

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

-----X  
In re: : Chapter 11  
IMRIS, Inc., et al.,<sup>1</sup> :  
Debtors. : Case No. 15-11133 (CSS)  
: (Jointly Administered)  
-----X

**DISCLOSURE STATEMENT FOR THE DEBTORS' PLAN OF  
LIQUIDATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

R. Craig Martin (DE 5032)  
**DLA PIPER LLP (US)**  
1201 North Market Street, Suite 2100  
Wilmington, Delaware 19801  
Telephone: (302) 468-5700  
Facsimile: (302) 394-2341  
Email: craig.martin@dlapiper.com

Richard A. Chesley (IL 6240877)  
Daniel M. Simon (IL 6297629)  
David E. Avraham (IL 6308516)  
**DLA PIPER LLP (US)**  
203 N. LaSalle Street, Suite 1900  
Chicago, Illinois 60601  
Telephone: (312) 368-4000  
Facsimile: (312) 236-7516  
Email: richard.chesley@dlapiper.com  
daniel.simon@dlapiper.com  
david.avraham@dlapiper.com

<sup>1</sup> The Debtors are the following three entities: IMRIS, Inc. (taxpayer identification number 98-0462325), IMRIS Inc. (taxpayer identification number 98-0473230), and NeuroArm Surgical Ltd. (Canadian corporation number 751695-9). The mailing address of each of the Debtors, solely for purposes of notices and communications, is 5101 Shady Oak Rd., Minnetonka, MN 55343.



## TABLE OF CONTENTS

	Page
ARTICLE I. INTRODUCTION .....	1
A. HOLDERS OF CLAIMS ENTITLED TO VOTE.....	2
B. VOTING PROCEDURES .....	3
C. CONFIRMATION HEARING .....	4
ARTICLE II. OVERVIEW OF THE PLAN .....	5
ARTICLE III. GENERAL INFORMATION .....	8
A. OVERVIEW OF BANKRUPTCY LAW .....	8
B. OVERVIEW OF THE DEBTORS .....	8
C. CAPITAL STRUCTURE OF THE COMPANY .....	9
ARTICLE IV. KEY EVENTS LEADING TO THE COMMENCEMENT OF THE CHAPTER 11 CASES .....	9
ARTICLE V. SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASES .....	10
A. RETENTION OF PROFESSIONALS BY THE DEBTORS .....	10
B. FORMATION OF THE CREDITORS COMMITTEE .....	10
C. DIP FINANCING .....	10
D. BIDDING PROCEDURES AND SALE PROCESS .....	11
E. BAR DATE .....	12
ARTICLE VI. THE PLAN OF LIQUIDATION .....	12
A. INTRODUCTION .....	12
B. CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN OF LIQUIDATION .....	12
C. MEANS FOR IMPLEMENTATION OF THE PLAN .....	17
D. PROVISIONS GOVERNING VOTING AND DISTRIBUTIONS .....	22
E. DISPUTED CLAIMS .....	26
F. TREATMENT OF EXECUTORY CONTRACTS .....	27
G. CONDITIONS PRECEDENT TO THE EFFECTIVE DATE .....	29
H. INDEMNIFICATION, RELEASE, INJUNCTIVE AND RELATED PROVISIONS .....	30
I. RETENTION OF JURISDICTION .....	34
J. MISCELLANEOUS PROVISIONS .....	36
ARTICLE VII. CERTAIN FACTORS AFFECTING THE DEBTORS .....	39
A. CERTAIN BANKRUPTCY LAW CONSIDERATIONS .....	39
B. ADDITIONAL FACTORS TO BE CONSIDERED .....	40
ARTICLE VIII. CONFIRMATION OF THE PLAN OF LIQUIDATION .....	41
A. CONFIRMATION HEARING .....	41
B. REQUIREMENTS FOR CONFIRMATION OF THE PLAN OF LIQUIDATION ..	42
ARTICLE IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN OF LIQUIDATION .....	45

**TABLE OF CONTENTS**

(continued)

	<b>Page</b>
A. LIQUIDATION UNDER CHAPTER 7 .....	45
B. ALTERNATIVE PLAN .....	46
ARTICLE X. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN .....	46
A. GENERAL CONSEQUENCES OF U.S. HOLDERS OF CLAIMS AND EQUITY INTERESTS .....	47
B. INFORMATION REPORTING AND WITHHOLDING .....	49
ARTICLE XI. DEFINITIONS AND INTERPRETATION .....	50
A. DEFINITIONS.....	50
B. OTHER TERMS .....	60
C. EXHIBITS .....	60
ARTICLE XII. CONCLUSION.....	60

## **SUMMARY**

The following is a summary of the Debtors' Plan of Liquidation Under Chapter 11 of the Bankruptcy Code, dated as of October \_\_, 2015, of IMRIS, Inc., IMRIS Inc., and NeuroArm Surgical Limited, the debtors and debtors in possession in these chapter 11 cases. This Disclosure Statement<sup>2</sup> describes the Plan and the distributions contemplated thereunder for each of the Debtors. Unless the context requires otherwise, reference to "we," "our," and "us" are to the Debtors

The Debtors commenced the Chapter 11 Cases on May 25, 2015. If you are entitled to vote to accept or reject the Plan, the Ballot for acceptance or rejection of the Plan is enclosed with this Disclosure Statement.

**THE DEBTORS BELIEVE THAT THE PLAN WILL ENABLE THEM TO ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 THROUGH A TIMELY, EFFICIENT AND COST-EFFECTIVE LIQUIDATION AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR CREDITORS. THE DEBTORS URGE ALL CREDITORS AND EQUITY INTEREST HOLDERS ENTITLED TO VOTE ON THE PLAN TO ACCEPT THE PLAN.**

## **ARTICLE I.**

### **INTRODUCTION**

The Debtors submit this Disclosure Statement pursuant to section 1125 of title 11 of the Bankruptcy Code to holders of Equity Interests in and Claims against the Debtors in connection with (i) the solicitation of acceptances of the Plan filed by the Debtors with the Bankruptcy Court and (ii) and the Confirmation Hearing.

A ballot ("Ballot") for the acceptance or rejection of the Plan is enclosed with this Disclosure Statement mailed to the holders of Claims and Equity Interests that the Debtors believe may be entitled to vote to accept or reject the Plan.

On \_\_\_\_\_, 2015, after notice and a hearing, the Bankruptcy Court entered the Disclosure Statement Order, approving this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable a hypothetical investor of the relevant classes to make an informed judgment whether to accept or reject the Plan. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

The Disclosure Statement Order, a copy of which is annexed hereto as Exhibit B, sets forth in detail, among other things, the deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting

---

<sup>2</sup> Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Plan.

purposes and the applicable standards for tabulating Ballots. In addition, detailed voting instructions accompany each Ballot. Each holder of a Claim entitled to vote on the Plan should read this Disclosure Statement, the Plan, the Disclosure Statement Order and the instructions accompanying the Ballots in their entirety before voting on the Plan. These documents contain important information concerning the classification of Claims and Equity Interests for voting purposes and the tabulation of votes. No solicitation of votes to accept the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.

#### **A. HOLDERS OF CLAIMS ENTITLED TO VOTE**

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired and that are not deemed to have rejected the proposed plan are entitled to vote to accept or reject a proposed plan. Classes of claims or equity interests in which the holders of claims or equity interests are unimpaired under a chapter 11 plan are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan. For a detailed description of the treatment of Claims and Equity Interests under the Plan, see Article VI.B of this Disclosure Statement.

Claims in Class 1 (Other Secured Claims) are impaired by the Plan and, to the extent Claims in such Classes are Allowed, the holders of such Claims will receive distributions under the Plan. As a result, holders of Claims in those Classes are entitled to vote to accept or reject the Plan. If and to the extent any other Class identified as being unimpaired is impaired (whether as a result of the terms of the Plan or any modification or amendment thereto), upon such determination, such Class shall then be entitled to vote to accept or reject the Plan.

Claims in Class 2 (Senior Secured Loan Claims) and Class 3 (General Unsecured Claims) of the Plan are impaired and, to the extent Claims in such Classes are Allowed, the holders of such Claims will receive distributions under the Plan. As a result, holders of Claims in those Classes are entitled to vote to accept or reject the Plan. If and to the extent any other Class identified as being unimpaired is impaired (whether as a result of the terms of the Plan or any modification or amendment thereto), upon such determination, such Class shall then be entitled to vote to accept or reject the Plan.

Equity Interests in Class 4 (Equity Interests) are impaired, and the holders of such Equity Interests will receive no distribution under the Plan. As a result, holders of Equity Interests in Class 4 are deemed to reject the Plan. As a result, holders of Equity Interests in Class 4 are not entitled to vote to accept or reject the Plan.

The Bankruptcy Code defines “acceptance” of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. For a more detailed description of the requirements for confirmation of the Plan, see Article VIII of this Disclosure Statement.

If a Class of Claims entitled to vote on the Plan rejects the Plan, the Debtors reserve the right to amend the Plan or request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. Section 1129(b) of the Bankruptcy Code permits the confirmation of a plan of

reorganization notwithstanding the rejection of a plan by one or more impaired classes of claims or equity interests. Under that section, a plan may be confirmed by a bankruptcy court if it does not “discriminate unfairly” and is “fair and equitable” with respect to each rejecting class. For a more detailed description of the requirements for confirmation of a nonconsensual plan, see Article VIII.B.2 of this Disclosure Statement.

## **B. VOTING PROCEDURES**

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. If you hold Claims in more than one Class and you are entitled to vote Claims in more than one Class, you will receive separate Ballots, which must be used for each separate Class of Claims. The Debtors, with the approval of the Bankruptcy Court, have engaged KCC to serve as the voting agent with respect to Claims in Classes that are entitled to vote on the Plan. The voting agent will assist in the solicitation process by, among other things, answering questions, providing additional copies of all solicitation materials, and generally overseeing the solicitation process for Claims. The voting agent will also process and tabulate ballots for each of the respective Classes that are entitled to vote to accept or reject the Plan and will file a voting report as soon as practicable before the Confirmation Hearing.

Ballots should be returned to:  
IMRIS Claims Processing Center, c/o KCC  
2335 Alaska Avenue  
El Segundo, CA 90245

**Do not return your notes, securities, or any other documents with your Ballot.**

MORE DETAILED INSTRUCTIONS REGARDING HOW TO VOTE ON THE PLAN ARE CONTAINED ON THE BALLOTS DISTRIBUTED TO HOLDERS OF CLAIMS THAT ARE ENTITLED TO VOTE ON THE PLAN. TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED BY KCC BY THE VOTING DEADLINE. ANY EXECUTED BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR A REJECTION OF THE PLAN SHALL NOT BE COUNTED.

Subject to the terms of the Disclosure Statement Order, any Claim in an impaired Class as to which an objection or request for estimation is pending is not entitled to vote unless the holder of such Claim has obtained an order of the Bankruptcy Court temporarily allowing such Claim for the purpose of voting on the Plan; *provided, however*, that if the Debtors object to a Claim on a reduced and allowed basis, the claimant may, absent a Resolution Event (as defined below), vote such Claim at the amount asserted by the Debtors. Additionally, subject to the terms of the Disclosure Statement Order, any Claim in an impaired Class that is listed on the Schedules as unliquidated, disputed or contingent is not entitled to vote unless the holder of such Claim has timely filed a proof of claim and no objection has been filed to such proof of claim or if an objection is filed with respect to such proof of claim and a Resolution Event has occurred; *provided, however*, that if the Debtors object to a claim on a reduced and allowed basis the claimant may, absent a Resolution Event, vote such claim at the amount asserted by the Debtors. For purposes of this section, a “Resolution Event” is defined as: (a) entry of an order of the

Bankruptcy Court allowing a Claim pursuant to section 502(b) of the Bankruptcy Code, after notice and a hearing; (b) entry of an order of the Bankruptcy Court temporarily allowing a Claim for voting purposes only pursuant to Bankruptcy Rule 3018(a), after notice and a hearing; (c) execution of a stipulation or other agreement between the holder of such Claim and the Debtors resolving any objection and allowing such Claim in an agreed upon amount; (d) execution of a stipulation or other agreement between the holder of a Claim and the Debtors temporarily allowing the holder of such Claim to vote its Claim in an agreed upon amount; or (e) the Debtors' voluntary withdrawal of a pending objection to a claim.

Pursuant to the Disclosure Statement Order, the Bankruptcy Court set \_\_\_\_\_, 2015 as the Record Date for holders of Claims entitled to vote on the Plan. Accordingly, only holders of record as of the applicable record date that otherwise are entitled to vote under the Plan will receive a Ballot and may, subject to the terms of the Disclosure Statement Order, vote on the Plan.

If you are a holder of a Claim entitled to vote on the Plan and you did not receive a Ballot, received a damaged Ballot or lost your Ballot or if you have any questions concerning this Disclosure Statement, the Plan or the procedures for voting on the Plan, please contact KCC at (866) 927-7089 or IMRISinfo@kccllc.com.

### **C. CONFIRMATION HEARING**

Pursuant to section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on \_\_\_\_\_, 2015 at \_\_\_\_:\_\_\_\_ a.m. (prevailing Eastern Time) before the Honorable Christopher S. Sontchi, Courtroom #6, at the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan must be served and filed so that they are received on or before \_\_\_\_\_, 2015 at 4:00 p.m. (prevailing Eastern Time) in the manner described below in Article VIII.A of this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time without further notice except for a notice of the adjournment date filed on the docket of the Chapter 11 Cases or the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

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 CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION STATED SINCE THE DATE HEREOF. HOLDERS OF CLAIMS SHOULD CAREFULLY READ THIS DISCLOSURE STATEMENT IN ITS ENTIRETY, INCLUDING THE PLAN, PRIOR TO VOTING ON THE PLAN.

FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND EQUITY INTERESTS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, AND

NOTHING STATED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTORS OR HOLDERS OF CLAIMS OR EQUITY INTERESTS. CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, BY NATURE, ARE FORWARD-LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES.

ALL HOLDERS OF CLAIMS SHOULD CAREFULLY READ AND CONSIDER FULLY THE RISK FACTORS SET FORTH IN ARTICLE VII OF THIS DISCLOSURE STATEMENT BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

SUMMARIES OF CERTAIN PROVISIONS OF AGREEMENTS REFERRED TO IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO, AND ARE QUALIFIED IN THEIR ENTIRETY BY, REFERENCE TO THE FULL TEXT OF THE APPLICABLE AGREEMENT, INCLUDING THE DEFINITIONS OF TERMS CONTAINED IN SUCH AGREEMENT.

THE DEBTORS BELIEVE THAT THE PLAN WILL ENABLE THEM TO ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 THROUGH A TIMELY, EFFICIENT AND COST-EFFECTIVE LIQUIDATION AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR CREDITORS. THE DEBTORS URGE ALL CREDITORS ENTITLED TO VOTE ON THE PLAN TO ACCEPT THE PLAN.

**IRS CIRCULAR 230 NOTICE:** TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND INTERESTS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS OR INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

## **ARTICLE II.**

### **OVERVIEW OF THE PLAN**

The following table briefly summarizes the classification and treatment of Administrative Claims, Claims for Accrued Professional Compensation, Priority Tax Claims, Other Priority Claims, Senior Secured Loan Claims, Other Secured Claims, General Unsecured Claims and Equity Interests under the Plan:

Class	Type of Claim or Equity Interest	Treatment	Approximate Allowed Amount	Approximate Percentage Recovery
--	Allowed Administrative Claims (other than Claims for Accrued Professional Compensation)	Paid in full, in Cash, without interest (1) on the Effective Date or as soon as practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as practicable thereafter); (2) if such Claim is Allowed after the Effective Date, on the date such Claim is Allowed or as soon as practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as practicable thereafter); (3) at such time and upon such terms as may be agreed upon by such holder and the Responsible Person; or (4) at such time and upon such terms as set forth in an order of the Bankruptcy Court.	Undetermined	100%
--	Allowed Claims for Accrued Professional Compensation	Paid in full, in Cash, without interest.	Undetermined	100%
--	Allowed Priority Tax Claims	Paid in full, in Cash, without interest on the later of (i) the Effective Date, (ii) the date such Allowed Priority Tax Claim becomes Allowed or as soon as practicable thereafter and (iii) the date such Allowed Priority Tax Claim is payable under applicable non-bankruptcy law.	Undetermined	100%
--	Allowed Other Priority Claims	Paid in full, in Cash, without interest on the later of (i) the Effective Date or as soon as practicable thereafter, (ii) the date such Allowed Other Priority Claim becomes Allowed or as soon as	Undetermined	100%

Class	Type of Claim or Equity Interest	Treatment	Approximate Allowed Amount	Approximate Percentage Recovery
		practicable thereafter and (iii) the date such Allowed Other Priority Claim is payable under applicable non-bankruptcy law.		
1	Other Secured Claims	Unimpaired. Except to the extent that a holder of an Allowed Other Secured Claim has been paid by the Debtors or the Purchaser prior to the Effective Date or agrees to a less favorable classification and treatment, each holder of an Allowed Other Secured Claim shall receive the collateral securing its Allowed Other Secured Claim on or as soon as practicable after the latest to occur of: (i) the Effective Date; (ii) the first Business Day after the date that is ten (10) Business Days after the date such Claim becomes an Allowed Other Secured Claim; and (iii) the date or dates agreed to by the Responsible Person and the holder of the Allowed Other Secured Claim; provided, however, that in the event that the Debtors no longer retain the collateral securing the Allowed Other Secured Claim, the holder of the Allowed Other Secured Claim shall receive a deficiency General Unsecured Claim in lieu thereof	\$0	0%
2	Senior Secured Loan Claims	Impaired. Holders of Senior Secured Loan Claims shall receive their pro rata share of twenty-five percent (25%) of the Remaining Assets. In	\$[_____]	_____%

Class	Type of Claim or Equity Interest	Treatment	Approximate Allowed Amount	Approximate Percentage Recovery
		addition, upon satisfaction in full of all DIP Claims, the Debtors shall, immediately upon receipt, transfer to the holders of Senior Secured Loan Claims any and all assets (other than Excluded Assets), or proceeds from any assets, including but not limited to, any refunds or returns of overpayments received from any customer, vendor or taxing authority or similar receipt, received, held or otherwise under the control of the Estates, the Debtors or any successor of the Debtors, until all Senior Secured Loan Claims are fully and finally satisfied.		
3	Allowed General Unsecured Claims	Impaired. Except to the extent that a holder of an Allowed General Unsecured Claim has been paid by the Debtors or the Purchasers prior to the Effective Date or agrees to a less favorable classification and treatment, (i) each holder of an Allowed General Unsecured Claim shall receive (A) its Pro Rata share of seventy-five percent (75%) of the Debtors' Remaining Assets and (B) the Contingent Value Right. Distributions to holders of Allowed General Unsecured Claims shall be made as soon as practicable as the Responsible Person may determine in its sole discretion.	\$[_____]	_____%
4	Equity Interests	Impaired/No Distribution. Holders of Equity Interests	\$0	0%

Class	Type of Claim or Equity Interest	Treatment	Approximate Allowed Amount	Approximate Percentage Recovery
		shall receive no Distribution under the Plan. All Equity Interest/shares of stock in the Debtors shall be deemed cancelled upon the Effective Date.		

### **ARTICLE III.**

#### **GENERAL INFORMATION**

##### **A. OVERVIEW OF BANKRUPTCY LAW**

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize or liquidate its business for the benefit of itself, its creditors and its equity interest holders. In addition to permitting the rehabilitation or liquidation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated equity interest holders with respect to the distribution of a debtor's assets. The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the Petition Date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan is the principal objective of a chapter 11 case. A plan sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan by the bankruptcy court binds the debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor. Subject to certain limited exceptions, the order approving confirmation of a plan discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.

Certain holders of claims against and interests in a debtor are permitted to vote to accept or reject the plan. Prior to soliciting acceptances of the proposed plan, however, section 1125 of the Bankruptcy Code requires a debtor to prepare, and obtain bankruptcy court approval of, a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical investor of the relevant classes to make an informed judgment regarding the plan. The Debtors are submitting this Disclosure Statement to holders of Claims against and Equity Interests in the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code.

##### **B. OVERVIEW OF THE DEBTORS**

The Debtors and their non-debtor affiliate companies throughout the world (collectively "IMRIS" or the "Company") were in the business of designing, manufacturing and marketing image-guided therapy systems that enhanced the effectiveness on a cost-efficient basis of therapy

delivery, including multiple field strength Magnetic Resonance systems, X-Ray Fluoroscopy systems, and Computed Tomography (CT) systems. All of these imaging capabilities were marketed by the Debtors as the VISIUS Surgical Theatre™, combining their visualization technology products with therapy delivery products in a single integrated system that has the ability to provide timely information to clinicians to properly assess the treatment plan at the point of therapy delivery. The Company's portfolio of products included VISIUS Surgical Theatres, service and extended maintenance contracts, accessories and disposables relating to the Company's installations. An organizational chart of the Company is attached hereto as Exhibit C.

In 2010, IMRIS expanded its business beyond the imaging and service business platforms when the Company acquired Debtor NeuroArm Surgical Limited ("NASL") and all of its intellectual property. From that point, the Company developed the SYMBIS Surgical System™, a surgeon-controlled surgical robot designed to enable minimally invasive procedures with more precise placement of instruments. This system consisted of MR compatible robot arms and a surgical control console integrated together in the VISIUS Surgical Theatre. The SYMBIS Surgical System was designed to be installed in both existing VISIUS Surgical Theatre systems and in new installations.

## **C. CAPITAL STRUCTURE OF THE COMPANY**

### **1. Senior Secured Credit Facility**

The Debtors are parties or guarantors to that certain Facility Agreement dated as of September 16, 2013 (as amended, modified and supplemented from time to time, the "Prepetition Credit Agreement") with Deerfield Private Design Fund II, L.P., Deerfield Private Design International II, L.P. and Deerfield Special Situations Fund, L.P., the lender parties thereto (the "Prepetition Lenders" or "Deerfield"). As of the Petition Date, the outstanding principal amount under the Prepetition Credit Agreement was approximately \$26.87 million, exclusive of accrued and unpaid interest.

### **2. Trade Debt**

As of the Petition Date, the Debtors estimated that they had outstanding unsecured obligations of approximately \$11.3 million, excluding intercompany payables.

## **ARTICLE IV.**

### **KEY EVENTS LEADING TO THE COMMENCEMENT OF THE CHAPTER 11 CASES**

The purchase and installation of a VISIUS Surgical Theatre represented a significant capital project for the Company's customers, with the cost of an integrated VISIUS Surgical Theatre ranging from approximately \$1.5 million to \$12 million depending on the product selected, the room configuration and the level of integration services requested. Owing to the costs of these projects and to the number of healthcare stakeholders involved, the Company's sales cycle was both complex and lengthy, typically lasting more than 12 months from initial customer engagement to receipt of a purchase order. As a result, the Company experienced

continued operating losses which resulted in declining cash in 2013. The combination of lower margins and sale volumes, high employee costs and the inability to obtain additional liquidity when confronted with mounting losses during the second and third quarters of 2013, significantly affected the Company's liquidity and ability to pay its debts as they became due.

Prior to filing these chapter 11 cases, the Company undertook a focused marketing process to explore a broad range of strategic financing and sale options for the Company and its various business units, focusing on (a) the surgical theatre, (b) service and (c) robotics business platforms. After careful evaluation and further negotiation with the Company's stakeholders, including Deerfield, it was determined that the structure and financial support through securing debtor in possession financing provided by an affiliate of Deerfield as the DIP Agent (the "DIP Agent") on behalf of Deerfield Private Design Fund II, L.P., Deerfield Private Design International II, L.P., and Deerfield Special Situations Fund, L.P. (the "DIP Lenders"), as well as the ability of the Debtors to conduct an auction in this Court and subsequently consummate a sale transaction, presented the best option for the Company. The Debtors believed that an expedited sale of their business was essential to not only preserving the underlying value of their operations by providing customers and employees with a clear path forward, but in satisfying the obligations to their creditors.

## **ARTICLE V.**

### **SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASES**

#### **A. RETENTION OF PROFESSIONALS BY THE DEBTORS**

On July 13, 2015, the Court authorized the Debtors to retain DLA Piper LLP (US) and DLA Piper (Canada) LLP (collectively, "DLA Piper") as their attorneys pursuant to section 327(a) of the Bankruptcy Code in connection with these Chapter 11 Cases [D.I. 144]. Additionally, pursuant to sections 327(a) and 328(a) of the Bankruptcy Code, the Court authorized the Debtors to retain Imperial Capital, LLC ("Imperial") as financial advisor and investment banker [D.I. 143], FTI Consulting, Inc. ("FTI") as the Debtors' financial advisor and consultant [D.I. 129] and Andrew Hinkelman of FTI as the Debtors' Chief Restructuring Officer (the "CRO").

#### **B. FORMATION OF THE CREDITORS COMMITTEE**

The Office of the United States Trustee formed the Creditors Committee on June 4, 2015 [D.I. 74]. The Creditors Committee retained Womble Carlyle Sandrige & Rice, LLP as counsel [D.I. 76] and Emerald Capital Advisors as financial advisors [D.I. 182].

#### **C. DIP FINANCING**

In order to have sufficient cash to operate their businesses while in bankruptcy, the Debtors sought post-petition financing. On June 24, 2015, the Bankruptcy Court entered the DIP Order [D.I. 116]. Under the DIP Order and the DIP Credit Agreement approved thereunder, the Debtors were authorized to obtain post-petition financing, and to secure this financing, the post-petition lenders, including the Senior Secured Loan Lenders, were granted liens on significantly all of the Debtors' assets. The DIP Credit Agreement was subsequently amended by (i)

Amendment No. 1 to the DIP Credit Agreement dated June 25, 2015 increasing the total aggregate amount of the DIP Financing, pursuant to the Court's order approving the same [D.I. 116], (ii) Amendment No. 2 to the DIP Credit Agreement dated July 31, 2015 extending the maturity date of the DIP Financing from August 7, 2015 to August 14, 2015 [D.I. 193], and (iii) Amendment No. 3 to the DIP Credit Agreement dated August 12, 2015 increasing the total aggregate amount of the DIP Financing, pursuant to the Court's order approving the same [D.I. 213].

#### **D. BIDDING PROCEDURES AND SALE PROCESS**

##### **1. Proposed Bid Procedures**

On the Petition Date, the Debtors filed their *Motion of the Debtors and Debtors in Possession Pursuant to Sections 105(a), 363 and 365 of the Bankruptcy Code for an Order (I)(A) Approving Bidding Procedures in Connection with the Sale of Substantially All of the Debtors' Assets; (B) Scheduling the Related Auction and Hearing to Consider Approval of Sale; (C) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; (D) Approving the Form and Manner of Notice Thereof; (E) Approving Expense Reimbursement; and (F) Granting Related Relief; and (II)(A) Authorizing the Sale of Substantially All of the Debtors' Assets Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (B) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases Related Thereto; and (C) Granting Related Relief* [D.I. 19] (the "Sale Motion"). The Sale Motion set forth both the proposed schedule and process, as well as proposed bidding procedures. The procedural relief requested in the Sale Motion was granted on June 16, 2015 [D.I. 98].

##### **2. Continued Marketing of the Debtors**

As referenced above, the Debtors and their investment banking professionals conducted an extensive marketing process prior to filing of the Chapter 11 Cases. This marketing continued after the filing of the Chapter 11 Cases and included establishing and maintaining a "data room" for prospective purchasers to conduct due diligence. In total, Imperial contacted more than 70 parties that were potential purchasers of IMRIS. Nearly 20 of these parties were interested in further investigating the opportunity and signed confidentiality agreements to receive a confidential information memorandum that fully described the business and the opportunity. In the end, despite Imperial's extensive marketing efforts, they were unable to generate further interest in the Company. Consequently, Deerfield agreed to acquire substantially all of the Debtors' assets on terms negotiated between them and the Debtors pursuant to the Final APA (the "Sale").

##### **3. Approval of Final APA and Closing of the Sale**

On August 12, 2015, the Court held a hearing on the approval of the Final APA and authorization to close the Sale. The Final APA provided for, among other things, the assumption of certain trade liabilities including, among other things, payment of cure amounts associated with the assumption and assignment of many of the Debtors' executory contracts. In addition to the assumption of liabilities, the Purchaser credit bid \$4,500,000 of the Senior Secured Loan

Claims and assumed an additional \$10,000,000 of Senior Secured Loan Claims, for a total purchase price of \$14,500,000..

In addition, the DIP Lenders agreed to fund the costs, fees and expenses incurred by the Debtors in connection with the administration of the Chapter 11 Cases, subject to an agreed-upon Wind-Down Budget among the Debtors and the DIP Lenders. In connection, therewith, the Debtors and the DIP Lenders entered into an amendment to the DIP Facility, pursuant to which the DIP Lenders agreed to lend such additional funds to the Debtors in order to facilitate an orderly wind down of the Debtors' Chapter 11 Cases. Immediately following the closing of the sale on August 14, 2015, the DIP Lenders funded \$2,748,000 to be used, in accordance with the Sale Settlement Stipulation among the Debtors, the Purchasers and the Creditors Committee, to fund the administrative expenses of the Debtors' estates including, among other things, the fees and expenses of estate professionals, the cost of winding down certain foreign subsidiaries, the costs of paying administrative priority taxes incurred by the Debtors, and the costs of winding down the Debtors' estates. Pursuant to the Sale Settlement Stipulation, the DIP Lenders agreed to carve out certain rights from their DIP Facility collateral the proceeds of the Specified Actions, as well as those funds constituting the Wind-Down Budget.

#### **E. BAR DATE**

On July 31, 2015, the Debtors filed a motion to fix a deadline (the "Bar Date") to file all proofs of claim against the Debtors with respect to any prepetition claims including claims asserted under section 503(b)(9) of the Bankruptcy Code [D.I. 189]. On August 25, 2015, the Bankruptcy Court entered the Bar Date Order establishing October 30, 2015 as the Bar Date as to non-governmental entities, and December 1, 2015 as to governmental entities [D.I. 234].

### **ARTICLE VI.**

#### **THE PLAN OF LIQUIDATION**

##### **A. INTRODUCTION**

The Debtors believe that (i) through the Plan, holders of Allowed Claims will receive a greater recovery from the Estates than the recovery that they would receive in a liquidation of the Debtors under chapter 7 of the Bankruptcy Code and (ii) the Plan will afford the Debtors the opportunity and ability to liquidate their businesses in a timely and efficient manner to preserve value for the Estates.

The Plan is annexed hereto as Exhibit A and forms a part of this Disclosure Statement. The summary of the Plan set forth below is qualified in its entirety by reference to the provisions of the Plan.

Statements as to the rationale underlying the treatment of Claims and Equity Interests under the Plan are not intended to, and shall not, waive, compromise or limit any rights, claims or causes of action in the event the Plan is not confirmed.

##### **B. CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN OF LIQUIDATION**

One of the key concepts under the Bankruptcy Code is that only claims and equity interests that are “allowed” may receive distributions under a chapter 11 plan. This term is used throughout the Plan and the descriptions below. In general, an “allowed” claim or “allowed” equity interest simply means that the Debtors agree, or in the event of a dispute, that the Bankruptcy Court determines, that the claim or equity interest, and the amount thereof, is in fact a valid obligation of the Debtors. Section 502(a) of the Bankruptcy Code provides that a timely filed claim or equity interest is automatically “allowed” unless a debtor or other party in interest objects. However, section 502(b) of the Bankruptcy Code specifies certain claims that may not be “allowed” in bankruptcy even if a proof of claim is filed. These include, but are not limited to, claims that are unenforceable under the governing agreement between a debtor and the claimant or applicable non-bankruptcy law, claims for unmatured interest, property tax claims in excess of the debtor’s equity in the property, claims for services that exceed their reasonable value, real property lease and employment contract rejection damage claims in excess of specified amounts, late-filed claims and contingent claims for contribution and reimbursement. Additionally, Bankruptcy Rule 3003(c)(2) prohibits the allowance of any claim or equity interest that either is not listed on the debtor’s schedules or is listed as disputed, contingent or unliquidated, if the holder has not filed a proof of claim or equity interest before the established deadline.

The Bankruptcy Code requires that, for purposes of treatment and voting, a chapter 11 plan divide the different claims against, and equity interests in, the debtor into separate classes based upon their legal nature. Claims of a substantially similar legal nature are usually classified together, as are equity interests of a substantially similar legal nature. Because an entity may hold multiple claims and/or equity interests which gives rise to different legal rights, the “claims” and “equity interests” themselves, rather than their holders, are classified.

Under a chapter 11 plan, the separate classes of claims and equity interests must be designated either as “impaired” (affected by the plan) or “unimpaired” (unaffected by the plan). If a class of claims is “impaired,” the Bankruptcy Code affords certain rights to the holders of such claims, such as the right to vote on the plan, and the right to receive, under the chapter 11 plan, no less value than the holder would receive if the debtor were liquidated in a case under chapter 7 of the Bankruptcy Code. Under section 1124 of the Bankruptcy Code, a class of claims or interests is “impaired” unless the plan (i) does not alter the legal, equitable and contractual rights of the holders or (ii) irrespective of the holders’ acceleration rights, cures all defaults (other than those arising from the debtor’s insolvency, the commencement of the case or nonperformance of a non-monetary obligation), reinstates the maturity of the claims or interests in the class, compensates the holders for actual damages incurred as a result of their reasonable reliance upon any acceleration rights and does not otherwise alter their legal, equitable and contractual rights. Typically, this means that the holder of an unimpaired claim will receive whatever recovery is provided for in the plan on the later of the consummation date or the date on which amounts owing are actually due and payable. Thus, other than its right to accelerate the debtor’s obligations, the holder of an unimpaired claim will be placed in the position it would have been in had the debtor’s case not been commenced.

Pursuant to section 1126(f) of the Bankruptcy Code, holders of unimpaired claims or interests are “conclusively presumed” to have accepted the Plan. Accordingly, their votes are not solicited. Under the Plan, no Claims are unimpaired.

Under certain circumstances, a class of claims or equity interests may be deemed to reject a plan of reorganization. For example, a class is deemed to reject a plan of reorganization under section 1126(g) of the Bankruptcy Code if the holders of claims or interests in such class do not receive or retain property under the plan on account of their claims or equity interests.

Consistent with these requirements, the Plan divides the Allowed Claims against, and Equity Interests in, the Debtors into the following Classes:

<u><b>Class</b></u>	<u><b>Claim</b></u>	<u><b>Status</b></u>	<u><b>Voting Rights</b></u>
1	Other Secured Claims	Unimpaired	Deemed to Accept
2	Senior Secured Loan Claims	Impaired	Entitled to Vote
3	General Unsecured Claims	Impaired	Entitled to Vote
4	Equity Interests	Impaired and No Distribution	Deemed to Reject

1. **Unclassified**

a. Administrative Claims

Administrative Claims are the actual and necessary costs and expenses of the Debtors' Chapter 11 Cases that are allowed under and in accordance with sections 330, 365, 503(b), 507(a)(2) and 507(b) of the Bankruptcy Code. Such expenses will include, but are not limited to, actual and necessary costs and expenses of preserving the Debtors' estates, actual and necessary costs and expenses of operating the Debtors' businesses, indebtedness or obligations incurred or assumed by the Debtors during the Chapter 11 Cases and compensation for professional services rendered and reimbursement of expenses incurred. Specifically excluded from Administrative Claims are any fees or charges assessed against the estates of the Debtors under § 1930 of chapter 123 of title 28 of the United States Code, which fees or charges, if any, will be paid in accordance with Article V.N of the Plan.

The Responsible Person shall pay, solely from the Wind-Down Amount, each holder of an Allowed Administrative Claim, in satisfaction of such Allowed Administrative Claim, the full unpaid amount of such Allowed Administrative Claim in Cash: (1) on the Effective Date or as soon as practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as practicable thereafter); (2) if such Claim is Allowed after the Effective Date, on the date such Claim is Allowed or as soon as practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as practicable thereafter); (3) at such time and upon such terms as may be agreed upon by such holder and the Responsible Person; or (4) at such time and upon such terms as set forth in an order of the Bankruptcy Court; *provided, however*, that Administrative Claims do not include administrative claims filed or asserted pursuant to section 503(b)(9) of the Bankruptcy Code after the General Bar Date, unless the Responsible Person, in its discretion, chooses to treat such Claims as Administrative Claims.

b. DIP Claims

The DIP Claims shall be Allowed Claims in the amount of [\$].

The Debtors shall, immediately upon receipt, transfer to the DIP Lenders any and all assets (other than Excluded Assets), or proceeds from any assets, including but not limited to, any refunds or returns of overpayments received from any customer, vendor or taxing authority or similar receipt, received, held or otherwise under the control of the Estates, the Debtors or any successor of the Debtors, until all DIP Claims are fully and finally satisfied. Notwithstanding the foregoing, the Debtors shall not transfer the Wind-Down Amount to the DIP Lenders so long as the Debtors, the Creditors Committee, and each of their successors and assigns have not breached the terms of the Sale Settlement Stipulation. To the extent any such breach occurs, the Wind-Down Amount shall immediately be transferred to the holders of DIP Claims, and upon satisfaction of all DIP Claims, to holders of Senior Secured Loan Claims until such claims are satisfied in full.

Other than the Contingent Value Right, all other distributions set forth in the Plan shall be made solely from the Wind-Down Amount.

c. Administrative Claims and Administrative Expense Request Deadline

Except as otherwise provided herein, on or before 5:00 p.m., prevailing Eastern time, on the Administrative Claims Bar Date, each holder of an Administrative Claim (other than a holder of a DIP Claim) shall file with the Bankruptcy Court and serve on counsel for (i) the Debtors, (ii) the Creditors Committee, (iii) the U.S. Trustee, and (iv) the Responsible Person, any request for payment of an Administrative Claim. Requests for payment of an Administrative Claim must include at a minimum: (i) the name of the holder of the Administrative Claim; (ii) the amount of the Administrative Claim; (iii) the basis of the Administrative Claim; and (iv) all supporting documentation for the Administrative Claim.

The request for payment of an Administrative Claim will be timely filed only if it is filed with the Bankruptcy Court by the Administrative Claims Bar Date. Requests for payment of Administrative Claims may **not** be delivered by facsimiles, telecopy or electronic mail transmission.

Notwithstanding anything herein, the Professionals shall not be required to file a request for payment of any Administrative Claim on or before the Administrative Claims Bar Date for fees and expenses arising under sections 330, 331 or 503(b)(2-5) of the Bankruptcy Code, as such Professionals will instead file final fee applications in accordance with Article II.C of the Plan.

d. Professional Compensation and Reimbursement Claims

The deadline for submission by Professionals for Bankruptcy Court approval of Accrued Professional Compensation shall be sixty (60) days after the Effective Date. Any Professional or other Person or Entity that is required to file and serve a request for approval of Accrued Professional Compensation and fails to timely file and serve such request on or before such date shall be forever barred, estopped and enjoined from asserting such request or participating in Distributions under the Plan on account thereof. If the Bankruptcy Court approves, by Final Order, the payment of Accrued Professional Compensation, the Responsible Person shall pay

from the Wind-Down Amount, the applicable Professional the approved unpaid amount of such Accrued Professional Compensation in Cash as soon as practicable thereafter. Prior to the Effective Date, all Professionals shall provide to the Debtors an estimate of their Accrued Professional Compensation through the Effective Date (including an estimate for fees and expenses expected to be incurred after the Effective Date to prepare and prosecute allowance of final fee applications). All submissions for approval of Accrued Professional Compensation must comply with the Bankruptcy Code, the Bankruptcy Rules and the local rules of the Bankruptcy Court.

e. Priority Tax Claims

A Priority Tax Claim is any Claim of a governmental unit of the kind specified in section 507(a)(8) of the Bankruptcy Code.

The Responsible Person shall pay, from the Wind-Down Amount, each holder of an Allowed Priority Tax Claim, in satisfaction of such Allowed Priority Tax Claim, the full unpaid amount of such Allowed Priority Tax Claim in Cash, on the later of (i) the Effective Date, (ii) the date such Allowed Priority Tax Claim becomes Allowed or as soon as practicable thereafter and (iii) the date such Allowed Priority Tax Claim is payable under applicable non-bankruptcy law.

f. Other Priority Claims

An Other Priority Claim is any Claim accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than a Priority Tax Claim.

The Responsible Person shall pay, from the Wind-Down Amount, each holder of an Allowed Other Priority Claim, in satisfaction of such Allowed Other Priority Claim, the full unpaid amount of such Allowed Other Priority Claim in Cash, on the later of (i) the Effective Date or as soon as practicable thereafter, (ii) the date such Allowed Other Priority Claim becomes Allowed or as soon as practicable thereafter and (iii) the date such Allowed Other Priority Claim is payable under applicable non-bankruptcy law.

2. **Classified**

a. Class 1 (Other Secured Claims) – *Unimpaired*

Class 1 consists of Other Secured Claims.

Class 1 is Impaired and, therefore, holders of Other Secured Claims in Class 1 are entitled to vote to accept or reject the Plan

Except to the extent that a holder of an Allowed Other Secured Claim has been paid by the Debtors or the Purchaser prior to the Effective Date or agrees to a less favorable classification and treatment, each holder of an Allowed Other Secured Claim shall receive the collateral securing its Allowed Other Secured Claim on or as soon as practicable after the latest to occur of: (i) the Effective Date; (ii) the first Business Day after the date that is ten (10) Business Days after the date such Claim becomes an Allowed Other Secured Claim; and (iii) the date or dates agreed to by the Responsible Person and the holder of the Allowed Other Secured

Claim; provided, however, that in the event that the Debtors no longer retain the collateral securing the Allowed Other Secured Claim, the holder of the Allowed Other Secured Claim shall receive a deficiency General Unsecured Claim in lieu thereof.

b. Class 2 (Senior Secured Loan Claims) – *Impaired*

Class 2 consists of Senior Secured Loan Claims.

Class 2 is Impaired and, therefore, holders of Senior Secured Loan Claims in Class 2 are entitled to vote to accept or reject the Plan.

The Senior Secured Loan Claims shall be Allowed Claims in the amount of [\$]. Holders of Senior Secured Loan Claims shall receive their pro rata share of twenty-five percent (25%) of the Remaining Assets. In addition, upon satisfaction in full of all DIP Claims, the Debtors shall, immediately upon receipt, transfer to the holders of Senior Secured Loan Claims any and all assets (other than Excluded Assets), or proceeds from any assets, including but not limited to, any refunds or returns of overpayments received from any customer, vendor or taxing authority or similar receipt, received, held or otherwise under the control of the Estates, the Debtors or any successor of the Debtors, until all Senior Secured Loan Claims are fully and finally satisfied. Notwithstanding the foregoing, the Debtors shall not transfer the Wind-Down Amount to the DIP Lenders so long as the Debtors, the Creditors Committee, and each of their successors and assigns have not breached the terms of the Sale Settlement Stipulation. To the extent any such breach occurs, the Wind-Down Amount shall immediately be transferred to the holders of DIP Claims, and upon satisfaction of all DIP Claims, to holders of Senior Secured Loan Claims until such Claims are satisfied in full.

c. Class 3 (General Unsecured Claims) – *Impaired*

Class 3 consists of General Unsecured Claims.

Class 3 is Impaired and, therefore, holders of General Unsecured Claims in Class 3 are entitled to vote to accept or reject the Plan.

Except to the extent that a holder of an Allowed General Unsecured Claim has been paid by the Debtors or the Purchasers prior to the Effective Date or agrees to a less favorable classification and treatment, (i) each holder of an Allowed General Unsecured Claim shall receive (A) its Pro Rata share of seventy-five percent (75%) of the Debtors' Remaining Assets and (B) the Contingent Value Right. Distributions to holders of Allowed General Unsecured Claims shall be made as soon as practicable as the Responsible Person may determine in its sole discretion.

d. Class 4 (Equity Interests) – *Impaired*

Class 4 consists of Equity Interests.

Class 4 will receive no Distribution under the Plan and therefore, holders of Equity Interests in Class 4 are deemed to have rejected the Plan and are not entitled to vote on the Plan.

Class 4 is Impaired and will neither receive any Distribution nor retain any property under the Plan. All equity interest/shares of stock in the Debtors shall be deemed canceled upon the Effective Date.

3. **Special Provision Governing Unimpaired Claims**

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' rights with respect to any Unimpaired Claim, including, without limitation, all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claim.

4. **Nonconsensual Confirmation**

If any Impaired Class of Claims entitled to vote does not accept the Plan by the requisite statutory majority provided in section 1126 of the Bankruptcy Code, the Debtors reserve the right to amend the Plan or to undertake to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code, or both. With respect to an Impaired Class that is deemed to reject the Plan, the Debtors intend to request that the Bankruptcy Court confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code notwithstanding the deemed rejection of the Plan by such Class.

**C. MEANS FOR IMPLEMENTATION OF THE PLAN**

The Debtors propose to implement and consummate the Plan on and after the Effective Date.

1. **The Responsible Person**

The Responsible Person shall be deemed to have been appointed as the respective Estates' representative by the Bankruptcy Court pursuant to section 1123(b)(3)(B) of the Bankruptcy Code. The Responsible Person shall be entitled to retain counsel and other professionals to carry out its duties. The Responsible Person shall have all defenses available to the Debtors, consistent with and pursuant to Section 558 of the Bankruptcy Code.

2. **Role of the Responsible Person**

In furtherance of and consistent with the purpose of the Plan, the Responsible Person shall, among other things, have the rights, powers and duties, subject to the limitations set forth herein: (a) to hold, manage, dispose of, sell, convert to Cash, and distribute the Debtors' assets, including investigating, prosecuting and resolving the Causes of Action of the Debtors, if any; (b) to hold the Debtors' assets for the benefit of the Creditors that are entitled to Distributions therefrom under the Plan, whether their Claims are Allowed on or after the Effective Date; (c) in the Responsible Person's reasonable business judgment, to investigate, prosecute, settle, liquidate, dispose of, and/or abandon the Debtors' assets, including rights, Causes of Action or litigation; (d) to monitor and enforce the implementation of the Plan; (e) to file all tax and regulatory forms, returns, reports and other documents and financial information required with respect to the Debtors; (f) in the Responsible Person's reasonable business judgment, to reconcile and object to Claims and Equity Interests, and manage, control, prosecute and/or settle on behalf of the Estates, objections to Claims and Equity Interests on account of which the Responsible

Person (as Disbursing Agent) will be responsible (if Allowed) for making Distributions under the Plan; (g) to take all actions necessary, and create any documents necessary, to wind up the affairs and effect a dissolution of the Debtors and implement the Plan; (h) to hold, manage, and distribute the Debtors' assets obtained through the exercise of its power and authority; (i) to act as a signatory of the Debtors and for all purposes, including those associated with the novation of contracts or other obligations arising out of the sales of any remaining assets; (j) to dispose of the books and records transferred to the Responsible Person in a manner deemed appropriate by the Responsible Person; (k) to take all necessary action and file all appropriate motions to obtain an order and a Final Decree closing the Chapter 11 Cases; (l) to enter into and exercise rights under contracts that are necessary or desirable to the administration of the Debtors and execute any documents or pleadings related to the liquidation of the assets; (m) to establish and maintain bank accounts and terminate such accounts as the Responsible Person deems appropriate; (n) to bring suits or defend itself against such suits, if any, as the Responsible Person determines in connection with any matter arising from or related to the Plan that affects in any way the rights or obligations of Creditors or holders of Equity Interests; (o) to take all actions required under the TSA and the RTSA; and (p) to take such other and further actions as are permitted by the Plan and are not inconsistent with the Plan, the TSA, or the RTSA. In all circumstances, the Responsible Person shall use reasonable best efforts to maximize the value of the assets of the Debtors' Estates in the best interests of all Creditors.

The Responsible Person may resign by giving at least thirty (30) days prior written notice thereof to the Bankruptcy Court. Such resignation shall become effective on the later to occur of (a) the date specified in such written notice and (b) the effective date of the appointment of a successor Responsible Person in accordance with the terms hereof and such successor's acceptance of such appointment in accordance with the terms hereof.

The Responsible Person may be removed, for cause, and replaced by the Bankruptcy Court upon motion by any interested party, duly noticed to the Responsible Person. Such removal shall become effective on the date specified in such action by the Bankruptcy Court.

The resignation, removal, incompetency, bankruptcy or insolvency of the Responsible Person shall not operate to revoke any existing agency created pursuant to the terms of the Plan or the Confirmation Order, or invalidate any action theretofore taken by the Responsible Person. All fees and expenses incurred by the Responsible Person prior to the resignation, incompetency or removal shall be paid from the Wind-Down Amount, unless such fees and expenses are disputed by the successor Responsible Person, in which case the Bankruptcy Court shall resolve the dispute and any disputed fees and expenses of the predecessor Responsible Person that are subsequently allowed by the Bankruptcy Court shall be paid from the Wind-Down Amount. In the event of the resignation or removal of the Responsible Person, Responsible Person shall: (a) promptly execute and deliver such documents, instruments and other writings as may be reasonably requested by the successor Responsible Person or directed by the Bankruptcy Court to effect the termination of such Responsible Person's capacity under the Plan and Confirmation Order; (b) promptly deliver to the successor Responsible Person all documents, instruments, records and other writings related to the administration of the assets as may be in the possession of such Responsible Person; *provided, however*, that such Responsible Person may retain one copy of each of such documents for its purposes, subject to the terms of any joint prosecution and common interest agreement to which the Responsible Person is party; and (c) otherwise

assist and cooperate in effecting the assumption of its obligations and functions by such successor Responsible Person.

Any successor Responsible Person appointed hereunder shall execute an instrument accepting its appointment and shall deliver one counterpart thereof to the Bankruptcy Court for filing and, in case of the Responsible Person's resignation, to the resigning Responsible Person. Thereupon, such successor Responsible Person shall, without any further act, become vested with all the liabilities, duties, powers, rights, title, discretion and privileges of its predecessor with like effect as if originally named Responsible Person and shall be deemed appointed pursuant to Bankruptcy Code section 1123(b)(3)(B). The resigning or removed Responsible Person shall duly assign, transfer and deliver to such successor Responsible Person all property and money held by such resigning or removed Responsible Person hereunder and shall, as directed by the Bankruptcy Court or reasonably requested by such successor Responsible Person, execute and deliver an instrument or instruments conveying and transferring to such successor Responsible Person, all the liabilities, duties, powers, rights, title, discretion and privileges of such resigning or removed Responsible Person.

### 3. **Responsible Person's Tax Powers**

Following the Effective Date, the Responsible Person shall prepare and file (or cause to be prepared and filed) on behalf of the Debtors all Tax Returns that the Responsible Person deems appropriate.

The Responsible Person and the Debtors shall reasonably cooperate with each other, and shall cause their respective officers, employees, agents, auditors and other Representatives to reasonably cooperate, in preparing and filing all Tax Returns and in resolving all disputes and audits with respect to all taxable periods relating to the Debtors.

### 4. **Cash**

The Responsible Person may invest Cash (including any earnings thereon or proceeds therefrom) in any manner permitted to be made by a liquidating trust within the meaning of Treasury Regulation section 301.7701-4(d), as reflected therein, or under applicable Internal Revenue Service guidelines, rulings, or other controlling authorities.

### 5. **Costs and Expenses of the Responsible Person**

The costs and expenses of the Responsible Person, and its retained professionals, shall be paid out of the Wind-Down Amount.

### 6. **Retention of Professionals by, and payment of the Responsible Person**

The Responsible Person may retain and compensate attorneys and other professionals to assist in its duties on such terms (including on a contingency or hourly basis) as it deems reasonable and appropriate without Bankruptcy Court approval.

### 7. **Tax Reporting**

The Responsible Person shall file (or cause to be filed) any statements, returns or disclosures relating to the Debtors that are required by any governmental unit.

The Responsible Person shall be responsible for payment, out of the Wind-Down Amount, of any taxes imposed on the Debtors or their respective assets, including the applicable Disputed Priority and Administrative Claims Reserve. In the event, and to the extent, any Cash retained on account of Disputed Claims in the applicable Disputed Priority and Administrative Claims Reserve is insufficient to pay the portion of any such taxes attributable to the taxable income arising from the assets allocable to, or retained on account of, Disputed Claims, such taxes shall be (a) reimbursed from any subsequent Cash amounts retained on account of Disputed Claims or (b) to the extent such Disputed Claims have subsequently been resolved, deducted from any amounts otherwise distributable by the Responsible Person (as applicable) as a result of the resolution of such Disputed Claims.

#### 8. **Dissolution**

The Debtors shall be dissolved at the earlier of: (a) all of the Debtors' assets having been distributed pursuant to the Plan and (b) the Responsible Person determining, in its sole discretion, that the administration of the Debtors' assets is not likely to yield sufficient additional proceeds to justify further pursuit; *provided, however*, that such dissolution does not result in a breach of the RTSA. If at any time the Responsible Person determines, in reliance upon such professionals as the Responsible Person may retain, that the expense of administering the Debtors' assets, including the making of a final Distribution to its Creditors, is likely to exceed the value of the assets remaining in the Debtors' Estates, the Responsible Person may dissolve the Debtors.

#### 9. **Indemnification of the Responsible Person**

The Indemnified Persons shall be held harmless and shall not be liable for actions taken or omitted in their capacity as, or on behalf of, the Responsible Person, except those acts that are determined by Final Order of the Bankruptcy Court to have arisen out of their own intentional fraud, willful misconduct or gross negligence, and each shall be entitled to be indemnified, held harmless and reimbursed for fees and expenses including, without limitation, reasonable attorney's fees, which such Persons and Entities may incur or may become subject to or in connection with any action, suit, proceeding or investigation that is brought or threatened against such Persons or Entities in respect of that Person's or Entity's or the Responsible Person's actions or inactions regarding the implementation or administration of this Plan, or the discharge of their duties hereunder, except for any actions or inactions that are determined by Final Order of the Bankruptcy Court to have arisen from intentional fraud, willful misconduct or gross negligence. Any Claim of the Indemnified Persons to be indemnified, held harmless or reimbursed shall be satisfied from the Wind-Down Amount or any applicable insurance coverage and shall be senior to any Distribution made to Class 3 holders.

#### 10. **Cancellation of Existing Securities and Agreements**

Except for purposes of evidencing a right to Distributions under the Plan or as otherwise provided hereunder, on the Effective Date, all agreements and other documents evidencing the

rights of any holder of an Equity Interest against any of the Debtors, including, but not limited to, all share certificates evidencing such Equity Interests and any agreements or guarantees related thereto shall be deemed canceled and released as against the Debtors as set forth in and in accordance with this Plan but not as against any other Person.

11. **Operations of the Debtors Between the Confirmation Date and the Effective Date**

The Debtors shall continue to operate as debtors in possession during the period from the Confirmation Date through and until the Effective Date, and as a liquidating estate on and after the Effective Date. As of the Effective Date, the authority of the officers and directors of the Debtors will be terminated and such officers and directors will be deemed to have resigned without further action by the Debtors. The Plan will be administered and actions will be taken in the name of the Debtors through the Responsible Person, who shall become the sole director. The retention and employment of the Professionals retained by the Debtors shall terminate as of the Effective Date, *provided, however*, that the Debtors shall exist, and their Professionals shall be retained, after such date with respect to (a) applications filed pursuant to sections 330 and 331 of the Bankruptcy Code, (b) motions seeking the enforcement of the provisions of the Plan or the Confirmation Order and (c) such other matters as may be determined by the Debtors or Responsible Person, including without limitation, the filing and prosecuting of objections to Claims.

12. **Automatic Stay**

The automatic stay provided for under section 362 of the Bankruptcy Code shall remain in effect in the Chapter 11 Cases until the Effective Date.

13. **The Creditors Committee**

Upon the Effective Date, the Creditors Committee shall dissolve, and its members shall be released and discharged from all further authority, duties, responsibilities and obligations relating to and arising from the Chapter 11 Cases. The retention and employment of the Professionals retained by the Creditors Committee shall terminate as of the Effective Date, *provided, however*, that the Creditors Committee shall exist, and its Professionals shall be retained, after such date with respect to applications filed pursuant to sections 330 and 331 of the Bankruptcy Code and motions seeking the enforcement of the provisions of the Plan or the Confirmation Order.

14. **Books and Records**

As part of the appointment of the Responsible Person, to the extent not already transferred on the Effective Date, the Debtors shall transfer dominion and control over all of their Books and Records to the Responsible Person in whatever form, manner or media those Books and Records existed immediately prior to the transfer thereof to the Responsible Person. The Responsible Person may, in its reasonable judgment, abandon all such Books and Records on or after ninety (90) days from the Effective Date. Pursuant to section 554 of the Bankruptcy Code, this Article IV.N shall constitute a motion and notice, so that no further notice or Bankruptcy

Court filings are required to effectuate the aforementioned abandonment of the Books and Records of the Debtors.

15. **Substantive Consolidation; Closing of Certain of the Chapter 11 Cases**

The Plan shall serve as a motion of the Debtors seeking entry of a Bankruptcy Court order approving the substantive consolidation of the Debtors' Estates as provided for herein. As such, upon the Effective Date, without the need for further order of the Bankruptcy Court or motion of, or notice from, the Debtors or the Responsible Person, the chapter 11 estates of the Debtors shall be substantively consolidated. After the Effective Date, the Responsible Person shall make arrangements with the Clerk of the Bankruptcy Court to close the chapter 11 cases of the Debtors (Case Nos. 15-11133 (CSS), 15-11134 (CSS) and 15-11135 (CSS), respectively), without further order of the Bankruptcy Court.

16. **D&O Insurance Policies**

No D&O Insurance Policy shall be canceled, and the Debtors' directors, officers and employees who have valid claims against the D&O Insurance Policies for indemnification, defense, reimbursement, or limitation of liability may be paid from the D&O Insurance Policies to the extent of the coverage provided by the D&O Insurance Policies. As such, and notwithstanding anything in the Plan to the contrary, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, the D&O Insurance Policies, to the extent the contract providing for such is determined to be an executory contract, shall be deemed assumed by the Debtors.

**D. PROVISIONS GOVERNING VOTING AND DISTRIBUTIONS**

1. **Voting of Claims**

Each holder of an Allowed Claim in an Impaired Class of Claims that is entitled to vote on the Plan pursuant to Articles II and III of the Plan shall be entitled to vote separately to accept or reject the Plan, as provided in such order as is entered by the Bankruptcy Court establishing procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other order or orders of the Bankruptcy Court.

2. **Distribution Dates**

Distributions to holders of Claims shall be made as provided in Articles II and III of the Plan. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day but shall be deemed to have been completed as of the required date.

3. **Disbursing Agent**

All Distributions under the Plan shall be made by the Responsible Person as Disbursing Agent or such other entity designated by the Responsible Person as Disbursing Agent.

The Disbursing Agent shall be empowered to (1) effect all actions and execute all agreements, instruments and other documents necessary to perform its duties under the Plan, (2) make all Distributions contemplated by the Plan, (3) employ professionals to represent it with respect to its responsibilities and (4) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions of the Plan.

The Disbursing Agent shall only be required to act and make Distributions in accordance with the terms of the Plan and shall have no liability for actions taken in accordance with the Plan or in reliance upon information provided to it in accordance with the Plan or obligation or liability for Distributions under the Plan to any party who does not hold an Allowed Claim at the time of Distribution or who does not otherwise comply with the terms of the Plan.

Except as otherwise ordered by the Bankruptcy Court, any reasonable fees and expenses incurred by the Responsible Person acting as the Disbursing Agent (including, without limitation, reasonable attorneys' fees and expenses) on or after the Effective Date shall be paid in Cash from the Wind-Down Amount in the ordinary course of business without Bankruptcy Court approval.

4. **Record Date for Distributions**

Except as otherwise provided in a Final Order of the Bankruptcy Court, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 will be treated as the holders of those Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to the transfer may not have expired by the Effective Date. The Responsible Person shall have no obligation to recognize any transfer of any Claim occurring after the Effective Date.

5. **Delivery of Distributions**

Subject to Bankruptcy Rule 9010 and except as otherwise provided herein, Distributions to the holders of Allowed Claims shall be made by the Disbursing Agent at (a) the address of each holder as set forth in the Schedules, unless superseded by the address set forth on proofs of Claim filed by such holder or by written notification from the holder to the Responsible Person, or (b) the last known address of such holder if no proof of Claim is filed or if the Responsible Person has not been notified in writing of a change of address.

6. **Undeliverable and Unclaimed Distributions**

In the event that any Distribution to any holder of an Allowed General Unsecured Claim is returned as undeliverable to the Responsible Person, no further Distribution to such holder shall be made unless and until the Disbursing Agent has been notified in writing with evidence satisfactory to the Responsible Person of the current address of such holder prior to the time that any Distributions are made by the Responsible Person. All Distributions to holders of Allowed General Unsecured Claims that are unclaimed for a period of ninety (90) days after any interim Distribution or sixty (60) days after the final Distribution shall be deemed unclaimed property. After such time period, any entitlement of the applicable holder of an Allowed General Unsecured Claim to such Distribution shall be extinguished and forever barred and the

Responsible Person shall have no further obligation to make any Distribution to such holder of any unclaimed Distribution on account of such Allowed General Unsecured Claim.

7. **Manner of Cash Payments Under the Plan**

Except as otherwise provided herein, Cash payments made pursuant to the Plan shall be in United States dollars by checks drawn on a domestic bank or by wire transfer from a domestic bank, at the option of the Responsible Person.

8. **Compliance with Tax Requirements**

The Disbursing Agent may withhold and pay to the appropriate taxing authority all amounts required to be withheld pursuant to the Tax Code or any provision of any foreign, state or local tax law with respect to any payment or Distribution on account of Claims. All such amounts withheld and paid to the appropriate taxing authority shall be treated as amounts distributed to such holders of the Claims. The Disbursing Agent shall be authorized to collect such tax information from the holders of Claims (including social security numbers or other tax identification numbers) as it, in its sole discretion, deems necessary to effectuate the Plan. In order to receive Distributions under the Plan, all holders of Claims will need to identify themselves to the Disbursing Agent and provide all tax information the Disbursing Agent deems appropriate (including completing the appropriate Form W-8 or Form W-9, as applicable to each holder). The Disbursing Agent may refuse to make a Distribution to any holder of a Claim that fails to furnish such information within the time period specified by the Disbursing Agent, and such Distribution shall be deemed an unclaimed Distribution under the Plan, and, *provided further* that, if the Disbursing Agent fails to withhold in respect of amounts received or distributable with respect to any such holder and such Disbursing Agent is later held liable for the amount of such withholding, such holder shall reimburse the Disbursing Agent for such liability.

9. **No Payments of Fractional Dollars**

Notwithstanding any other provision of the Plan to the contrary, no payment of fractional dollars shall be made pursuant to the Plan. Whenever any payment of a fraction of a dollar under the Plan would otherwise be required, the actual Distribution made shall reflect a rounding down of such fraction to the nearest whole dollar.

10. **Interest on Claims**

Except as specifically provided for in this Plan or the Confirmation Order or required by the Bankruptcy Code, interest shall not accrue on Claims and no holder of a Claim shall be entitled to interest on any Claim accruing on or after the Petition Date. Interest shall not accrue on any General Unsecured Claim that is a Disputed Claim in respect of the period from the Effective Date to the date a final Distribution is made thereon if and after that Disputed Claim becomes an Allowed Claim. Except as expressly provided herein or in a Final Order of the Bankruptcy Court, no prepetition Claim shall be Allowed to the extent that it is for postpetition interest or similar charges.

11. **No Distribution in Excess of Allowed Amount of Claim**

Notwithstanding anything to the contrary contained in the Plan, no holder of an Allowed Claim shall receive in respect of that Claim any Distribution in excess of the Allowed amount of such Claim.

12. **Setoff and Recoupment**

The Responsible Person may setoff against, or recoup from, any Claim and the Distributions to be made pursuant to the Plan in respect thereof, any Claims or defenses of any nature whatsoever that any of the Debtors or the Estates may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtors, the Estates or the Responsible Person of any right of setoff or recoupment that any of them may have against the holder of any Claim. Any such setoffs or recoupments may be challenged in Bankruptcy Court. Notwithstanding any provision in the Plan to the contrary, nothing herein shall bar any creditor from asserting its setoff or recoupment rights to the extent permitted under section 553 or any other provision of the Bankruptcy Code; *provided, however*, that such setoff or recoupment rights are timely asserted; *provided further* that all rights of the Debtors, the Estates and the Responsible Person with respect thereto are reserved.

13. **De Minimis Distributions; Charitable Donation**

Notwithstanding anything to the contrary herein, the Responsible Person shall not be required to make a Distribution to any Creditor if the dollar amount of the Distribution is less than \$25 or otherwise so small that the cost of making that Distribution exceeds the dollar amount of such Distribution. On or about the time that the final Distribution is made, the Responsible Person may make a charitable donation with undistributed funds if, in the reasonable judgment of the Responsible Person, the cost of calculating and making the final Distribution of the remaining funds is excessive in relation to the benefits to the or holders of Claims who would otherwise be entitled to such Distributions, and such charitable donation is provided to an entity not otherwise related to, connected to or affiliated with the Debtors or the Responsible Person, or their respective professionals.

14. **United States Trustee Fees**

All fees due and payable pursuant to section 1930 of Title 28 of the U.S. Code accruing prior to the Effective Date shall be paid by the Debtors from the Wind-Down Amount. The Responsible Person shall pay any and all such fees accruing after the Effective Date, when due and payable, and shall file with the Bankruptcy Court quarterly reports for each of the Debtors in a form reasonably acceptable to the U.S. Trustee. Notwithstanding the substantive consolidation of the Debtors under the Plan, each Debtor shall remain obligated to pay quarterly fees to the Office of the U.S. Trustee until the earliest of that particular Debtor's case being closed, dismissed or converted to a case under Chapter 7 of the Bankruptcy Code.

15. **Withholding from Distributions**

Any federal, state or local withholding taxes or other amounts required to be withheld under applicable law shall be deducted from Distributions made pursuant to the Plan. The Responsible Person may withhold from amounts distributable pursuant to the Plan to any Person

or Entity any and all amounts, determined in the sole and reasonable discretion of the Responsible Person required to be withheld by any law, regulation, rule, ruling, directive or other governmental requirement.

16. **No Distributions on Late-Filed Claims**

Except as otherwise provided in a Final Order of the Bankruptcy Court, any Claim as to which a proof of Claim was required to be filed and was first filed after the later of (1) the applicable bar date in the Chapter 11 Cases, including, without limitation, the General Bar Date and any bar date established in the Plan or in the Confirmation Order and (2) the date that is ten (10) days prior to the Confirmation Date, shall automatically be deemed a late-filed Claim that is disallowed in the Chapter 11 Cases, without the need for (a) any further action by the Responsible Person or (b) an order of the Bankruptcy Court. The Responsible Person and his professionals have no obligation to reserve assets on account of such late-filed claims and shall incur no liability if available assets are inadequate to make a distribution on account of any late-filed claim allowed by the Bankruptcy Court. Nothing in this paragraph is intended to expand or modify the applicable bar dates or any orders of the Bankruptcy Court relating thereto.

**E. DISPUTED CLAIMS**

1. **Disputed Priority and Administrative Claims Reserve**

After the Effective Date, the Disputed Priority and Administrative Claims Reserve shall be funded by the Debtors from the Wind-Down Amount and managed by the Responsible Person for the treatment of Disputed Administrative Claims, Priority Tax Claims and Other Priority Claims. On each Distribution date after the Effective Date in which the Responsible Person makes Distributions to holders of Administrative Claims, Priority Tax Claims or Other Priority Claims, the Responsible Person shall retain on account of Disputed Administrative Claims, Priority Tax Claims or other Priority Claims an amount the Responsible Person estimates is necessary to fund such Distributions to holders of Disputed Administrative Claims, Priority Tax Claims or Other Priority Claims if such Claims were Allowed, with any Disputed Administrative Claims, Priority Tax Claims and Other Priority Claims that are unliquidated or contingent being reserved in an amount reasonably determined by the Responsible Person. Cash retained on account of such Disputed Administrative Claims, Priority Tax Claims and Other Priority Claims shall be retained in the Disputed Priority and Administrative Claims Reserve for the benefit of the holders of Disputed Administrative Claims, Priority Tax Claims and Other Priority Claims pending a determination of their entitlement thereto under the terms of the Plan. If any Disputed Administrative Claim, Priority Tax Claim or Other Priority Claim is disallowed or Allowed in an amount that is lower than the aggregate assets retained on account of such Disputed Administrative Claim, Priority Tax Claim or Other Priority Claim, then the Responsible Person shall within fifteen (15) days after such disallowance or allowance return the assets that exceed the Allowed amount of such Claim to the Debtors' Estates.

2. **Resolution of Disputed Claims**

The Responsible Person shall have the right to make, file and prosecute objections to Disputed Claims in the Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court

after notice and a hearing, all Disputed Claims shall be subject to the exclusive jurisdiction of the Bankruptcy Court.

3. **Objection Deadline**

All objections to Disputed Claims shall be filed no later than the Claims Objection Bar Date, unless otherwise ordered by the Bankruptcy Court

4. **Estimation of Claims**

At any time, the Responsible Person or the holder of a contingent or unliquidated Claim may request that the Bankruptcy Court estimate any contingent or unliquidated Claim to the extent permitted by section 502(c) of the Bankruptcy Code regardless of whether the Responsible Person or the Debtors have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall have jurisdiction to estimate any Claim at any time during litigation concerning any objection to such Claim, including during the pendency of any appeal relating to any such objection. If the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on the Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the Claim, the Responsible Person may elect to pursue supplemental proceedings to object to the ultimate allowance of the Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not exclusive of one another. Subject to and consistent with any applicable provisions of the Bankruptcy Code, Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

5. **No Distributions Pending Allowance**

Notwithstanding any other provision in the Plan, if any portion of a Claim is disputed, no payment or Distribution provided under the Plan shall be made on account of the disputed portion of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, Distributions (if any) shall be made to the holder of such Allowed Claim in accordance with the provisions of the Plan. Upon allowance, a holder of the Allowed Disputed Claim shall receive any Distributions that would have been made up to the date of allowance to such holder under the Plan had the Disputed Claim been allowed on the Effective Date.

6. **Resolution of Claims**

On and after the Effective Date, the Responsible Person shall have the authority to compromise, settle, otherwise resolve or withdraw any objections it makes to Claims, and, subject to the agreement of any party in interest (including, for the avoidance of doubt, the U.S. Trustee) who has objected to a Claim and thereby rendered it a Disputed Claim, to compromise, settle or otherwise resolve any Disputed Claims without approval of the Bankruptcy Court.

**F. TREATMENT OF EXECUTORY CONTRACTS**

1. **Assumption or Rejection of Executory Contracts and Unexpired Leases**

Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, upon the Effective Date, all executory contracts and unexpired leases that exist between the Debtors and any Person or Entity shall be deemed rejected by the Debtors, except for any executory contract or unexpired lease (1) that has been assumed or rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date, (2) as to which a motion for approval of the assumption of such executory contract or unexpired lease has been filed and served prior to the Effective Date or (3) that is specifically designated as a contract to be assumed on Schedule 7.1, which Schedule shall be contained in the Plan Supplement; *provided, however*, that the Debtors reserve the right, on or prior to the Confirmation Date, to amend Schedule 7.1 to delete any executory contract therefrom, or add any executory contract, in which event such executory contract(s) shall be deemed to be, respectively, either rejected or assumed as of the Effective Date. Subject to Article VII.B of the Plan, and subject to the occurrence of the Effective Date, entry of the Confirmation Order shall constitute approval of such assumption or rejection pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such assumption or rejection is in the best interests of the Debtors, their Estates and all parties in interest in the Chapter 11 Cases.

2. **Cure of Defaults**

Except to the extent that different treatment has been agreed to by the non-Debtor party or parties to any executory contract to be assumed pursuant to Article VII.A of the Plan, the Debtors shall, pursuant to the provisions of sections 1123(a)(5)(G) and 1123(b)(2) of the Bankruptcy Code and consistent with the requirements of section 365 of the Bankruptcy Code, file with the Bankruptcy Court as part of the Plan Supplement and serve by first class mail on each non-debtor party to such executory contracts to be assumed pursuant to Article VII.A of the Plan, an Assumption Notice, which shall list the cure amount as to each executory contract to be assumed. The parties to such executory contracts to be assumed or assumed and assigned by the Debtors shall have fourteen (14) days from the date of service of the Assumption Notice to file and serve any objection to assumption or the cure amounts listed by the Debtors. If there are any objections filed, the Bankruptcy Court shall hear the objections at the Confirmation Hearing or on such other date as may be set by the Bankruptcy Court. Notwithstanding Article VII.A of the Plan, the Debtors shall retain their rights to reject any of their executory contracts that are subject to a dispute concerning amounts necessary to cure any defaults through the Confirmation Date.

3. **Claims Based on Rejection of Executory Contracts and Unexpired Leases**

Claims created by the rejection of executory contracts and unexpired leases pursuant to Article VII.A of the Plan, must be filed with the Bankruptcy Court and served on the Debtors and the Responsible Person no later than thirty (30) days after service of notice of the Effective Date. Any Claims arising from the rejection of an executory contract or unexpired lease pursuant to Article VII.A of the Plan for which proofs of Claim are not timely filed within that time period will be forever barred from assertion against the Debtors, the Estates, the Responsible Person, their successors and assigns, and their assets and properties, unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. All such Claims shall, as of the Effective Date, be subject to the permanent injunction set forth in Article IX.E of

the Plan. Unless otherwise ordered by the Bankruptcy Court, all such Claims that are timely filed as provided herein shall be treated as General Unsecured Claims under the Plan and shall be subject to the provisions of Article III of the Plan.

4. **Indemnification and Reimbursement**

Subject to the occurrence of the Effective Date, all Allowed Claims against the Debtors for indemnification, defense, reimbursement or limitation of liability of current or former directors, officers or employees of the Debtors against any Claims, costs, liabilities or Causes of Action as provided in the Debtors' articles of organization, certificates of incorporation, bylaws, other organizational documents or applicable law, shall, to the extent such indemnification, defense, reimbursement or limitation is owed in connection with one or more events or omissions occurring before the Petition Date, be (1) paid only to the extent of any applicable insurance coverage, and (2) to the extent a proof of Claim has been timely filed and is Allowed, treated as Allowed General Unsecured Claims to the extent such Claims are not covered by any applicable insurance, including deductibles. Nothing contained herein shall affect the rights of directors, officers or employees under any insurance policy or coverage with respect to such Claims, costs, liabilities or Causes of Action or limit the rights of the Debtors, the Responsible Person or the Debtors' Estates to object to, seek to subordinate or otherwise contest or challenge Claims or rights asserted by any current or former officer, director or employee of the Debtors.

5. **Certain Insurance Policy Matters**

The automatic stay of Bankruptcy Code section 362(a) and the injunctions set forth in Article IX of the Plan, if and to the extent applicable, shall be deemed lifted without further order of the Bankruptcy Court, solely to permit: (1) claimants with valid workers' compensation claims covered by the workers' compensation policies to proceed with their claims solely to the extent of pursuing a recovery of such workers' compensation claims from the proceeds of applicable workers' compensation policies; and (2) the insurers (and/or third party administrators) to administer, handle, defend, settle, and/or pay, in the ordinary course of business and without further order of this Bankruptcy Court, (a) all valid workers' compensation claims arising under the workers' compensation policies issued by any of the insurers, (b) all claims where a claimant asserts a direct claim against the insurers under applicable law, the claimant has been awarded a judgment, or an order has been entered by the Bankruptcy Court granting a claimant with a pre-Effective Date claim relief from the automatic stay or the injunctions set forth in Article IX of the Plan to (i) proceed with its claim nominally against the Debtors and (ii) collect insurance proceeds pursuant to the insurance policies and related agreements and (c) all costs in relation to each of the foregoing.

**G. CONDITIONS PRECEDENT TO THE EFFECTIVE DATE**

1. **Conditions Precedent to Effective Date**

The following are conditions precedent to the Effective Date that must be satisfied or waived in accordance with Article VIII.B:

a. A Final Order finding that the Disclosure Statement contains adequate information pursuant to Section 1125 of the Bankruptcy Code shall have been entered by the Bankruptcy Court.

b. The Bankruptcy Court shall have entered the Confirmation Order.

c. There shall be no stay or injunction in effect with respect to the Confirmation Order, which such Confirmation Order shall contain approval of the releases provided for herein.

d. The appointment of the Responsible Person shall have been confirmed by order of the Bankruptcy Court, which may be the Confirmation Order.

e. All agreements and instruments that are exhibits to the Plan shall be in a form reasonably acceptable to the Debtors and the Creditors Committee, and shall have been duly executed and delivered; *provided, however*, that no party to any such agreements and instruments may unreasonably withhold its execution and delivery of such documents to prevent this condition precedent from occurring.

2. **Waiver**

Notwithstanding the foregoing conditions, the Debtors reserve, in their sole discretion, the right to waive the occurrence of any condition precedent or to modify any of the foregoing conditions precedent. Any such written waiver of a condition precedent set forth in this Article may be effected at any time, without notice, without leave or order of the Bankruptcy Court, and without any formal action other than proceeding to consummate the Plan. Any actions required to be taken on the Effective Date or Confirmation Date (as applicable) shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred prior to the taking of any other such action.

**H. INDEMNIFICATION, RELEASE, INJUNCTIVE AND RELATED PROVISIONS**

1. **Compromise and Settlement**

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the Distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims and Equity Interests. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all Claims and Equity Interests, as well as a finding by the Bankruptcy Court that such compromise or settlement is fair, equitable, reasonable and in the best interests of the Debtors, the Estates and holders of Claims.

2. **Releases**

**Releases by the Debtors and their Estates.** Notwithstanding anything contained in the Plan to the contrary, as of the Effective Date, for the good and valuable consideration provided by each of the Released Parties and the Debtors' Professionals, each of the Debtors and their current and former affiliates and Representatives and the Estates shall

be deemed to have provided a full, complete, unconditional and irrevocable release to the Released Parties and the Debtors' Professionals (and each such Released Party and Professional so released shall be deemed released by the Debtors and their current and former affiliates and Representatives, the Estates and the Creditors Committee and its members but solely in their capacity as members of the Creditors Committee and not in their individual capacities), from any and all Causes of Action and any other debts, obligations, rights, suits, damages, actions, remedies and liabilities whatsoever, whether accrued or unaccrued, whether known or unknown, foreseen or unforeseen, contingent or noncontingent, existing before the Effective Date, as of the Effective Date or arising thereafter, in law, at equity, whether for tort, contract, violations of statutes (including but not limited to the federal or state securities laws), or otherwise, based in whole or in part upon any act or omission, transaction or other occurrence or circumstances existing or taking place prior to or on the Effective Date arising from or related in any way to the Debtors, including, without limitation, those that any of the Debtors would have been legally entitled to assert or that any holder of a Claim or Equity Interest or other Entity would have been legally entitled to assert for or on behalf of any of the Debtors or the Estates, including those in any way related to the Chapter 11 Cases, the DIP Facility, the Final APA, the Plan and the transactions contemplated therein and related thereto, and which shall include any Intercompany Claims; provided, however, that the foregoing release shall not prohibit the Debtors, the Estates or the Responsible Person from asserting any and all defenses and counterclaims in respect of any Disputed Claim asserted by any Released Party or Professional. For the avoidance of doubt, the Debtors shall not release the Debtors' Professionals of any Causes of Action and any other debts, obligations, rights, suits, damages, actions, remedies and liabilities whatsoever, whether accrued or unaccrued, whether known or unknown, foreseen or unforeseen, which were incurred as a result of the Debtors' Professionals' gross negligence or willful misconduct.

**Releases by Holders of Claims.** Except as otherwise provided in Article IX.B of the Plan, each Person, other than any of the Debtors, who votes to accept the Plan and does not mark such ballot to indicate its refusal to grant the release provided for in this paragraph, shall be deemed to fully, completely, unconditionally, irrevocably and forever release the Released Parties of and from any and all Claims and Causes of Action and any other debts, obligations, rights, suits, damages, actions, remedies and liabilities whatsoever, whether accrued or unaccrued, whether known or unknown, foreseen or unforeseen, contingent or noncontingent, existing before the Effective Date, as of the Effective Date or arising thereafter, in law, at equity, whether for tort, contract, violations of statutes (including but not limited to the federal or state securities laws), or otherwise, based in whole or in part upon any act or omission, transaction or other occurrence or circumstances existing or taking place prior to or on the Effective Date arising from or related in any way to the Debtors and their current and former affiliates and Representatives, whether direct, derivative, accrued or unaccrued, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, known or unknown, foreseen or unforeseen, in law, equity or otherwise, including those in any way related to the Chapter 11 Cases, the DIP Facility, the Final APA, the Plan and the transactions contemplated therein and related thereto, and which shall include any Intercompany Claims. Nothing herein shall affect the setoff or recoupment rights of the Holders of Claims who vote in favor of the Plan.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the releases set forth in this Article IX.B pursuant to Bankruptcy Rule 9019 and its finding that they are: (a) in exchange for good and valuable consideration, representing a good faith settlement and compromise of the Claims and Causes of Action released by this Plan; (b) in the best interests of the Debtors and all holders of Claims and Equity Interests; (c) fair, equitable and reasonable; (d) approved after due notice and opportunity for hearing; and (e) a bar to the assertion of any Claim or Cause of Action thereby released.

3. **Exculpation**

Notwithstanding anything contained in the Plan to the contrary, the Debtors' Professionals, the Creditors Committee, the Creditors Committee's members (but solely in their capacity as members of the Creditors Committee and not in their individual capacities), and the Creditors Committee's Professionals shall neither have nor incur any liability relating to these Chapter 11 Cases to any Entity for any and all Claims and Causes of Action arising after the Petition Date and through the Effective Date, including any act taken or omitted to be taken in connection with, or related to, formulating, negotiating, preparing, disseminating, implementing, administering, confirming or consummating the Plan, the Disclosure Statement, or any other contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other postpetition act taken or omitted to be taken in connection with the Chapter 11 Cases; provided, however, that the foregoing provisions of this Article IX.C shall have no effect on the liability of any Entity that results from any such act or omission that is determined in a Final Order to have constituted gross negligence or willful misconduct.

4. **Withdrawal and Release of Intercompany Claims**

Upon the Effective Date, any and all Intercompany Claims, whether held by the Debtors or their Affiliates, shall be deemed waived and withdrawn, and of no further effect.

5. **Preservation of Causes of Action**

a. Vesting of Causes of Action

Except as otherwise provided in the Plan or Confirmation Order, in accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that the Debtors and the Estates may hold as of the Effective Date against any Entity shall remain with the Debtors and the Estates on and after the Effective Date.

Except as otherwise provided in the Plan or Confirmation Order, after the Effective Date, the Responsible Person shall have the exclusive right to institute, prosecute, abandon, settle or compromise any Causes of Action that were held by the Debtors and the Estates, in its sole discretion and without further order of the Bankruptcy Court, in any court or other tribunal, including, without limitation, in an adversary proceeding filed in one or more of the Chapter 11 Cases.

b. Preservation of All Causes of Action Not Expressly Settled or Released

Unless a Cause of Action against a holder or other Entity is expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order (including the Confirmation Order) of the Bankruptcy Court, the Debtors and their Estates expressly reserve such Cause of Action for later adjudication or administration by the Responsible Person (including, without limitation, Causes of Action not specifically identified or described in the Plan or elsewhere or of which the Debtors may presently be unaware or which may arise or exist by reason of additional facts or circumstances unknown to the Debtors at this time or facts or circumstances which may change or be different from those the Debtors now believe to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches shall apply to such Cause of Action upon or after the entry of the Confirmation Order or Effective Date based on the Disclosure Statement, Plan or Confirmation Order, except where such Cause of Action has been released in the Plan (including, without limitation, and for the avoidance of doubt, the releases contained in Article IX.B.1 of the Plan) or any other Final Order (including the Confirmation Order and the order approving the Sale Settlement Stipulation).

Subject to the immediately preceding paragraph, any Entity to whom the Debtors have incurred an obligation (whether on account of services, purchase or sale of goods or otherwise), or who has received services from the Debtors or a transfer of money or property of the Debtors, or who has transacted business with the Debtors, or leased equipment or property from the Debtors should assume that any such obligation, transfer, or transaction may be reviewed by the Responsible Person subsequent to the Effective Date and may be the subject of an action after the Effective Date, regardless of whether: (i) such Entity has filed a proof of Claim against the Debtors in the Chapter 11 Cases; (ii) the Debtors have objected to any such Entity's proof of Claim; (iii) any such Entity's Claim was included in the Schedules; (iv) the Debtors have objected to any such Entity's scheduled Claim; or (v) any such Entity's scheduled Claim has been identified by the Debtors as disputed, contingent or unliquidated. For the avoidance of doubt, the Responsible Person shall not contest the Debtors' obligation to pay quarterly fees to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930.

#### 6. **Injunction**

From and after the Effective Date, all Entities are permanently enjoined from commencing or continuing in any manner against the Debtors, the Estates, the Released Parties, the Responsible Person, the Creditors Committee and their successors and assigns, and their assets and properties, as the case may be, any suit, action or other proceeding, on account of or respecting any Claim or Equity Interest, demand, liability, obligation, debt, right, Cause of Action, interest or remedy released or satisfied or to be released or satisfied pursuant to the Plan or the Confirmation Order.

Except as otherwise expressly provided for in the Plan or in obligations issued pursuant to the Plan, from and after the Effective Date, all Entities shall be precluded from asserting against the Debtors, the Estates, the Released Parties, the Responsible Person, the Creditors Committee and their successors and assigns and their assets and properties, any other Claims or Equity Interests based upon any documents, instruments, or any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date, solely to the extent

that (a) such Claims or Equity Interests have been released or satisfied pursuant to this Plan or the Confirmation Order or (b) such Claims, Equity Interests, actions or assertions of Liens relate to property that will be distributed pursuant to this Plan or the Confirmation Order.

The rights afforded in the Plan and the treatment of all Claims and Equity Interests in the Plan shall be in exchange for and in complete satisfaction of Claims and Equity Interests against the Debtors or any of their assets or properties solely to the extent that (a) such Claims or Equity Interests have been released or satisfied pursuant to this Plan or the Confirmation Order or (b) such Claims, Equity Interests, actions or assertions of Liens relate to property that will be distributed pursuant to this Plan or the Confirmation Order. On the Effective Date, all such Claims against, and Equity Interests in, the Debtors shall be satisfied and released in full.

Except as otherwise expressly provided for in the Plan or in obligations issued pursuant to the Plan, all Persons and Entities are permanently enjoined, on and after the Effective Date, on account of any Claim or Equity Interest satisfied and released pursuant to the Plan or Confirmation Order, from:

- a. commencing or continuing in any manner any action or other proceeding of any kind against any Debtor, any Estate, the Released Parties, the Responsible Person, the Creditors Committee and their successors and assigns and their assets and properties;
- b. enforcing, attaching, collecting or recovering by any manner or means any judgment, award, decree or order against any Debtor, any Estate, the Released Parties, the Responsible Person, the Creditors Committee and their successors and assigns and their assets and properties;
- c. creating, perfecting or enforcing any encumbrance of any kind against any Debtor, any Estate, the Released Parties, the Responsible Person, the Creditors Committee and their successors and assigns and their assets and properties; and
- d. commencing or continuing in any manner any action or other proceeding of any kind in respect of any Claim or Equity Interest or Cause of Action released or settled hereunder.

Notwithstanding anything else in the Plan to the contrary, pursuant to section 1141(d)(3) of the Bankruptcy Code, nothing in the Plan or any order of the Bankruptcy Court shall discharge any debt of the Debtors.

## **I. RETENTION OF JURISDICTION**

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall, after the Effective Date, retain such jurisdiction over the Chapter 11 Cases and all Entities, including, without limitation, the Responsible Person with respect to all matters related to the Chapter 11 Cases, the Debtors and the Plan as is legally permissible, including, without limitation, jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Equity Interest against the Debtors, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the allowance or priority of Claims;
2. grant, deny or otherwise resolve any and all applications of Professionals or Persons retained in the Chapter 11 Cases by the Debtors or the Creditors Committee for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan, for periods ending on or before the Effective Date;
3. resolve any matters related to the assumption, assignment or rejection of any executory contract or unexpired leases to which a Debtor is party or with respect to which a Debtor may be liable and to hear, determine and, if necessary, liquidate, any Claims arising therefrom;
4. ensure that Distributions to holders of Allowed Claims are accomplished pursuant to the provisions of the Plan, including by resolving any disputes regarding the Debtors' entitlement to recover assets held by third parties;
5. decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date or instituted by the Responsible Person after the Effective Date;
6. enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all other contracts, instruments, releases, indentures and other agreements or documents adopted in connection with the Plan or the Disclosure Statement;
7. resolve any cases, controversies, suits or disputes that may arise in connection with the Effective Date, interpretation or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;
8. issue injunctions, enforce them, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with the Effective Date or enforcement of the Plan, except as otherwise provided in the Plan;
9. enforce Articles IX.A-D of the Plan;
10. enforce the Injunction set forth in Article IX.E of the plan;
11. resolve any cases, controversies, suits or disputes with respect to the releases, injunction and other provisions contained in Article IX of the Plan, and enter such orders as may be necessary or appropriate to implement or enforce all such releases, injunctions and other provisions;

12. enter and implement such orders as necessary or appropriate if the Confirmation Order is modified, stayed, reversed, revoked or vacated;
13. resolve any other matters that may arise in connection with or related to the Plan, the Disclosure Statement, the Confirmation Order, the Final APA, or any contract, instrument, release, indenture or other agreement or document adopted in connection with the Plan, the Disclosure Statement or the Final APA;
14. resolve any disputes that have arisen or may arise with the Purchasers in connection with the transactions contemplated under or in connection with the Final APA; and
15. enter an order and a Final Decree closing the Chapter 11 Cases.

## **J. MISCELLANEOUS PROVISIONS**

### **1. Modification of Plan**

Subject to the limitations contained in the Plan and provided that the Senior Secured Loan Lenders and the Creditors Committee shall have the right to be consulted on any proposed modification of the Plan, (1) the Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code; *provided, however*, that any pre-Confirmation Date amendments shall not materially or adversely affect the interests, rights or treatment of any Allowed Claims or Equity Interests under the Plan; and (2) after the entry of the Confirmation Order, the Debtors, or the Responsible Person, may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

### **2. Revocation of Plan**

The Debtors reserve the right to revoke or withdraw the Plan prior to the entry of the Confirmation Order, and to file subsequent chapter 11 plans. If the Debtors revoke or withdraw the Plan or if entry of the Confirmation Order or the Effective Date does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan, assumption or rejection of executory contracts effected by the Plan, and any document or agreement executed pursuant hereto shall be deemed null and void; and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims by or against, or any Equity Interests in, such Debtor or any other Entity; (b) prejudice in any manner the rights of the Debtors or any other Entity; or (c) constitute an admission of any sort by the Debtors or any other Entity.

### **3. Binding Effect**

On the Effective Date, the provisions of the Plan shall bind any holder of a Claim against, or Equity Interest in, a Debtor and such holder's respective successors and assigns, whether or

not the Claim or Equity Interest of such holder is Impaired under the Plan, whether or not such holder has accepted the Plan and whether or not such holder is entitled to a Distribution under the Plan.

4. **Successors and Assigns**

The rights, benefits and obligations of any Entity named or referred to herein shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such Entity.

5. **Governing Law**

Except to the extent that the Bankruptcy Code or Bankruptcy Rules apply, unless otherwise stated, and subject to the provisions of any contract, instrument, release, indenture or other agreement or document entered into in connection herewith, the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the state of Delaware without giving effect to the principles of conflict of laws thereof.

6. **Reservation of Rights**

Except as expressly set forth herein, the Plan shall have no force or effect unless and until the Effective Date occurs. Neither the filing of the Plan, any statement or provision contained herein, nor the taking of any action by a Debtor or any Entity with respect to the Plan shall be or shall be deemed to be an admission or waiver of any rights of: (a) any Debtor with respect to the holders of Claims or Equity Interests or other parties-in-interest; or (b) any holder of a Claim or other party-in-interest prior to the Effective Date..

7. **Article 1146 Exemption**

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment.

8. **Section 1125(e) Good Faith Compliance**

Confirmation of the Plan shall act as a finding by the Court that the Debtors and each of their respective Representatives have acted in "good faith" under section 1125(e) of the Bankruptcy Code.

9. **Further Assurances**

The Debtors, the Responsible Person and all holders of Claims receiving Distributions hereunder and all other parties in interest shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan or the Confirmation Order.

10. **Service of Documents**

Any pleading, notice or other document required by the Plan to be served on or delivered to the Debtors shall be sent by first class U.S. mail, postage prepaid as follows:

**To the Debtors' Counsel :**

DLA Piper, LLP (US)  
203 N. LaSalle Street, Suite 1900  
Chicago, Illinois 60601  
Attn: Richard A. Chesley  
Email: richard.chesley@dlapiper.com

- and -

DLA Piper, LLP (US)  
1201 North Market Street, Suite 2100  
Wilmington, Delaware 19801  
Attn: R. Craig Martin  
Email: Craig.Martin@dlapiper.com

**To the Responsible Person :**

[Insert Contact Information]

11. **Filing of Additional Documents**

On or before the Effective Date, the Debtors may file with the Bankruptcy Court all agreements and other documents that may be necessary or appropriate to effectuate and further evidence the terms and conditions hereof.

12. **No Stay of Confirmation Order**

The Debtors shall request that the Court waive stay of enforcement of the Confirmation Order otherwise applicable, including pursuant to Federal Rules of Bankruptcy Procedure 3020(e), 6004(h) and 7062.

**ARTICLE VII.**

**CERTAIN FACTORS AFFECTING THE DEBTORS**

**A. CERTAIN BANKRUPTCY LAW CONSIDERATIONS**

1. **Risk of Non-Confirmation of the Plan of Liquidation**

Although the Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion or that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate resolicitation of votes.

2. **Non-Consensual Confirmation**

In the event any impaired class of claims or equity interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm such plan at the proponent's request if at least one impaired class has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired Classes. Because Class 4 (Equity Interests) is deemed to reject the Plan, these requirements must be satisfied with respect to such Class. The Debtors believe that the Plan satisfies these requirements.

3. **Risk of Delay in Confirmation of the Plan**

Although the Debtors believe that the Effective Date will occur soon after the Confirmation Date, there can be no assurance as to such timing. In addition, as with any judicial proceeding, there are risks of unavoidable delay with a chapter 11 proceeding and there are risks of objections from certain stakeholders. Any material delay in the confirmation of the Plan, or the threat of rejection of the Plan by the Bankruptcy Court, would add substantial expense and uncertainty to the process.

**B. ADDITIONAL FACTORS TO BE CONSIDERED**

1. **The Debtors Have No Duty to Update**

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Debtors have no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

2. **No Representations Outside This Disclosure Statement Are Authorized**

No representations concerning or related to the Debtors, the Chapter 11 Cases or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement should not be relied upon by you in arriving at your decision.

3. **Projections and Other Forward-Looking Statements Are Not Assured, and Actual Results May Vary**

Certain of the information contained in this Disclosure Statement is, by nature, forward looking and contains estimates and assumptions which might ultimately prove to be incorrect and projections which may be materially different from actual future experiences. There are uncertainties associated with any projections and estimates, and the projections and estimates herein should not be considered assurances or guarantees of the amount of funds or the amount of Claims in the various Classes that might be allowed.

4. **Debtors Could Withdraw the Plan**

Under the Plan, the Debtors could withdraw the Plan at any time.

5. **No Legal or Tax Advice Is Provided to You by This Disclosure Statement**

The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each creditor or equity interest holder should consult his, her or its own legal counsel and accountant as to legal, tax and other matters concerning his, her or its Claim or Equity Interest.

This Disclosure Statement is not legal advice to you. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

6. **No Admission Made**

Nothing contained herein shall constitute an admission of, or be deemed evidence of, the tax or other legal effects of the Plan on the Debtors or on holders of Claims or Equity Interests.

**ARTICLE VIII.**

**CONFIRMATION OF THE PLAN OF LIQUIDATION**

**A. CONFIRMATION HEARING**

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a plan of liquidation. The Bankruptcy Court has scheduled the Confirmation Hearing for \_\_\_\_\_, 2015 at \_\_:\_\_ \_\_.m. (prevailing Eastern Time). The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the confirmation hearing or any subsequent adjourned confirmation hearing.

Any objection to confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules, must set forth the name of the objector, the nature and amount of Claims or Equity Interests held or asserted by the objector against the Debtors' Estate(s) or property, the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court, together with proof of service thereof, and served upon (a) counsel to the Debtors: DLA Piper LLP (US), 203 N. LaSalle Street, Suite 1900, Chicago, IL 60601 (Fax: 312-236-7516) (Attn: Richard A. Chesley, Esq. (richard.chesley@dlapiper.com)) and DLA Piper LLP (US), 1201 North Market Street, Suite 2100, Wilmington, DE 19801 (Fax: 302-778-7834) (Attn: R.

Craig Martin, Esq. (craig.martin@dlapiper.com)); (b) counsel to the Official Committee of Unsecured Creditors: Womble Carlye Sandridge & Rice, LLP, 222 Delaware Avenue, Suite 1501, Wilmington, DE 19801 (Attn: Steven K. Kortanek, Esq. (skortanek@wcsr.com)); and (c) the Office of the United States Trustee: US Trustee, 844 King Street, Suite 2207, Lockbox #35, Wilmington, Delaware, 19801 (Fax: 302-573-6497) (Attn: Linda J. Casey, Esq. (Linda.Casey@usdoj.gov)), so as to be received no later than 4:00 p.m. (prevailing Eastern Time) on \_\_\_\_\_, \_\_\_\_.

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

## **B. REQUIREMENTS FOR CONFIRMATION OF THE PLAN OF LIQUIDATION**

### **1. Requirements of Section 1129(a) of the Bankruptcy Code**

#### **a. General Requirements**

At the Confirmation Hearing, the Bankruptcy Court will determine, among others, whether the following confirmation requirements specified in section 1129 of the Bankruptcy Code have been satisfied:

1. The Plan complies with the applicable provisions of the Bankruptcy Code.
2. The Debtors have complied with the applicable provisions of the Bankruptcy Code.
3. The Plan has been proposed in good faith and not by any means proscribed by law.
4. Any payment made or promised by the Debtors or by a Person issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.
5. The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director or officer of the Debtors, an affiliate of the Debtors participating in a Plan with the Debtors or a successor to the Debtors under the Plan, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity holders and with public policy, and the Debtors have disclosed the identity of any insider that will be employed or retained by the Debtors and the nature of any compensation for such insider.
6. With respect to each class of Claims or Equity Interests, each holder of an Impaired Claim or Impaired Equity Interest either has accepted the Plan or will receive or retain under the Plan on account of such holder's Claim or Equity Interest, property of a value,

as of the Effective Date, that is not less than the amount such holder would receive or retain if the Debtors were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code.

7. Except to the extent the Plan meets the requirements of section 1129(b) of the Bankruptcy Code (discussed below), each class of Claims or Equity Interests has either accepted the Plan or is not impaired under the Plan.
8. Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, subject to Article II of the Plan, the Plan generally provides that Administrative Claims and Priority Claims will be paid in full on the later of (A) the Effective Date, (B) the date such claim becomes Allowed or as soon as practicable thereafter and (C) the date such Allowed Claim is payable under applicable non-bankruptcy law.
9. At least one class of impaired claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a claim in such class.
10. Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan.

b. Best Interests Test

Each holder of a Claim or Equity Interest in an Impaired Class must either (i) accept the Plan or (ii) receive or retain under the Plan Cash or property of a value, as of the Effective Date of the Plan, that is not less than the value such holder of a Claim or Equity Interest would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. The Bankruptcy Court will determine whether the Cash and property issued under the Plan to each Class equals or exceeds the value that would be allocated to such holders of Claims or Equity Interests in a liquidation under chapter 7 of the Bankruptcy Code. The Debtors believe the holders of Claims against and Equity Interests in the Debtors will have an equal or greater recovery as a result of the liquidation of the Debtors' assets as discussed herein and under the Plan than could be realized in a chapter 7 liquidation.

The Plan is a liquidating plan and, therefore, is not seeking to require Creditors to accept non-Cash consideration so that the Estates could pursue going-concern value. Accordingly, the only question is whether the Creditors will have recovered more (or at least as much) under the Plan than they would recover through an asset liquidation by a chapter 7 trustee.

To determine the value that a holder of a Claim or Equity Interest in an Impaired Class would receive if the Debtors were liquidated under chapter 7, the Bankruptcy Court must determine the aggregate dollar amount that would be generated from the liquidation of the Debtors' assets if the Chapter 11 Cases had been converted to a chapter 7 liquidation case and the Debtors' assets were liquidated by a chapter 7 trustee. The liquidation value would consist of the net proceeds from the disposition of the Debtors' assets, augmented by Cash held by the Debtors and reduced by certain increased costs and Claims that arise in a chapter 7 liquidation case that do not arise in a chapter 11 reorganization case.

As explained below, the liquidation value available for satisfaction of Claims and Equity Interests in the Debtors would be reduced by: (a) the costs, fees and expenses of the liquidation under chapter 7, which would include disposition expenses and the compensation of a trustee and his or her counsel and other professionals retained, (b) the fees of the chapter 7 trustee and (c) certain other costs arising from conversion of the Chapter 11 Cases to chapter 7.

In addition, converting the Chapter 11 Cases to a chapter 7 liquidation at this stage of the winddown would result in an immense waste of the Debtors' resources that were already expended in connection with the sale of the Debtors' assets and would delay converting the remaining assets to Cash. It would also result in substantial additional claims against the Estates.

Moreover, under the Plan, the Debtors will avoid the increased costs and expenses of a chapter 7 liquidation, including the fees payable to a chapter 7 trustee and his or her professionals. Although the Debtors have already incurred many of the expenses associated with generating the proceeds, the Cash to be distributed to Creditors would be reduced by the chapter 7 trustee's statutory fee, which is calculated on a sliding scale from which the maximum compensation is determined based on the total amount of moneys disbursed or turned over by the chapter 7 trustee. Section 326(a) of the Bankruptcy Code permits reasonable compensation not to exceed 3% of the proceeds in excess of \$1 million distributable to creditors.<sup>3</sup> The chapter 7 trustee's professionals, including legal counsel and accountants, would add substantial administrative expenses that would be entitled to be paid ahead of Allowed Claims. Moreover, these chapter 7 trustee fees would reduce the assets available for distribution to the Estates' Creditors from additional recoveries such as preferential payments, expunged administrative claims and the proceeds of successful Estate litigation or settlement. In contrast, the Responsible Person will be highly familiar with the Debtors' operations and the issues pertaining thereto and, therefore, the Estates will avoid the significant administrative burden associated with the familiarization process of a chapter 7 trustee and his or her legal and accounting professionals.

It is also anticipated that a chapter 7 liquidation would result in a significant delay in payments being made to creditors. Bankruptcy Rule 3002(c) provides that conversion of chapter 11 cases to chapter 7 will trigger a new bar date for filing claims against the Estates, and that the new bar date will be more than 90 days after the chapter 11 cases convert. Not only would a chapter 7 liquidation delay distribution to creditors, but it is possible that additional claims that were not asserted in the Chapter 11 Cases, or were filed late, could be filed against the Estates. The Debtors may receive, and Responsible Person will analyze, late-filed claims, if any are received, and may file claims objections in the near future. Reopening the Bar Date in connection with conversion to chapter 7 would provide these and other claimants an additional opportunity to timely file claims against the Estates. Moreover, the Debtors would lose the benefit of having an established Administrative Claims Bar Date.

Attached hereto as **Exhibit D** is the Debtors' liquidation analysis and recovery summary.

---

<sup>3</sup> Section 326(a) of the Bankruptcy Code permits a chapter 7 trustee to receive 25% of the first \$5,000 distributed to creditors, 10% of additional amounts up to \$50,000, 5% of additional distributions up to \$1 million and reasonable compensation up to 3% of distributions in excess of \$1 million.

For the reasons set forth above and in the liquidation analysis to be provided to the Court, the Debtors believe that the Plan provides a superior recovery for holders of Claims and Equity Interests, and the Plan meets the requirements of the “best interests test.”

c. Feasibility

The Bankruptcy Code requires a debtor to demonstrate that confirmation of a plan of reorganization is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor unless so provided by the plan of reorganization. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their financial obligations as contemplated thereunder. These projections are based upon the assumption that the Plan will be confirmed by the Bankruptcy Court, and for projection purposes, that the Effective Date of the Plan and its substantial consummation will take place on or about [\_\_\_\_\_, \_\_\_\_], or as soon as practicable thereafter. The Debtors believe they will be able to make all payments required to be made pursuant to the Plan.

2. **Requirements of Section 1129(b) of the Bankruptcy Code**

The Bankruptcy Court may confirm the Plan over the rejection or deemed rejection of the Plan by a class of claims or equity interests if the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to such class.

*No Unfair Discrimination.* This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under a plan of reorganization. The test does not require that the treatment be the same or equivalent, but that such treatment be “fair.”

*Fair and Equitable Test.* This test applies to classes of different priority (e.g. unsecured versus secured) and includes the general requirement that no class of claims receive more than 100% of the allowed amount of the claims in such class. As to the dissenting class, the test sets different standards, depending on the type of claims or interests in such class:

*Unsecured Claims.* Either (i) each holder of an impaired unsecured claim receives or retains under the plan property of a value equal to the amount of its allowed unsecured claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive or retain any property under the plan of reorganization.

*Equity Interests.* Either (i) each equity interest holder will receive or retain under the plan of reorganization property of a value equal to the greater of (a) the fixed liquidation preference or redemption price, if any, of such stock and (b) the value of the stock or (ii) the holders of interests that are junior to the equity interests of the dissenting class will not receive or retain any property under the plan of reorganization.

The Debtors believe the Plan will satisfy both the “no unfair discrimination” requirement and the “fair and equitable” requirement, notwithstanding that Class 4 will receive no Distribution, because as to such Class, there is no class of equal priority receiving more favorable treatment and no class that is junior to such a dissenting class will receive or retain any property on account of the Equity Interests in such class.

## **ARTICLE IX.**

### **ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN OF LIQUIDATION**

If the Plan is not confirmed and consummated, the alternatives to the Plan include (i) liquidation of the Debtors under chapter 7 of the Bankruptcy Code and (ii) an alternative chapter 11 plan of liquidation.

#### **A. LIQUIDATION UNDER CHAPTER 7**

If no plan can be confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under chapter 7 would result in smaller distributions being made to creditors than those provided for in the Plan because of (i) the likelihood that the assets of the Debtors would have to be sold or otherwise disposed of in a less orderly fashion over a shorter period of time, (ii) additional administrative expenses involved in the appointment of a trustee and (iii) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtors' operations.

#### **B. ALTERNATIVE PLAN**

If the Plan is not confirmed, the Debtors (or if the Debtors' exclusive period in which to file a plan has expired, any other party in interest) could attempt to formulate a different chapter 11 plan of liquidation. With respect to an alternative plan, the Debtors have explored various alternatives in connection with the formulation and development of the Plan. The Debtors believe that the Plan, as described herein, enables creditors and equity holders to realize the most value under the circumstances.

## **ARTICLE X.**

### **CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

The following is a summary of certain U.S. federal income tax consequences of the Plan to certain holders of Claims and Equity Interests. This summary is based on the Tax Code, Treasury Regulations thereunder, and administrative and judicial interpretations and practice, all as in effect on the date of this Disclosure Statement and all of which are subject to change, with possible retroactive effect. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No opinion of counsel has been obtained, and the Debtors do not intend to seek a ruling from the IRS as to any of the tax consequences of the Plan discussed below. Events occurring after the date of the Disclosure Statement, including changes in law and changes in administrative positions, could affect the U.S. federal income tax consequences described herein. There can be no assurance that the IRS will not challenge one or more of the tax consequences of the Plan described below.

This summary does not apply to holders of Claims or Equity Interests that are otherwise subject to special treatment under U.S. federal income tax law (including, for example, banks, governmental authorities or agencies, financial institutions, insurance companies, pass-through entities, tax-exempt organizations, brokers and dealers in securities, mutual funds, small business investment companies, employees, persons who receive their Claims or Equity Interests pursuant to the exercise of an employee stock option or otherwise as compensation, persons holding Claims or Equity Interests that are a hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale, or conversion transaction and regulated investment companies). The following discussion assumes that holders of Allowed Claims hold such Claims as “capital assets” within the meaning of section 1221 of the Tax Code. Moreover, this summary does not purport to cover all aspects of U.S. federal income taxation that may apply to holders of Allowed Claims based upon their particular circumstances. Additionally, this summary does not discuss any tax consequences that may arise under any laws other than U.S. federal income tax law, including under state, local, or foreign tax law.

For purposes of this summary, a “U.S. Holder” means a holder of Claims or Equity Interests that, in any case, is, for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (x) if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of such trust or (y) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

A “Non-US. Holder” means a holder of Claims that is not a U.S. Holder and is, for U.S. federal income tax purposes, an individual, corporation (or other entity treated as a corporation for U.S. federal income tax purposes), estate or trust.

If an entity taxable as a partnership for U.S. federal income tax purposes holds Claims, the U.S. federal income tax treatment of a partner (or other owner) of the entity generally will depend on the status of the partner (or other owner) and the activities of the entity. Such partner (or other owner) should consult its tax advisor as to the tax consequences of the entity’s ownership or disposition of Claims.

The U.S. federal income tax consequences of the Plan are complex. The following summary is for information purposes only and is not a substitute for careful tax planning and advice based on the particular circumstances of each holder of a Claim or Equity Interest. Each holder of a Claim or Equity Interest is urged to consult his, her, or its own tax advisors as to the U.S. federal income tax consequences, as well as other tax consequences, including under any applicable state, local, and foreign law, upon implementation of the Plan.

## **A. GENERAL CONSEQUENCES OF U.S. HOLDERS OF CLAIMS AND EQUITY INTERESTS**

### **1. Realization and Recognition of Gain or Loss, In General**

The federal income tax consequences of the implementation of the Plan to a U.S. Holder of a Claim or Equity Interest will depend, among other things, upon the origin of the holder's Claim, when the holder receives payment in respect of such Claim or Equity Interest, whether the U.S. Holder reports income using the accrual or cash method of tax accounting, whether the holder acquired its Claim at a discount, and whether the U.S. Holder has taken a bad debt deduction or worthless security deduction with respect to such Claim or Equity Interest. A U.S. Holder of an Equity Interest should consult its tax advisor regarding the timing and amount of any potential worthless stock loss.

Generally, a U.S. Holder of an Allowed Claim will realize gain or loss on the exchange under the Plan of its Allowed Claim for Cash, in an amount equal to the difference between (i) the sum of the amount of any Cash and the fair market value on the date of the exchange of any other property received by the U.S. Holder, and (ii) the adjusted tax basis of the Allowed Claim exchanged therefor (other than basis attributable to accrued but unpaid interest previously included in the U.S. Holder's taxable income). With respect to the treatment of accrued but unpaid interest and amounts allocable thereto.

When gain or loss is recognized as discussed below, such gain or loss may be long-term capital gain or loss if the Claim or Equity Interest disposed of is a capital asset in the hands of the U.S. Holder and has been held for more than one year. Each U.S. Holder of an Allowed Claim or Equity Interest should consult its own tax advisor to determine whether gain or loss recognized by such holder will be long-term capital gain or loss and the specific tax effect thereof on such holder.

## 2. **Holders of Claims in All Classes**

The Plan provides, in certain circumstances, for a distribution of Cash, as distributed from time to time (but in no instance to exceed the amount of the Allowed Claim) to each Allowed Claim against the Debtors. A U.S. Holder of an Allowed Claim in the foregoing Classes generally will realize gain or loss in an amount equal to the difference, if any, between (a) the amount of Cash and the fair market value of any other property received in the exchange (other than amounts allocable to accrued but unpaid interest) and (b) the U.S. Holder's adjusted tax basis in the Claim (other than in respect of accrued but unpaid interest). It is possible that any loss, or a portion of any gain, realized by a holder of a Claim may have to be deferred until all of the distributions to such holder are received.

As discussed in the next section, the amount of Cash or other property received in respect of Claims for accrued but unpaid interest will be taxed as ordinary income, except to the extent previously included in income by a U.S. Holder under such holder's method of tax accounting.

## 3. **Allocation of Consideration to Interest**

All distributions in respect of Allowed Claims will be allocated first to the principal amount of the Allowed Claim (as determined for federal income tax purposes), with any excess allocated to accrued but unpaid interest (but solely to the extent that interest is an allowable portion of such Allowed Claim). However, there is no assurance that such allocation would be respected by the IRS for federal income tax purposes. In general, to the extent any amount

received by a U.S. Holder of a debt instrument is received in satisfaction of accrued interest during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income under the holder's normal method of accounting). Conversely, a holder generally recognizes a deductible loss to the extent any accrued interest claimed was previously included in its gross income and is not paid in full. Each U.S. Holder of an Allowed Claim is urged to consult its own tax advisor regarding the allocation of consideration and the taxation or deductibility of unpaid interest for tax purposes.

#### 4. **Market Discount**

A U.S. Holder will be considered to have acquired a Claim at a market discount if its tax basis in the Claim immediately after acquisition is less than the sum of all amounts payable thereon (other than payments of qualified stated interest, as defined in the Tax Code) after the acquisition date, subject to a statutorily-defined "de minimis" exception. Market discount generally accrues on a straight line basis from the acquisition date over the remaining term of the obligation or, at the U.S. Holder's election, under a constant yield method. A U.S. Holder that acquired a Claim at a market discount previously may have elected to include the market discount in income as it accrued over the term of the Claim.

A U.S. Holder that acquires a Claim at a market discount generally is required to treat any gain realized on the disposition of the instrument as ordinary income (instead capital gain) to the extent of accrued market discount not previously included in gross income by the holder.

#### 5. **Bad Debt Deduction and Worthless Securities Deduction**

A U.S. Holder of an Allowed Claim that is not a security for purposes of section 165(g) of the Tax Code who receives, pursuant to the Plan, an amount less than such holder's tax basis in that Allowed Claim may be entitled in the year of receipt (or in an earlier year) to a bad debt deduction under section 166(a) of the Tax Code or may be entitled to a loss under section 165(a) in the year of receipt. A U.S. Holder of a security, the Allowed Claim with respect to which is wholly worthless, may be entitled to a worthless securities deduction under sections 165(g) and 165(a) of the Tax Code. A worthless securities deduction is generally treated as a loss from the sale or exchange of a capital asset. U.S. Holder's should consult their own tax advisers as to the appropriate tax year in which to claim a worthless securities deduction. The rules governing the timing and amount of deductions place considerable emphasis on the facts and circumstances of the holder, the obligor and the instrument with respect to which a loss or deduction is claimed. Such loss or deduction would be limited to the U.S. Holders adjusted tax basis in the indebtedness underlying its Allowed Claim. U.S. Holders of Allowed Claims are urged to consult their own tax advisors with respect to their ability to take any loss or deduction described above.

#### 6. **Limitation on Use of Capital Losses**

A U.S. Holder of a Claim who recognizes capital losses as a result of the distributions under the Plan or as a result of a deduction described in the preceding paragraph will be subject to limits on the use of such capital losses. For a non-corporate holder, capital losses may be used to offset any capital gains (without regard to holding periods), and also ordinary income to the

extent of the lesser of (1) \$3,000 (\$1,500 for married individuals filing separate returns) or (2) the excess of the capital losses over the capital gains. A non-corporate holder may carry over unused capital losses and apply them against future capital gains and a portion of their ordinary income for an unlimited number of years. For corporate holders, capital losses may only be used to offset capital gains. A corporate holder that has more capital losses than may be used in a tax year may carry back unused capital losses to the three years preceding the capital loss year, but may carry over unused capital losses for the five years following the capital loss year.

## **B. INFORMATION REPORTING AND WITHHOLDING**

Distributions under the Plan are subject to applicable tax reporting and withholding. Under federal income tax law, interest, dividends and other reportable payments may, under certain circumstances, be subject to “backup withholding” at then applicable rates (currently 28%). Backup withholding generally applies if the U.S. Holder (a) fails to furnish its social security number or other taxpayer identification number (“TIN”), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN it provided is correct and that it is a United States person that is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax, provided the required information is timely provided to the IRS. Certain persons are exempt from backup withholding, including, in most circumstances, corporations and financial institutions.

Treasury Regulations generally require a taxpayer to disclose certain transactions on its federal income tax return, including, among others, certain transactions that result in a taxpayer claiming a loss in excess of a specified threshold. Holders are urged to consult their tax advisors as to whether the transactions contemplated by the Plan would be subject to these or other disclosure or information reporting requirements. The foregoing summary is provided for informational purposes only. U.S. Holders of Claims are urged to consult their tax advisors concerning the federal, state, local and foreign tax consequences of the Plan.

## **ARTICLE XI.**

### **DEFINITIONS AND INTERPRETATION**

#### **A. DEFINITIONS**

Unless the context otherwise requires, the following terms shall have the following meanings when used in capitalized form herein:

1. “*Accrued Professional Compensation*” means, at any given moment, all accrued and/or unpaid fees and expenses owed to Professionals (including, without limitation, fees or expenses allowed or awarded by a Final Order of the Bankruptcy Court) for legal, financial advisory, accounting, liquidation and other Professional services and reimbursement of expenses of such Professionals that are awardable and allowable under sections 328, 330(a) or 331 of the Bankruptcy Code, or otherwise rendered prior to the Effective Date, including in connection with (a) applications filed pursuant to sections 330 and 331 of the Bankruptcy Code; (b) motions

seeking the enforcement of the provisions of the Plan or Confirmation Order, by all Professionals in the Chapter 11 Cases that the Bankruptcy Court has not denied by a Final Order, to the extent that any such fees and expenses have not previously been paid regardless of whether a fee application has been filed for any such amount; and (c) applications for allowance of Administrative Claims arising under sections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(6) of the Bankruptcy Code. To the extent any amount of a Professional's fees or expenses are denied by Final Order, then those amounts shall no longer be Accrued Professional Compensation. To the extent the Bankruptcy Court or any higher court approves by a Final Order any amount of a Professional's fees or expenses, then those amounts shall be Allowed Administrative Claims. .

2. "*Administrative Claims*" means Claims for costs and expenses of administration under sections 503(b), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, without limitation: the actual and necessary costs and expenses incurred after the Petition Date of preserving the Estates and operating the businesses of the Debtors (such as wages, salaries or commissions for services and payments for goods and other services and leased premises), but excluding any Accrued Professional Compensation. Any fees or charges assessed against the estates of the Debtors under section 1930 of chapter 123 of title 28 of the United States Code are excluded from the definition of Administrative Claims and shall be paid in accordance with Article V.N of the Plan. Notwithstanding anything to the contrary herein, the filing of a request for payment of an Administrative Claim shall not be required in order to receive payment for any tax liability described in sections 503(b)(1)(B) and (C) to the extent provided in section 503(b)(1)(D) of the Bankruptcy Code.

3. "*Administrative Claims Bar Date*" means the first Business Day that is thirty (30) days after the Effective Date and is the deadline for a holder of an Administrative Claim to file a request with the Bankruptcy Court for payment of such Administrative Claim in the manner indicated in Article II of the Plan.

4. "*Affiliate*" shall have the meaning ascribed to it in 11 U.S.C. § 101.

5. "*Allowed*" means, with respect to any Claim against the Debtors, except as otherwise provided herein: (a) a Claim that has been scheduled by the Debtors in their Schedules filed in the Chapter 11 Cases as other than disputed, contingent or unliquidated and as to which the Debtors or other parties-in-interest have not filed an objection by the Claims Objection Bar Date; (b) a Claim filed in the Chapter 11 Cases and that either is not Disputed by the Claims Objection Bar Date or has been allowed by a Final Order; (c) a Claim, the amount of which has been estimated by order of the Bankruptcy Court pursuant to section 502(c) of the Bankruptcy Code; (d) a Claim filed in the Chapter 11 Cases that is allowed: (i) in any stipulation of amount and nature of Claim executed prior to the Effective Date and approved by the Bankruptcy Court; (ii) in any stipulation or written agreement with the Responsible Person, as applicable, of amount and nature of Claim executed on or after the Effective Date; or (iii) in or pursuant to any contract, instrument or other agreement entered into or assumed in connection herewith; (e) a Claim that is allowed pursuant to the terms of this Plan or (f) a Disputed Claim that the Debtors or Responsible Person ultimately determine will not be objected to (such claim being deemed allowed at the time such determination is made).

6. “*Asset Purchase Agreement*” means that certain Amended and Restated Asset Purchase Agreement among the Debtors and the Purchasers, dated as of August 14, 2015.

7. “*Ballot*” has the meaning set forth in Article I.

8. “*Bankruptcy Code*” means sections 101 et seq. of title 11 of the United States Code and applicable portions of titles 18 and 28 of the United States Code.

9. “*Bankruptcy Court*” means the United States Bankruptcy Court for the District of Delaware.

10. “*Bankruptcy Rules*” means the Federal Rules of Bankruptcy Procedure, promulgated under 28 U.S.C. § 2075, the Local Rules of Bankruptcy Practice and Procedure of the U.S. Bankruptcy Court for the District of Delaware, the Local Rules of Civil Practice and Procedure of the U.S. District Court for the District of Delaware, and general orders and chambers procedures of the Bankruptcy Court, each as applicable to the Chapter 11 Cases and as amended from time to time.

11. “*Bar Date*” has the meaning set forth in Article V.E.

12. “*Bar Date Order*” means that certain Order Granting Motion of Debtors and Debtors in Possession for an Order Establishing Deadlines for Filing Proofs of Claim and Section 503(b)(9) Claim Requests and Approving the Form and Manner of Notice Thereof [D.I. 234].

13. “*Books and Records*” means, with respect to the Debtors, all books and records of such Debtor(s), including, without limitation, all documents and communications of any kind, whether physical or electronic.

14. “*Business Day*” means any day, other than a Saturday, Sunday or “legal holiday” (as that term is defined in Bankruptcy Rule 9006(a)).

15. “*Cash*” means cash and cash equivalents including but not limited to bank deposits, checks and similar items.

16. “*Causes of Action*” means all claims, actions, causes of action, choses in action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, remedies, rights of setoff, third-party claims, subrogation claims, contribution claims, reimbursement claims, indemnity claims, counterclaims and crossclaims (including, without limitation, all claims and any avoidance, preference, recovery, subordination or other actions against insiders and/or any other entities under the Bankruptcy Code) or other applicable law against any Person or Entity, based in law or equity, including, without limitation, under the Bankruptcy Code or other applicable law, whether direct, indirect, derivative or otherwise and whether asserted or unasserted, known or unknown, as of the Effective Date; *provided that* “Causes of Action” shall not include any of the foregoing that were either (a) purchased by the Purchasers pursuant to the Sale, or (b) otherwise previously released, including, without limitation, pursuant to the Sale Settlement Stipulation.

17. “*Chapter 11 Cases*” means the chapter 11 cases commenced when the Debtors each filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code on the Petition Date and with the following case numbers: 15-11133 (CSS), 15-11134 (CSS) and 15-11135 (CSS), which are jointly administered under case number 15-11133 (CSS).

18. “*Claim*” means a “claim” as such term is defined in section 101(5) of the Bankruptcy Code.

19. “*Claims Agent*” means Kurtzman Carson Consultants LLC, the Bankruptcy Court appointed claims and noticing agent in these jointly administered Chapter 11 Cases.

20. “*Claims Objection Bar Date*” means the bar date for objecting to proofs of Claim, which shall be one hundred twenty (120) days after the Effective Date; *provided, however*, that the Debtors or the Responsible Person may seek additional extensions of this date from the Bankruptcy Court, with notice only to those parties entitled to notice in the Chapter 11 Cases pursuant to Bankruptcy Rule 2002. A party requesting to extend the Claims Objection Bar Date may specify which entities may benefit from such an extension.

21. “*Class*” means a category of holders of Claims or Equity Interests as set forth in Article II herein and pursuant to section 1122(a) of the Bankruptcy Code.

22. “*Company*” has the meaning set forth in Article III.B herein.

23. “*Confirmation Date*” means the date on which the Confirmation Order is entered by the Bankruptcy Court.

24. “*Confirmation Hearing*” means the hearing held by the Bankruptcy Court, pursuant to section 1128 of the Bankruptcy Code, to consider the confirmation of the Plan under section 1129 of the Bankruptcy Code, as such hearing may be adjourned or continued from time to time.

25. “*Confirmation Order*” means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

26. “*Contingent Value Right*” means the right, for the Contingent Value Right Duration, to a dollar amount (which, for the avoidance of doubt, shall not be less than zero) equal to (a) 0.1 multiplied by (b) the amount (i) that proceeds received by Deerfield, in connection with a Liquidity Event, exceeds (ii) the Investment Amount.

27. “*Contingent Value Right Duration*” means three (3) years from August 25, 2015.

28. “*Creditor*” means a “creditor” as such term is defined in section 101(10) of the Bankruptcy Code.

29. “*Creditors Committee*” means the Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases by the U.S. Trustee.

30. “*D&O Insurance Policies*” means all primary and excess insurance policies of the Debtors that provide for, among other things, coverage for liability related to the actions or omissions of the Debtors’ directors and officers.

31. “*Debtors*” means collectively, IMRIS, Inc., IMRIS Inc., and NeuroArm Surgical Limited, and, where applicable, the Estates thereof.

32. “*Deerfield*” means collectively, Deerfield Management Company, L.P. and its affiliated funds, including Deerfield Private Design Fund II, L.P., Deerfield Private Design International Fund II, L.P., Deerfield Special Situations Fund, L.P., the Purchasers, and the Senior Secured Loan Lenders and each of their respective affiliates.

33. “*Deerfield Deficiency Claim*” means the unsecured, non-priority claim of the Senior Secured Loan Lenders on account of their deficiency claims.

34. “*DIP and Wind-Down Budget*” has the meaning set forth in the Sale Settlement Stipulation.

35. “*DIP Credit Agreement*” means that certain Senior Secured, Superpriority Debtor-in-Possession Credit Agreement, as amended, by and among the DIP Lenders and the Debtors.

36. “*DIP Claims*” means claims arising under the DIP Facility.

37. “*DIP Facility*” means the postpetition facility provided to the Debtors pursuant to that certain Senior Secured, Superpriority Debtor-in-Possession Credit Agreement, dated May 28, 2015 (as subsequently amended, modified and/or supplemented).

38. “*DIP Lenders*” means the lenders party to the DIP Facility.

39. “*DIP Order*” means the *Final Order Under 11 U.S.C. §§ 105, 361, 362, 363(c), 363(m), 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 and Bankruptcy Rules 2002, 4001 and 9014 (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Authorizing the Debtors to Use Cash Collateral and (III) Granting Adequate Protection to Prepetition Secured Lenders* [D.I. 116].

40. “*Disbursing Agent*” means the person or entity empowered and authorized to make all Distributions pursuant to Article V.C herein.

41. “*Disclosure Statement*” means this *Disclosure Statement for the Debtors’ Plan of Liquidation under Chapter 11 of the Bankruptcy Code*, dated [\_\_\_\_\_, \_\_\_\_], prepared and distributed in accordance with the Bankruptcy Code, the Bankruptcy Rules and any other applicable law, and approved by the Bankruptcy Court, as amended, supplemented or modified from time to time.

42. “*Disputed*” means, with respect to any Claim: (a) listed on the Schedules as unliquidated, disputed or contingent, unless a proof of Claim has been filed in a liquidated, non-contingent amount; (b) as to which the Debtors, the Responsible Person or any other party in interest, has interposed a timely objection or request for estimation in accordance with the

Bankruptcy Code and the Bankruptcy Rules; or (c) as otherwise disputed in accordance with applicable bankruptcy or insolvency law, which objection, request for estimation or dispute has not been withdrawn or determined by a Final Order.

43. “*Disputed Claims Reserve*” means the reserve funds created pursuant to Article VI.A. herein.

44. “*Distributions*” means the distributions of Cash to be made in accordance with the Plan.

45. “*Effective Date*” means a Business Day selected by the Debtors and the Creditors Committee that is on or after the date by which all conditions precedent specified in Article VIII of the Plan have been satisfied or waived. Within five (5) Business days of the Effective Date, notice of the Effective Date shall be filed in the Bankruptcy Court.

46. “*Entity*” has the meaning set forth in section 101(15) of the Bankruptcy Code.

47. “*Equity Interest*” means any equity security in a Debtor as that term is defined in section 101(16) of the Bankruptcy Code.

48. “*Estates*” means the Debtors’ estates created pursuant to section 541 of the Bankruptcy Code upon the filing of the Chapter 11 Cases.

49. “*Excluded Assets*” has the meaning set forth in the Asset Purchase Agreement.

50. “*Final APA*” means that certain Amended and Restated Asset Purchase Agreement dated as of August 14, 2015, by and among Deerfield Imaging, S.à r.l., Deerfield Imaging, Ltd., Deerfield Imaging, Inc., IMRIS Inc., IMRIS, Inc., and NeuroArm Surgical Limited.

51. “*Final Decree*” means the decree contemplated under Bankruptcy Rule 3022.

52. “*Final Order*” means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction with respect to the subject matter, which has not been reversed, stayed, modified or amended, and as to which the time to file an appeal, motion for reconsideration or rehearing, or request for a stay has expired with no appeal, motion for reconsideration or rehearing, or request for a stay having been timely filed; provided, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order shall not prevent such order from being a Final Order.

53. “*General Bar Date*” means October 30, 2015 at 5:00 p.m. (EDT) as established in the Bar Date Order.

54. “*General Unsecured Claims*” means Claims against any Debtor that are not Administrative Claims, Accrued Professional Compensation Claims, Deerfield Deficiency Claim, Senior Secured Loan Claims, DIP Claims, Priority Tax Claims, Other Priority Claims, or Equity Interests.

55. “*Impaired*” means “impaired” within the meaning of sections 1123(a)(4) and 1124 of the Bankruptcy Code, with respect to a Claim, Equity Interest, or Class of Claims or Equity Interests.

56. “*Indemnified Persons*” means the Responsible Person (including in its capacity as Disbursing Agent), and the Responsible Person’s employees, officers, directors, agents, Representatives, and other professionals, as the case may be.

57. “*Intercompany Claims*” means Claims held by a Debtor or Affiliate of the Debtors against another Debtor or Affiliate of the Debtors.

58. “*Investment Amount*” means an amount equal to (a) the sum of (i) the full balance as of the Petition Date of the Senior Secured Loan, (ii) the full loan balance under the DIP Facility, (iii) all out-of-pocket expenses of Deerfield relating to the Debtors and the Purchasers, including attorneys’ fees, (iv) without duplication, all value retained by the Debtors following the Sale, including the amount of the DIP Facility and proceeds from Causes of Action, and (v) any equity, debt or other investment by Deerfield in the Purchasers following the closing of the Sale (net of any dividend or other equity distribution or principal paydown of debt), multiplied by (b) a 15% annual rate of return on the amount in subsection (a), from the date of investment.

59. “*Lien*” shall mean any lien, mortgage, charge, security interest, pledge or other encumbrance against or interest in property to secure payment or performance of a claim, debt or litigation.

60. “*Liquidity Event*” means any transaction or series of transactions by which Deerfield sells, exchanges, transfers or otherwise disposes of all or a majority of its collective ownership interest in the Purchasers to parties not affiliates with the Purchasers.

61. “*Other Priority Claims*” means Claims accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than Priority Tax Claims.

62. “*Other Secured Claims*” means any Secured Claims other than the Senior Secured Loan Claims.

63. “*Person*” means an individual, partnership, corporation, limited liability company, cooperative, trust, estate, unincorporated organization, association, joint venture, government unit or agency or political subdivision thereof or any other form of legal entity or enterprise.

64. “*Petition Date*” means May 25, 2015, the date on which the Debtors filed the Chapter 11 Cases.

65. “*Plan*” means the Debtors’ Plan of Liquidation Under Chapter 11 of the Bankruptcy Code including exhibits and supplements, either in its present form or as it may be altered, amended, modified or supplemented from time to time in accordance with the Bankruptcy Code or the Bankruptcy Rules.

66. “*Plan Supplement*” means the supplement to the Plan containing certain documents and forms of documents specified in the Plan, which documents and forms shall be

filed with the Bankruptcy Court no later than ten (10) days prior to the deadline to object to confirmation of the Plan.

67. “*Priority Claims*” means Priority Tax Claims and Other Priority Claims.

68. “*Priority Tax Claims*” means Claims of governmental units of the kind specified in section 507(a)(8) of the Bankruptcy Code.

69. “*Pro Rata*” shall mean the proportion that the amount of a Claim in a particular Class or Classes bears to the aggregate amount of all Claims (including Disputed Claims, but excluding disallowed Claims) in such Class or Classes, unless this Plan provides otherwise.

70. “*Professionals*” means any Person employed in the Chapter 11 Cases pursuant to a Final Order in accordance with sections 327, 328 or 1103 of the Bankruptcy Code, and to be compensated for services rendered prior to the Effective Date pursuant to sections 327, 328, 329, 330 or 331 of the Bankruptcy Code.

71. “*Purchasers*” mean Deerfield Imaging, S.à r.l., a corporation formed under the laws of Luxembourg, Deerfield Imaging, Ltd., an entity formed under the laws of Manitoba, and Deerfield Imaging, Inc., a Delaware corporation.

72. “*Record Date*” means the date that the Disclosure Statement is approved by the Bankruptcy Court.

73. “*Released Parties*” means, collectively, the Debtors, the Debtors’ Professionals, the DIP Lenders, Deerfield, the members of the Creditors Committee (solely in their capacity as members of the Creditors Committee), the Creditors Committee’s Professionals, and the current and former Representatives of each of the foregoing.

74. “*Remaining Assets*” means the amount remaining of the Wind-Down Amount, following the satisfaction pursuant to the terms of the Plan of the costs of administering the Plan, Administrative Claims, Accrued Professional Compensation, Priority Tax Claims and Other Priority Claims

75. “*Representatives*” means, with regard to an Entity (including the Debtors), any current or former officers, directors, employees, attorneys, Professionals, accountants, investment bankers, financial advisors, consultants, agents and other representatives.

76. “*Responsible Person*” means [\_\_\_\_\_], or such other person as the Debtors may choose in their sole discretion serving as the Responsible Person pursuant to this Plan.

77. “*RTSA*” means that certain Regulatory Transition Services Agreement dated as of August 14, 2015 by and among the Purchasers and the Debtors.

78. “*Sale*” means that certain sale by the Debtors of substantially all of their assets to the Purchasers on August 14, 2015.

79. “*Sale Motion*” has the meaning set forth in Article V hereof.

80. “*Sale Settlement Stipulation*” means that certain Stipulation Among Debtors, DIP Lenders, Prepetition Secured Lenders, Purchasers and the Official Committee of Unsecured Creditors in Connection with Sale of Substantially All of the Debtors’ Assets, dated as of August 14, 2015 [D.I. 278-1].

81. “*Schedules*” mean the schedules of assets and liabilities, schedules of executory contracts and statements of financial affairs filed by the Debtors pursuant to section 521 of the Bankruptcy Code, as may be amended, modified or supplemented from time to time.

82. “*Secured Claims*” means Claim(s) against the Debtors that are secured by a Lien on property in which the Estates have an interest, which Liens are valid, perfected and enforceable under applicable law or by reason of a Final Order, or that are subject to setoff under section 553 of the Bankruptcy Code, this Plan and the Confirmation Order, to the extent of the value of the Claim holder’s interest in the Estates’ interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code.

83. “*Senior Secured Loan*” means the loan or loans provided for under that certain Facility Agreement, dated as of September 16, 2013 (as amended) and all documents and instruments executed in connection therewith.

84. “*Senior Secured Loan Claims*” means those Claims asserted in connection with the Senior Secured Loan, after accounting for the reduction of Senior Secured Loan Claims in connection with the Sale, which shall include, for the avoidance of doubt, the Deerfield Deficiency Claim.

85. “*Senior Secured Loan Lenders*” means the lenders under the Senior Secured Loan.

86. “*Specified Actions*” shall have the meaning set forth in the Sale Settlement Stipulation.

87. “*Tax Code*” means the United States Internal Revenue Code of 1986, as amended.

88. “*Tax Returns*” means all tax returns, reports, certificates, forms or similar statements or documents, including amended tax returns or requests for refunds.

89. “*TSA*” means that certain Transition Services Agreement dated as of August 14, 2015 by and among the Purchasers and the Debtors.

90. “*U.S. Trustee*” means the United States Trustee appointed under Article 591 of title 28 of the United States Code to serve in the District of Delaware.

91. “*Unimpaired*” means not “impaired” within the meaning of sections 1123(a)(4) and 1124 of the Bankruptcy Code, with respect to a Claim, Equity Interest, or Class of Claims or Equity Interests.

92. “*Voting Deadline*” means 4:00 p.m. (prevailing Eastern Time) on [\_\_\_\_\_, 2015].

93. “*Wind-Down Amount*” means, subject to the terms set forth in paragraph 4 of the Sale Settlement Stipulation, the DIP and Wind-Down Budget and proceeds from Specified Actions, if any.

## **B. OTHER TERMS**

The words “herein,” “hereof,” “hereto,” “hereunder” and others of similar import refer to the Disclosure Statement as a whole and not to any particular article, section or clause contained in the Disclosure Statement. A reference to an “Article” refers to an Article, or referenced portion thereof, of the Plan. A term used herein that is not defined herein shall have the meaning ascribed to that term, if any, in or by the Bankruptcy Code. The rules of construction set forth in section 102 of the Bankruptcy Code shall apply in constructing the Disclosure Statement.

## **C. EXHIBITS**

All Exhibits to the Plan and the Plan Supplement are incorporated by reference into and are made a part of the Plan as if set forth in full herein.

## **ARTICLE XII.**

### **CONCLUSION**

The Debtors believe that confirmation and implementation of the Plan is in the best interests of all creditors, and urge holders of Impaired Claims in Classes 2 and 3 to vote to accept the Plan and to evidence such acceptance by returning their ballots so that they will be received no later than 4:00 p.m. (prevailing Eastern Time) on [\_\_\_\_\_, 2015].

Dated: October 5, 2015  
Wilmington, Delaware

**IMRIS Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**IMRIS, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**NeuroArm Surgical Ltd.**

By: \_\_\_\_\_  
Name:  
Title:

**Exhibit A**  
**Debtors' Chapter 11 Plan**

**[PLEASE SEE DOCKET NO. \_\_\_\_]**

**Exhibit B**  
**Disclosure Statement Order**

**Exhibit C**  
**Organizational Chart**

**Exhibit D**  
**Liquidation Analysis**

**LIQUIDATION ANALYSIS  
FORTHCOMING**