. For valuable consideration, Cardinal and Debtor have agreed, and as of the
15 Effective Date, Cardinal and Debtor hereby each release and forever discharge the other
16 of and from any and all claims, causes of action, damages, and debts of every kind and
17 nature, whether known or unknown, matured or unmatured, contingent or non-
18 contingent, that either has or may have as of the Effective Date against the other.

19 **ARTICLE 6**

20 **MEANS FOR EXECUTION OF PLAN**

21 6.1. Reorganized Debtor

22 6.1.1. On the Effective Date, Reorganized Debtor shall assign and transfer
23 to NewCo all of Debtor's rights and interests in and to the LyP Product, free and clear of all
24 claims, liens, encumbrances, charges, and other interests except (a) the rights and interests of
25 Banks set forth in the Royalty and Security Agreement; and (b) the Government Use License.
26

1 6.1.2. On the Effective Date, all Equity Securities will be deemed
2 cancelled and 100 newly issued shares of common stock in Reorganized Debtor shall be
3 issued to TriStar for the sum of \$3,000,000, pursuant to the terms of the Purchase and Sale
4 Agreement.

5 6.1.3. The proceeds of the sale to TriStar will be impressed with the liens
6 of the holders of the Class 3 and Class 7 Claims and will be disbursed to the holder of the
7 Class 3 and Class 7 Claims. \$200,000 will be disbursed to Washington County in
8 satisfaction of its Class 7 Claim and the remaining proceeds will be disbursed to the holders
9 of the Class 3 Claim.

10 6.1.4. The Plan Agent shall use its best efforts to fulfill its duties and
11 obligations under the Plan and to complete all distributions required by the Plan. The Plan
12 Agent shall have power, authority, and responsibility to take any and all such actions as the
13 Plan Agent, in its good faith discretion, deems necessary or appropriate to fulfill its duties
14 and obligations under the Plan.

15 6.1.5. The Plan Agent is authorized to engage and pay professionals,
16 including attorneys, accountants, and others, to assist Reorganized Debtor in fulfilling its
17 obligations. Such professionals may include, but are not limited to, any professionals that
18 were engaged by Debtor at any time prior to the Effective Date, and may include
19 Reorganized Debtor's current officers and shareholders. Without limiting the foregoing, Plan
20 Agent may engage, retain, or employ any of Debtor's officers, shareholders, or employees in
21 any other capacity deemed appropriate by Plan Agent.

22 6.1.6. The Plan Agent shall be compensated on terms acceptable to Plan
23 Agent and the Bank of America as set forth in the Confirmation Order.

24 6.1.7. The Plan Agent shall continue in such capacity until all distributions
25 required by the Plan and the Confirmation Order have been made.

1 6.1.8. The Plan Agent shall have authority to initiate and pursue any claims
2 or causes of action, including any claims or causes of action arising under Chapter 5 of the
3 Bankruptcy Code.

4 6.2. NewCo. On or before the Effective Date, NewCo shall be formed. On the
5 Effective Date, one share of Common Stock will be issued to holders of Allowed Class 4
6 Claims in exchange for each \$50 of each holder's Allowed Class 4 Claim. If the Allowed
7 amount of a Class 4 Claim is not determined or is subject to dispute, then the Common
8 Stock will be issued to the holder of that Claim when the Claim is Allowed. Sufficient
9 treasury stock will be authorized and retained to allow for issuance to Class 4 claimants
10 when their Claim is Allowed. An additional 700,000 shares of Common Stock will be
11 reserved for issuance as stock options, restricted stock, or other stock-based grants to be
12 granted to consultants, employees and directors for services rendered after the Effective
13 Date; provided, however, that the initial board of directors of NewCo shall not have
14 authority to issue or grant options to acquire any such reserved shares.

15 6.3. Series A Preferred Stock. On and after the Effective Date, NewCo will
16 offer for sale up to 4,000,000 shares of Series A Preferred Stock to investors, including
17 holders of Class 4 Claims and Equity Security Holders. The offering of Series A
18 Preferred Stock will be subject to the following:

- 19 • Investors: Series A Preferred Stock will be issued to accredited
20 investors only.
- 21 • Total Offering Amount: NewCo reserves the right, in its sole discretion, to limit the
22 number of shares sold or to sell additional shares above the
23 total offering amount.
- 24 • Minimum Investment: \$25,000 for Creditors and Equity Security Holders .
\$250,000 for other investors.
- 25 • Price Per Share: \$2.50.
- 26 • Acceptance of Commitments to invest will be accepted by NewCo through
the 60th day following the Effective Date. In the event the

- 1 Commitments to Invest: offering is over-subscribed, then NewCo reserves the right,
2 in its sole discretion, to allocate shares among investors, to
3 sell additional shares, or both. In the event the offering is
4 under-subscribed, NewCo may, in its sole discretion, extend
5 the offering.
- 6 • Dividends: Series A Preferred Stock will accrue cumulative dividends
7 at a rate of 5% per annum (the "Series A Accruing
8 Dividend"). Series A Accruing Dividends will be payable
9 only when declared or as set forth below under the heading
10 "Liquidation Preference." Dividends may not be declared or
11 paid on Common Stock unless dividends at the same rate are
12 declared and paid on Series A Preferred Stock.
- 13 • Liquidation Preference: In connection with a liquidation, prior to and in preference
14 to holders of Common Stock, but subject to payment of
15 liquidation preferences to which future senior classes of
16 Preferred Stock are entitled, holders of Series A Preferred
17 Stock will be entitled to receive per-share proceeds equal to
18 the greater of (i) an aggregate amount equal to the original
19 issue price per share of Series A Preferred Stock (the
20 "Series A Original Issue Price"), plus all Series A Accruing
21 Dividends (the "Series A Liquidation Amount") or (ii) the
22 amount that holders of Series A Preferred Stock would have
23 received had they converted Series A Preferred Stock into
24 Common Stock immediately prior to Liquidation. In
25 connection with Liquidation pursuant to which holders of
26 Series A Preferred Stock receive the amount specified in
 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
 NewCo issues securities at a per-share price that is less than

- 1 the then-current Series A Conversion Price (subject to
2 customary exceptions).
- 3 • Automatic Conversion: Series A Preferred Stock will be automatically converted
4 into Common Stock at the then applicable Series A
5 Conversion Price, upon: (i) an underwritten public offering
6 of shares of Common Stock with gross proceeds of not less
7 than \$35,000,000 at a per-share price that is not less than
8 three times the Series A Original Issue Price, adjusted
9 appropriately for any stock splits, stock dividends, or the
10 effect of any recapitalization, or (ii) the election of the
11 Series A Requisite Investors.
 - 12 • Voting Rights: After the issuance of 500,000 shares of Series A Preferred
13 Stock, the Series A Preferred Stock will be entitled to elect
14 three out of five directors, voting as a separate class. While
15 the number of shares of Series A Preferred Stock issued is
16 less than 500,000, the Series A Preferred Stock will vote as
17 a single class, together with holders of Common Stock, to
18 elect the board of directors. On all other matters, including
19 the election of the remaining two directors at a time when at
20 least 500,000 shares of Series A Preferred Stock are
21 outstanding, Series A Preferred Stock will vote together
22 with the Common Stock on an as-converted basis, and not as
23 a separate class, except when required by law.
 - 24 • Preemptive Right: If NewCo proposes to offer any additional securities for
25 cash, holders of Series A Preferred Stock will have the right
26 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.

22 All sales of Series A Preferred Stock to any holder of a Class 3 Claim, Class 4 Claim,
23 and to any Equity Security Holder shall be deemed made pursuant to Section 1145(a) of the
24 Bankruptcy Code, and shall therefore be exempt from the registration requirements of
25 Section 5 of the Securities Act of 1933 and any state or local law requiring registration for
26 offer or sale of a security, or registration or licensing of an issuer of, or broker or dealer in, a

1 security.

2 6.4. Restated Articles of Incorporation. Reorganized Debtor shall adopt
3 Restated Articles of Incorporation and Restated Bylaws as necessary or appropriate to
4 effectuate the terms of the Plan, and, if appropriate, shall promptly thereafter cause the
5 Restated Articles of Incorporation to be filed with the Secretary of State of the State of
6 Oregon , provided that TriStar may change the Reorganized Debtor's state of
7 incorporation in conjunction with the closing under the Purchase and Sale Agreement.
8 After the Effective Date, Reorganized Debtor may amend the Restated Articles of
9 Incorporation and may amend its Bylaws in accordance with the Restated Articles of
10 Incorporation in accordance with such Bylaws and applicable state law.

11 6.5. NewCo Articles of Incorporation. NewCo shall adopt Articles of
12 Incorporation and Bylaws as necessary to effectuate the terms of the Plan and file the
13 Articles of Incorporation with the Secretary of State of the State of Oregon. The NewCo
14 Articles of Incorporation shall authorize the issuance of sufficient Common and Preferred
15 Stock to carry out the purposes of the Plan. After the new Board of Directors of NewCo
16 is elected as provided hereinafter in Section 6.8, NewCo may amend the Articles of
17 Incorporation and may amend its Bylaws in accordance with the Articles of Incorporation
18 in accordance with such Bylaws and applicable state law.

19 6.6. Setoffs. Debtor may, but shall not be required to, set off against any
20 Claim and the distributions to be made pursuant to the Plan in respect of such Claim any
21 claims of any nature whatsoever that Debtor may have against the holder of such Claim,
22 but neither the failure to do so nor the allowance of any Claim hereunder shall constitute
23 a waiver or release of any such claim Debtor may have against such holder.

24 6.7. Corporate Action. Upon entry of the Confirmation Order, all actions
25 contemplated by the Plan shall be authorized and approved in all respects (subject to the
26 provisions of the Plan), including, without limitation, the following: (a) the adoption and

1 filing of the Restated Articles of Incorporation, and (b) the execution, delivery, and
2 performance of all documents and agreements relating to the Plan and any of the
3 foregoing. On the Effective Date, the appropriate officers of Reorganized Debtor and
4 NewCo are authorized and directed to execute and deliver the agreements, documents,
5 and instruments contemplated by the Plan and the Disclosure Statement in the name of
6 and on behalf of Reorganized Debtor or NewCo.

7 6.8. Initial NewCo Board of Directors and Management. The initial Board of
8 Directors of NewCo shall be William D. Wiesmann, M.D., Kenton W. Gregory, M.D.,
9 and Andrew W. Miller. A new board of directors composed of five members will be
10 elected within 60 days following the Effective Date. The new board of directors will be
11 elected by holders of Common Stock and, if applicable, the holders of Series A Preferred
12 Stock. The initial board shall serve until such time as the new board of directors is
13 elected. The initial board will not issue any stock options or stock grants to consultants,
14 employees, directors, or other persons prior to the election of the new board. The initial
15 president of NewCo will be Barry Starkman. Mr. Starkman will serve as president until
16 the new board of directors is elected. Thereafter, the new board of directors shall select
17 and determine the terms of employment of the officers of NewCo.

18 6.9. Utility Deposit. All utilities holding a Utility Deposit shall immediately
19 after the Effective Date return or refund such Utility Deposit to Reorganized Debtor. At
20 the sole option of Reorganized Debtor, Reorganized Debtor may apply any Utility
21 Deposit that has not been refunded to Reorganized Debtor in satisfaction of any payments
22 due or to become due from Reorganized Debtor to a utility holding such a Utility
23 Deposit.

24 6.10. Event of Default; Remedy. Any material failure by the Plan Agent to
25 perform any term of this Plan, which failure continues for a period of 10 Business Days
26 following receipt by the Plan Agent of written notice of such default from the holder of

1 an Allowed Claim to whom performance is due, shall constitute an event of Default.
2 Upon the occurrence of an Event of Default, the holder of an Allowed Claim to whom
3 performance is due shall have all rights and remedies granted by law, this Plan, or any
4 agreement between the holder of such Claim and Debtor. An Event of Default with
5 respect to one Claim shall not be an Event of Default with respect to any other Claim.

6 6.11. Cooperative Agreement. Unless previously terminated by Order of the
7 Bankruptcy Court or otherwise agreed between the parties, Cooperative Agreement
8 No. W81XWH-08-2-0078 (the "CA") between Debtor and United States Army Medical
9 Research and Acquisition Activities shall be terminated as of the Effective Date. The
10 termination of the CA will not alter or affect any rights of the United States (a) to any
11 equipment that is owned by it and in the possession of Reorganized Debtor; or (b) under
12 the Government Use License or the Proof of Claim filed as Claim 56 in this Bankruptcy
13 Case. Further, the termination of the CA will not alter or affect any claims,
14 counterclaims, or defenses of Debtor, Reorganized Debtor, or NewCo. The Plan Agent
15 and NewCo have and retain the right to object to Claim 56 and assert any claims,
16 crossclaims, and counterclaims. Neither Reorganized Debtor nor NewCo will have any
17 obligation to assemble or deliver any equipment owned by the United States. The
18 equipment will be available to the United States to pick up during normal business hours
19 after receipt by Reorganized Debtor of reasonable prior written notice.

20 6.12. Conditions Precedent to Effectiveness of Plan. Unless waived by Debtor,
21 the following conditions must occur and be satisfied for the Plan to become effective, and
22 are conditions precedent to the Effective Date:

23 (a) The Bankruptcy Court shall have entered the Confirmation Order, in
24 form and substance reasonably satisfactory to Debtor, which shall, among other things,
25 provide that any and all executory contracts and unexpired leases assumed pursuant to the
26 Plan shall remain in full force and effect for the benefit of Reorganized Debtor or NewCo

1 notwithstanding any provision in any such contract or lease or in applicable law (including
2 those described in Sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits,
3 restricts, or conditions such transfer or that enables or requires termination or modification of
4 such contract or lease; and

5 (b) All documents, instruments, and agreements, each in form and
6 substance satisfactory to Reorganized Debtor and NewCo, provided for or necessary to
7 implement this Plan shall have been executed and delivered by the parties thereto.

8 **ARTICLE 7**

9 **EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

10 7.1. Assumption and Rejection. Except as may otherwise be provided, all
11 executory contracts of Debtor that are not otherwise subject to a prior Bankruptcy Court
12 order or pending motion before the Bankruptcy Court will ride through this Bankruptcy
13 Case and be enforceable by the parties thereto in accordance with their terms; provided
14 that no provision relating to default by reason of insolvency or the filing of the
15 Bankruptcy Case shall be enforceable against Reorganized Debtor or its successors or
16 assigns. The Confirmation Order shall constitute an order authorizing the assumption
17 and assignment of all executory contracts that are subject to a pending motion to assume
18 or a pending motion to assume and assign. Reorganized Debtor shall promptly pay all
19 amounts required under Section 365 of the Bankruptcy Code to cure any defaults for
20 executory contracts and unexpired leases being assumed and shall perform its obligations
21 from and after the Effective Date in the ordinary course of business. Notwithstanding the
22 foregoing, Reorganized Debtor shall promptly pay all cure amounts and perform its
23 obligations only under such executory contracts and unexpired leases as are expressly
24 assumed by Reorganized Debtor in connection with the Purchase and Sale Agreement
25 and all executory contracts and unexpired leases that are not expressly assumed shall be
26 deemed rejected as of the Effective Date.

1 perfect, or enforce a lien upon, all or any part of the assets of Reorganized Debtor or
2 NewCo.

3 **ARTICLE 9**

4 **RETENTION OF JURISDICTION**

5 9.1. Notwithstanding the entry of the Confirmation Order, the Bankruptcy
6 Court shall retain jurisdiction of this Chapter 11 Case pursuant to and for the purposes set
7 forth in Section 1127(b) of the Bankruptcy Code to:

8 (a) classify the Claim or interest of any Creditor or stockholder,
9 reexamine Claims or Interests that have been owed for voting purposes, and determine
10 any objections that may be Filed to Claims or Interests;

11 (b) determine requests for payment of Claims entitled to priority under
12 Section 507(a) of the Bankruptcy Code, including compensation and reimbursement of
13 expenses in favor of professionals employed at the expense of the bankruptcy estate;

14 (c) avoid transfers or obligations to subordinate Claims under
15 Chapter 5 of the Bankruptcy Code;

16 (d) approve the assumption, assignment, or rejection of an executory
17 contract or an unexpired lease pursuant to this Plan;

18 (e) resolve controversies and disputes regarding the interpretation of
19 this Plan;

20 (f) implement the provisions of this Plan and enter orders in aid of
21 confirmation;

22 (g) determine the validity, priority or extent of any Claim or Claim of
23 lien;

24 (h) adjudicate adversary proceedings and contested matters pending or
25 hereafter commenced in this Bankruptcy Case;

- 1 (i) order and implement such orders as may be appropriate in the
2 event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;
- 3 (j) hear and determine any applications to modify the Plan, to cure
4 any defect or omission, or to reconcile any inconsistency in the Plan or related documents
5 or in any order of the Bankruptcy Court, including the Confirmation Order;
- 6 (k) ensure that distributions to holders of Allowed Claims are
7 accomplished as provided herein;
- 8 (l) hear and determine any other matters related hereto and not
9 inconsistent with Chapter 11 of the Bankruptcy Code; and
- 10 (m) enter a final decree closing this Bankruptcy Case.

11 **ARTICLE 10**

12 **ADMINISTRATIVE PROVISIONS**

13 10.1. Modification or Withdrawal of the Plan. Debtor may alter, amend, or
14 modify the Plan pursuant to Section 1127 of the Bankruptcy Code and Bankruptcy
15 Rule 3019 at any time prior to the time the Bankruptcy Court has signed the
16 Confirmation Order. After such time, and prior to the substantial consummation of the
17 Plan, Reorganized Debtor or the Plan Agent may, so long as the treatment of holders of
18 Claims and Interests under the Plan is not adversely affected, institute proceedings in
19 Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in
20 the Plan, the Disclosure Statement, or the Confirmation Order, and any other matters as
21 may be necessary to carry out the purposes and effects of the Plan; provided, however,
22 that prior notice of such proceedings shall be served in accordance with Bankruptcy
23 Rule 2002.

24 10.2. Revocation or Withdrawal of Plan

25 10.2.1. Right to Revoke. Debtor reserves the right to revoke or withdraw
26 the Plan at any time prior to the Effective Date.

1 to receive distributions under this Plan; provided, however, that nothing herein shall
2 affect the liability of any entity other than Debtor on, or the property of any entity other
3 than Debtor for, such Claim. Further, nothing in this Plan shall be deemed to abridge the
4 right of a Creditor to seek from another entity the full amount of compensation for a
5 liability underlying a Claim made against Debtor, and for which another entity is
6 potentially liable. In particular, Marine Polymer Technologies, Inc., which is a Creditor
7 by virtue of a judgment entered against Debtor for infringing U.S. Pat. No. 6.864,245 in
8 Civil No. 06-cv-100-JD, may seek the full scope of damages for infringement of the same
9 patent against any other infringer.

10 11.4. Rights of Action. Except as otherwise expressly provided herein, any
11 claims, rights, interests, causes of action, defenses, counterclaims, crossclaims, third-
12 party claims, or rights of offset, recoupment, subrogation, or subordination, including,
13 without limitation, claims under Section 550(a) of the Bankruptcy Code or any of the
14 sections referenced therein (including, without limitation, any and all Avoidance Actions)
15 accruing to Debtor shall remain assets of the estate. Plan Agent may pursue such rights
16 of action, as appropriate, and disburse the proceeds thereof as provided in this Plan.

17 11.5. Governing Law. Except to the extent the Bankruptcy Code, the
18 Bankruptcy Rules, or other federal laws as applicable, the laws of the State of Oregon
19 shall govern the construction and implementation of the Plan, and all rights and
20 obligations arising under the Plan.

21 11.6. Withholding and Reporting Requirements. In connection with the Plan and
22 all instruments issued in connection therewith and distributions thereon, Debtor,
23 Reorganized Debtor, the Plan Agent and NewCo shall comply with all withholding,
24 reporting, certification, and information requirements imposed by any federal, state, local,
25 or foreign taxing authorities and all distributions hereunder shall, to the extent applicable, be
26 subject to any such withholding, reporting, certification, and information requirements.

1 Entities entitled to receive distributions hereunder shall, as a condition to receiving such
2 distributions, provide such information and take such steps as Reorganized Debtor, the Plan
3 Agent or NewCo may reasonably require to ensure compliance with such withholding and
4 reporting requirements, and to enable Reorganized Debtor, the Plan Agent and NewCo to
5 obtain the certifications and information as may be necessary or appropriate to satisfy the
6 provisions of any tax law.

7 11.7. Time. Unless otherwise specified herein, in computing any period of time
8 prescribed or allowed by the Plan, the day of the act or event from which the designated
9 period begins to run shall not be included. The last day of the period so computed shall
10 be included, unless it is not a Business Day, in which event the period runs until the end
11 of the next succeeding day that is a Business Day.

12 11.8. Section 1146(c) Exemption. Pursuant to Section 1146(c) of the
13 Bankruptcy Code, the issuance, transfer, or exchange of any security under the Plan, or
14 the execution, delivery, or recording of an instrument of transfer pursuant to, in
15 implementation of, or as contemplated by the Plan, or the revesting, transfer, or sale of
16 any real property of Debtor, Reorganized Debtor, or NewCo pursuant to, in
17 implementation of, or as contemplated by the Plan, shall not be taxed under any state or
18 local law imposing a stamp tax, transfer tax, or similar tax or fee. Consistent with the
19 foregoing, each recorder of deeds or similar official for any city, county or governmental
20 unit in which any instrument hereunder is to be recorded shall, pursuant to the
21 Confirmation Order, be ordered and directed to accept such instrument without requiring
22 the payment of any documentary stamp tax, deed stamps, transfer tax, intangible tax, or
23 similar tax.

24 11.9. Severability. In the event any provision of the Plan is determined to be
25 unenforceable, such determination shall not limit or affect the enforceability and
26 operative effect of any other provisions of the Plan. To the extent any provision of the

1 Plan would, by its inclusion in the Plan, prevent or preclude the Bankruptcy Court from
2 entering the Confirmation Order, the Bankruptcy Court, on the request of Debtor, may
3 modify or amend such provision, in whole or in part, as necessary to cure any defect or
4 remove any impediment to the confirmation of the Plan existing by reason of such
5 provision.

6 11.10. Binding Effect. The provisions of the Plan shall bind Debtor, Reorganized
7 Debtor, NewCo and all Creditors and Equity Security Holders, and their respective
8 successors, heirs, and assigns.

9 11.11. Retiree Benefits. On or after the Effective Date, to the extent required by
10 Section 1129(a)(13) of the Bankruptcy Code, Reorganized Debtor shall continue to pay
11 all retiree benefits (if any) as that term is defined in Section 1114 of the Bankruptcy
12 Code, maintained or established by Debtor prior to the Effective Date, without prejudice
13 to Reorganized Debtor's rights under applicable non-bankruptcy law to modify, amend or
14 terminate the foregoing arrangements.

15 11.12. Recordable Order. The Confirmation Order shall be deemed to be in
16 recordable form, and shall be accepted by any recording officer for filing and recording
17 purposes without further or additional orders, certifications or other supporting
18 documents.

19 11.13. Plan Controls. In the event and to the extent that any provision of the Plan
20 is inconsistent with the provisions of the Disclosure Statement, or any other instrument or
21 agreement contemplated to be executed pursuant to the Plan, the provisions of the Plan
22 shall control and take precedence.

23 11.14. Effectuating Documents and Further Transactions. Debtor, Reorganized
24 Debtor, the Plan Agent, and NewCo shall execute, deliver, file, or record such contracts,
25 instruments, assignments, and other agreements or documents, and take or direct such
26 actions as may be necessary or appropriate to effectuate and further evidence the terms

1 and conditions of this Plan, including the delivery, as appropriate, of IRS Forms 1099 to
2 General Unsecured Creditors.

3 11.15. Timing of Actions. Notwithstanding anything to the contrary herein, any
4 action required by the Plan to be taken on the Effective Date shall be made or taken on
5 the Effective Date or as soon as practical thereafter, but in any event within 20 days of
6 the Effective Date.

7 DATED this 26th day of April, 2013.

8 HEMCON MEDICAL TECHNOLOGIES, INC.

9
10 By /s/ Barry Starkman
Barry Starkman, CEO

11 Presented by:

12 TONKON TORP LLP

13
14 By /s/ Albert N. Kennedy
Albert N. Kennedy, OSB No. 821429
15 Timothy J. Conway, OSB No. 851752
Of Attorneys for Debtor

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EXHIBIT 2

035365/00001/4535600v1

US Army. Certain US Patent Rights Acknowledgement

Miller Nash #	Field	Application No.	Patent No.
1005-16	Chitosan	10/480,827	7,482,503
1005-17	Chitosan	11/981,111	7,820,872
1006-1	Chitosan	10/743,052	7,371,403
1006-16	Chitosan	12/925,292	
1020-02	Chitosan	12/218,568	8,269,058
1036-1	Chitosan	61/784,467	
1026-02	Lyophilized Plasma	12/077,397	
1027-02	Lyophilized Plasma	12/228,745	Allowed.
1028-02	Lyophilized Plasma	12/283,885	
1037-01	Lyophilized Plasma	13/801,523	

Note that Lyophilized Plasma US Patent Applications 12/378,470 & 13/059,221 have been abandoned.