IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TENNESSEE
EASTERN DIVISION

IN RE:	§	
	§	**Case No. 14-11077-JLC**
OLD DRONE CO., INC.,	§	**Chapter 11**
f/k/a ISR GROUP, INCORPORATED	§	
	§	
Debtor.	§	

FIRST AMENDED DISCLOSURE STATEMENT AND PLAN SUMMARY WITH RESPECT TO THE FIRST AMENDED PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE PROPOSED BY OLD DRONE CO., INC. f/k/a ISR GROUP, INCORPORATED

Dated: September 9, 2014

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I. INTRODUCTION

Old Drone Co., Inc. f/k/a ISR Group, Incorporated, as debtor and debtor-in-possession, submit this First Amended Disclosure Statement (the "Disclosure Statement") in connection with its First Amended Plan of Liquidation (the "Plan") proposed in the above-captioned Bankruptcy Case.[1] A copy of the Plan is attached hereto as **Exhibit A**. The Plan provides for the liquidation of the Debtor's Assets and Distribution of the proceeds to Holders of Claims against the Debtors. For a summary of the proposed treatment of your Claim or Interest under the Plan, please see the chart on pages 8-10 below.

II. NOTICE TO HOLDERS OF CLAIMS AND INTERESTS

The purpose of this Disclosure Statement is to enable Holders of Claims and Interests in the Debtor whose Claims and Interests are impaired under, and are entitled to vote on, the Plan to make an informed decision in exercising their right to vote to accept or reject the Plan.

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT CAREFULLY.

On September 11, 2014, the Bankruptcy Court conducted a hearing on the adequacy of the Disclosure Statement and subsequently entered an order pursuant to section 1125 of the Bankruptcy Code (the "Disclosure Statement Order") approving this Disclosure Statement as containing information of a kind, and in sufficient detail, to enable a hypothetical, reasonable investor, typical of the Holders of Claims against and Interests in the Debtor entitled to vote on the Plan (if any), to make an informed judgment with respect to the acceptance or rejection of the Plan. A copy of the Disclosure Statement Order is included in the materials accompanying this Disclosure Statement. APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT REGARDING THE FAIRNESS OR MERITS OF THE PLAN. FURTHER, THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

Each Holder of a Claim or Interest entitled to vote to accept or reject the Plan, if any, should read this Disclosure Statement and the Plan in their entirety before voting. No solicitation of votes to accept or reject the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. Except for the Debtor and their professionals, no person has been authorized to use or promulgate any information concerning the Debtor, their

[1] Unless otherwise defined herein, capitalized terms used herein have the meanings ascribed to them in Article I of the Plan.

businesses, or the Plan, other than the information contained herein, in connection with the solicitation of votes to accept or reject the Plan. No Holder of a Claim or Interest entitled to vote on the Plan should rely upon any information relating to the Debtor, its business, or the Plan other than that contained in this Disclosure Statement and the attached exhibits. Unless otherwise indicated, the sources of all information set forth herein are the Debtor and its professionals.

If you are entitled to vote to accept or reject the Plan, a ballot will be sent for the purpose of voting on the Plan. After carefully reviewing this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the Plan on the ballot (if you are entitled to vote on the Plan) and return it to the address set forth on the ballot, in the enclosed return envelope so that it will be received by the Debtor' tabulation agent, Neligan Foley LLP, 325 North St. Paul, Suite 3600, Dallas, Texas 75201, Attention: Ruth Clark, no later than 5:00 p.m. Central Time on _____, 2014.

If you do not vote to accept the Plan, or if you are not entitled to vote on the Plan, you may be bound by the Plan if it is accepted by the requisite Holders of Claims or Interests who are entitled to vote on the Plan, or is deemed accepted by Holders of Claims and Interests that are unimpaired and thus not entitled to vote on the Plan. See "Confirmation of the Plan — Solicitation of Votes; Voting Procedures," "Confirmation Hearing," "Requirements for Confirmation of a Plan," and "Cramdown" in Section VII below.

TO BE SURE YOUR BALLOT IS COUNTED, YOUR BALLOT MUST BE RECEIVED NO LATER THAN 5:00 P.M. CENTRAL TIME, ON _____, 2014. For detailed voting instructions and the name, address, and phone number of the person you may contact if you have questions regarding the voting procedures, see "Solicitation of Votes; Voting Procedures" in Section VIII.A below.

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan (the "Confirmation Hearing"), on **_____, 2014, at _____.m. Central Time**, in the United States Bankruptcy Court for the Western District of Texas, Eastern Division. **The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed and served on or before _____, 2014 at 5:00 p.m. Central Time**, in the manner described under the caption, "Confirmation Hearing," in Section VIII.B below.

The Debtor will also be filing with the Bankruptcy Court a Plan Supplement no later than 10 days prior to the Confirmation Hearing. The Plan Supplement will identify the Liquidation Trustee and include, among other things, the final version of the Liquidation Trust Agreement. Copies of the Plan Supplement may be viewed and/or downloaded from the Bankruptcy Court's PACER website. Further, the Debtor will provide copies of any or all of the Exhibits to the Plan and the Plan Supplement upon written request submitted to the Debtor's counsel: Neligan Foley LLP, Attn: Patrick J. Neligan, Jr., 325 N. St. Paul, Suite 3600, Dallas, Texas 75201.

THE DEBTOR URGES ALL HOLDERS OF IMPAIRED CLAIMS TO ACCEPT THE PLAN.

III. EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

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

The commencement of a bankruptcy case creates an estate comprising all the legal and equitable interests of the debtor in property as of the date the bankruptcy petition is filed. In a chapter 11 case, sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession" unless the bankruptcy court orders the appointment of a trustee. In the present chapter 11 case, the Debtor have remained in possession of their property and continued to operate their business as Debtor in possession.

The filing of a bankruptcy petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, *inter alia*, for an automatic stay of all attempts to collect prepetition claims from the debtor or otherwise interfere with its property or business. Except as otherwise ordered by the Bankruptcy Court, the automatic stay remains in full force and effect until the effective date of a confirmed plan of reorganization.

The formulation of a plan of reorganization is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying the claims against and interests in the debtor. Generally, unless a trustee is appointed, only the debtor may file a plan during the first 120 days of a chapter 11 case (the "Exclusivity Period"). If the debtor files a plan during the first 120 days, the Exclusive Period is automatically extended an additional 60 days during which it may solicit acceptances of its Plan. Section 1121(d) of the Bankruptcy Code permits the court to extend or reduce the Exclusivity Period upon a showing of "cause." Thus, absent further order of the Bankruptcy Court, the Exclusivity Period will terminate on October 26, 2014.

B. Plan of Reorganization

Although referred to as a plan of reorganization, a debtor's plan may provide for anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of the debtor's assets. After a plan of reorganization has been filed, the holders of claims against or interests in a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, section 1125 of the Bankruptcy Code requires the debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. This Disclosure Statement is presented to Holders of Claims against and Interests in the Debtor to satisfy the requirements of section 1125 of the Bankruptcy Code.

If all classes of claims and interests accept a plan of reorganization, the bankruptcy court may nonetheless deny confirmation of the plan unless the court independently determines that the requirements of section 1129 of the Bankruptcy Code have been satisfied. Section 1129 sets

forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the "best interests" test and be "feasible." The "best interests" test generally requires that the value of the property to be distributed to the holders of claims and interests under a plan may not be less than those parties would receive if the debtor were liquidated pursuant to a hypothetical liquidation under chapter 7 of the Bankruptcy Code. Under the "feasibility" requirement, the court generally must find that there is a reasonable probability that the debtor will be able to meet its obligations under its plan without the need for further financial reorganization. The Debtor believe that the Plan satisfies all the applicable requirements of section 1129(a) of the Bankruptcy Code, including, in particular, the "best interests" test and the "feasibility" requirement.

Chapter 11 does not require that each holder of a claim against or interest in a debtor vote in favor of a plan of reorganization in order for the bankruptcy court to confirm the plan. At a minimum, however, the plan must be accepted by a majority in number and two-thirds in amount of those claims actually voting in at least one class of impaired claims under the plan. The Bankruptcy Code also defines acceptance of the plan by a class of interests (equity securities) as acceptance by holders of two-thirds of the number of shares actually voting. In the present case, only the Holders of Claims or Interests who are entitled to vote on the Plan, and who actually vote on the Plan, will be counted as either accepting or rejecting the Plan.

In addition, classes of claims or interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or interests in an impaired class. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified in any way under the plan. Modification for purposes of determining impairment, however, does not include curing defaults and reinstating maturity or payment in full in cash. **Under the Plan, Claims in Classes 2, 5, and 7 are impaired and are thus entitled to vote on the Plan. Claims in Classes 1, 3, 4, and 6 are unimpaired and are thus not entitled to vote on the Plan.** Administrative Claims and Priority Tax Claims are unclassified because their treatment is prescribed by the Bankruptcy Code, and the Holders of such Claims are not entitled to vote on the Plan. Holders of Interests in Class 8 shall not receive or retain any property or interest in property on account of such Interests under the Plan and therefore such Holders are conclusively presumed to have rejected the Plan under Bankruptcy Code section 1126(g) and are not entitled to vote on the Plan.

The Bankruptcy Court may also confirm a plan of reorganization even though fewer than all classes of impaired claims and interests accept it. For a plan of reorganization to be confirmed despite its rejection by a class of impaired claims or interests, the proponent of the plan must show, among other things, that the plan does not "discriminate unfairly" and that the plan is "fair and equitable" with respect to each impaired class of claims or interests that has not accepted the plan.

Under section 1129(b) of the Bankruptcy Code, a plan is "fair and equitable" as to a class of rejecting claims if, among other things, the plan provides: (a) with respect to secured claims, that each such holder will receive or retain on account of its claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; and (b) with respect to

unsecured claims and equity interests, that the holder of any claim or equity interest that is junior to the claims or equity interests of such class will not receive or retain on account of such junior claim or equity interest any property at all unless the senior class is paid in full.

A plan does not "discriminate unfairly" against a rejecting class of claims if (a) the relative value of the recovery of such class under the plan does not differ materially from that of any class (or classes) of similarly situated claims, and (b) no senior class of claims is to receive more than 100% of the amount of the claims in such class.

The Debtor believes that the Plan has been structured so that it will satisfy the requirements of the Bankruptcy Code, but reserve the right to seek confirmation of the Plan or to amend the Plan such that it can be confirmed on any ground possible including, if necessary, over the objection of any Class of Claims, including the right to request confirmation of the Plan under the "cramdown" provisions of section 1129 of the Bankruptcy Code.

IV. SUMMARY OF THE PLAN

THIS IS ONLY A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN. THE PLAN INCLUDES OTHER PROVISIONS THAT MAY AFFECT YOUR RIGHTS. YOU ARE URGED TO READ THE PLAN IN ITS ENTIRETY BEFORE VOTING ON THE PLAN.

A. General Overview

The Debtor believes, and will demonstrate at the Confirmation Hearing, that confirmation and consummation of the Plan are in the best interests of Holders of Claims against and Interests in the Debtor. The Plan is the product of negotiations with various stakeholders in the Debtor, including TCFI and the Committee. Substantially all of the Debtor's assets have been sold to the Buyer via a private sale process overseen by the Bankruptcy Court. The Sale Proceeds will be distributed to Holders of Allowed Claims in the priority and manner set forth in the Plan and described in this Disclosure Statement. Further description of the treatments of the various Claims can be found at pages 8-10 of this Disclosure Statement.

B. Classification and Treatment of Claims and Interests

The following is a summary of the classification and treatment of Claims and Interests under the Plan. The classification and treatment of Claims and Interests herein is without prejudice to a party in interest asserting that it is entitled to a different classification or treatment under the Plan or applicable law. The Administrative Claims and Priority Tax Claims (*i.e.*, unclassified claims) shown below constitute the Debtor' estimate of the amount of such Claims, taking into account amounts, if any, paid or projected to be paid prior to the Effective Date. The total amount of Claims shown below reflects the Debtor' current estimate of the likely amount of such Claims, subject to the resolution by settlement or litigation of Claims that the Debtor believe are subject to disallowance or reduction. Reference should be made to the entire Disclosure Statement and to the Plan for a complete description of the classification and treatment of Claims and Interests.

1. Unclassified Claims Against the Debtor

In accordance with section 1123(a)(1) of the Bankruptcy Code, unclassified Claims against the Debtor consist of Administrative Claims and Priority Tax Claims. Based on its books and records and its projections for future expenses, the Debtor presently estimate the amounts of such Claims on the Effective Date as follows:

Administrative Claims	$376,000.00
Priority Tax Claims	$0.00

The Holder of any Administrative Claim that is incurred, accrued or in existence prior to the Effective Date, other than (i) a Fee Claim, (ii) an Allowed Administrative Claim, or (iii) a liability in the Ordinary Course of Business must file with the Bankruptcy Court and serve on all parties required to receive such notice a request for the allowance of such Administrative Claim on or before thirty (30) days after the Effective Date. Such request must include at a minimum (i) the name of the Holder of the Claim, (ii) the amount of the Claim, and (iii) the basis of the Claim. Failure to timely and properly file and serve the request (as required under Section 3.01(a) of the Plan) shall result in the Administrative Claim being forever barred and discharged. Objections to such requests must be filed and served pursuant to the Bankruptcy Rules on the requesting party and the Debtor within thirty (30) days after the filing of the applicable request for payment of an Administrative Claim.

Any Person who holds or asserts an Administrative Claim that is a Fee Claim for compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date shall be required to file with the Bankruptcy Court and serve on all parties required to receive such notice a Fee Application within ninety (90) days after the Effective Date. Failure to timely and properly file and serve a Fee Application as required under Section 3.01(b) of the Plan shall result in the Fee Claim being forever barred and discharged. No Fee Claim will be deemed Allowed until an order allowing the Fee Claim becomes a Final Order. Objections to Fee Applications must be filed and served pursuant to the Bankruptcy Rules on the Debtor and the Person to whose application the objections are filed within thirty (30) days after the filing of the applicable Fee Application. No hearing may be held until the objection period has expired.

An Administrative Claim with respect to which notice has been properly filed pursuant to Section 3.01(a) of the Plan shall become an Allowed Administrative Claim if no timely objection is filed. If a timely objection is filed, the Administrative Claim shall become an Allowed Administrative Claim only to the extent Allowed by a Final Order. An Administrative Claim that is a Fee Claim, and with respect to which a Fee Application has been properly filed and served pursuant to Section 3.01(b) of the Plan, shall become an Allowed Administrative Claim only to the extent Allowed by a Final Order.

Holders of Administrative Claims based on liabilities incurred in the Ordinary Course of Business of the Debtor during the Bankruptcy Case (other than Claims of governmental units for taxes or other amounts and/or interest and penalties related to such taxes or other amounts, or alleged Administrative Claims arising in tort) shall not be required to file any request for payment of such Claims. Liabilities incurred in the Ordinary Course of Business will be paid by

the Debtor pursuant to the terms and conditions of the transaction giving rise to such Administrative Claim, without any further action by the Holders of such Administrative Claim. The Debtor reserve the right to object to any claim arising, or asserted as arising, in the Ordinary Course of Business and to withhold payment of such claim until such time as any objection is resolved pursuant to a settlement or a Final Order of the Bankruptcy Court.

Except to the extent that an Allowed Priority Tax Claim has been paid prior to the Effective Date, each Holder of an Allowed Priority Tax Claim, in full satisfaction, release, settlement, and discharge of and exchange for such Claim, shall receive (a) to the extent such Claim is due and owning on the Effective Date, Cash in an amount equal to the Allowed amount of such Priority Tax Claim on the Effective Date, (b) to the extent such Claim is not due and owing on the Effective Date, Cash in an amount equal to the Allowed amount of such Priority Tax Claim as and when due under applicable non-bankruptcy law, or (c) such other treatment as is acceptable to the Debtor and the Holder of an Allowed Priority Tax Claim.

The Debtor shall timely pay to the United States Trustee all quarterly fees incurred pursuant to 28 U.S.C. § 1930(a)(6). Any fees due as of the most recent quarterly invoice before the Confirmation Date will be paid in full within thirty (30) days after the Effective Date.

2. Classified Claims and Interests

The following is an estimate of the numbers and amounts of classified Claims and Interests to receive treatment under the Plan, and their respective treatment:

UNLESS OTHERWISE NOTED, THE DEBTOR' ESTIMATES OF THE NUMBER AND AMOUNT OF CLAIMS IN EACH CLASS SET FORTH IN THE TABLE BELOW INCLUDE ALL CLAIMS ASSERTED AGAINST THE DEBTOR WITHOUT REGARD TO THE VALIDITY OR TIMELINESS OF THE FILING OF THE CLAIMS. LIKEWISE, THE ESTIMATE REFLECTS THE AMOUNT OF ALL CLAIMS FOR A PARTICULAR CLASS BASED ON THE AMOUNT SET FORTH IN THE RESPECTIVE PROOF OF CLAIM, WITHOUT REGARD TO THE AMOUNT REFLECTED IN THE DEBTOR' RECORDS. BY INCLUDING ANY CLAIM IN THE ESTIMATES SET FORTH BELOW, THE DEBTOR ARE NOT WAIVING THEIR RIGHTS TO OBJECT TO ANY CLAIM ON OR BEFORE THE CLAIM OBJECTION DEADLINE ESTABLISHED BY THE PLAN. IN ADDITION, THE DEBTOR HAVE NOT YET UNDERTAKEN AN ANALYSIS OF POTENTIAL AVOIDANCE ACTIONS AND THE DEBTOR ARE NOT WAIVING THEIR RIGHT TO ASSERT AVOIDANCE ACTIONS. PAYMENTS RECEIVED BY NON-INSIDER CREDITORS WITHIN NINETY (90) DAYS PRIOR TO THE PETITION DATE AND BY INSIDER CREDITORS WITHIN ONE YEAR PRIOR TO THE PETITION DATE ARE LISTED IN THE DEBTOR'S SCHEDULES ON FILE WITH THE COURT. A COPY OF THE SCHEDULES IS AVAILABLE FOR EXAMINATION ON PACER OR BY WRITTEN REQUEST SENT TO THE DEBTOR' COUNSEL.

Class	Treatment

Class	Treatment
Class 1 – DIP Loan Claim Estimated Amount: $0.00 Estimated Number: 1	Unimpaired The DIP Loan Claim has been satisfied in full under the terms of the Sale Order.
Class 2 – Priority Wage Claims Estimated Amount: 78 Estimated Number: $382,282.38	Impaired Each Priority Wage Claim shall be Allowed in the amount set forth in the Priority Wage Claim Schedule, attached hereto as **Exhibit B**. Any portion of a Priority Wage Claim that exceeds the amount set forth in the Priority Wage Claim Schedule shall be treated as a Class 7 General Unsecured Claim against the Debtor to the extent such Claim is Allowed. On or as soon as practicable after the later of (a) the Effective Date or (b) the Allowance Date with respect to a Priority Wage Claim, each Holder of such Allowed Priority Wage Claim shall receive from the Debtor, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Priority Wage Claim, its *Pro Rata* share of the Priority Wage Contribution.
Class 3 – IRS Tax Claim Estimated Amount: $537,959.37 Estimated Number: 1	Unimpaired On or as soon as practicable after the later of (a) the Effective Date or (b) the Allowance Date with respect the IRS Tax Claim, the Holder of such Claim shall receive from the Debtor, in full satisfaction, settlement, release and discharge of and in exchange for such IRS Tax Claim, (i) Cash in the Allowed amount of such Claim, or (ii) such other, less favorable treatment to which such Holder and the Debtor, the Liquidation Trustee or the Advisory Committee, as applicable, agree in writing. The Debtor believes the IRS Tax Claim is significantly overstated and that it will be significantly reduced or eliminated either by agreement or by Final Order of the Bankruptcy Court.
Class 4 – TDR Tax Claim Estimated Amount: $32,757.75 Estimated Number: 1	Unimpaired On or as soon as practicable after the later of (a) the Effective Date or (b) the Allowance Date with respect the TDR Tax Claim, the Holder of such Claim shall receive from the Debtor, in full satisfaction, settlement, release and

Class	Treatment
	discharge of and in exchange for such TDR Tax Claim, (i) Cash in the Allowed amount of such Claim, or (ii) such other, less favorable treatment to which such Holder and the Debtor, the Liquidation Trustee or the Advisory Committee, as applicable, agree in writing.
Class 5 – Miscellaneous Secured Claims Estimated Amount: Unknown Estimated Number: Unknown	Impaired Each Holder of an Allowed Miscellaneous Secured Claim that is senior the TCFI Secured Claim shall receive from the Debtor or TCFI, in full satisfaction, settlement, release and discharge of and in exchange for such Claim, either (i) Cash in the Allowed Amount of such Claim or (ii) the return of the Collateral securing such Claimshall be satisfied in accordance with the terms of the Sale Order. Any Allowed Miscellaneous Secured Claim that is junior to the TCFI Secured Claim shall be treated as a Class 7 General Unsecured Claim. Nothing in this Plan shall be construed as a limitation on, or waiver of, the Debtor's right to object to the Allowance of a Miscellaneous Secured Claim under section 502(a) of the Bankruptcy Code or otherwise.
Class 6 – TCFI Secured Claim Estimated Amount: $0.00 Estimated Number: 1	Unimpaired The TCFI Secured Claim has been satisfied in full under the terms of the Sale Order.
Class 7 – General Unsecured Claims Estimated Amount: $2,500,000.00 Estimated Number: 190	Impaired Each Holder of an Allowed General Unsecured Claim shall receive from the Debtor or the Liquidation Trustee, in full satisfaction, settlement, release and discharge of and in exchange for such Claim, from the Debtor a Pro Rata share of the Liquidation Trust Assets. The Liquidation Trust Asset include the Buyer EBITDA Contribution, which shall be calculated as follows: (i) If Buyer's EBITDA during the EBITDA Sharing Period is less than $2.0 million, the Buyer EBITDA Contribution will equal $0. (ii) If Buyer's EBITDA during the EBITDA Sharing Period is equal to or greater than $2 million but less than $3 million, the Buyer EBITDA Contribution will equal $300,000.

Class	Treatment
	(iii) If Buyer's EBITDA during the EBITDA Sharing Period is equal to or greater than $3 million but less than $4 million, the Buyer EBITDA Contribution will equal $400,000. (iv) If Buyer's EBITDA during the EBITDA Sharing Period is equal to or greater than $4 million but less than $5 million, the Buyer EBITDA Contribution will equal $600,000. (v) If Buyer's EBITDA during the EBITDA Sharing Period is equal to or greater than $5 million but less than $6 million, the Buyer EBITDA Contribution will equal $800,000. (vi) If Buyer's EBITDA during the EBITDA Sharing Period is equal to or greater than $6 million but less than $7 million, the Buyer EBITDA Contribution will equal $1,000,000. (vii) If Buyer's EBITDA during the EBITDA Sharing Period is equal to or greater than $7 million but less than $8 million, the Buyer EBITDA Contribution will equal $1,200,000. (viii) If Buyer's EBITDA during the EBITDA Sharing Period equals or exceeds $8 million, the Contribution will equal 100% of the EBITDA in excess of $8 million up to a maximum Buyer EBITDA Contribution of $1,439,000 Any portion of an Allowed General Unsecured Claim that consists of Statutory Damages shall be subordinated to all other Allowed General Unsecured Claims pursuant to section 510(c) of the Bankruptcy Code. Holders of Allowed General Unsecured Claims including Statutory Damages will receive no Distribution on account of such Statutory Damages unless and until all other Allowed General Unsecured Claims have been paid in full. Holders of Allowed General Unsecured Claims including Statutory Damages must be paid in full with interest at the federal funds rate in effect as of the Effective Date prior to any Distribution to the Buyer under Section 7.03(j) of the Plan.
Class 8 – Interests in the Debtor	Impaired

Class	Treatment
Number of Holders: 1	Interests in the Debtor will be deemed canceled and extinguished as of the Dissolution Date. Holders of Interests in the Debtor will not receive any Distributions under the Plan on account of their Interests.

C. Means of Implementation of the Plan

1. Distributions; Sources of Funds for Distributions Under the Plan

Plan Distributions will be made by the Debtor and the Liquidation Trustee on behalf of the Liquidation Trust. The Debtor will make all Distributions to Holders of Allowed Administrative Claims and Allowed Claims in Classes 1, 2, 3, 4, 5, and 6. The Liquidation Trust will make all Distributions to Holders of Allowed Claims in Class 7. The sources of Cash for Distributions to Holders of Allowed Claims under this Plan by the Debtor will be: (a) Cash of the Debtor on hand as of the Effective Date; and (b) the Priority Wage Contribution. Sources of Cash for Distributions to Holders of Allowed Claims under this Plan by the Liquidation Trustee on behalf of the Liquidation Trust will be: (a) the Settlement Payment; (b) the Buyer EBITDA Contribution; (c) any funds remaining from the Priority Wage Contribution after payment of all Allowed Priority Wage Claims; and (d) any Cash generated or received by the Liquidation Trust on or after the Effective Date from any other source, including, without limitation, any recovery from the prosecution of Causes of Action.

2. Establishment and Governance of the Liquidation Trust

The Liquidation Trust shall be established in accordance with, and under the terms of, the Plan and shall be governed by the Liquidation Trustee according to the Liquidation Trust Agreement substantially in the form attached hereto as **Exhibit C**. The Liquidation Trustee on the Effective Date will be identified in the Plan Supplement. The Liquidation Trust shall consist of the Liquidation Trust Assets. On the Effective Date, the Debtor shall transfer the Liquidation Trust Assets to the Liquidation Trust. The Buyer shall contribute the Buyer EBITDA Contribution to the Liquidation Trust in accordance with the terms of the Plan. The Liquidation Trustee shall distribute Cash to the Holders of Allowed Claims in Class 7 at its discretion when available, all in accordance with the terms of the Plan and the Liquidation Trust Agreement. The costs and expenses of the Liquidation Trust, including the fees and expenses of the Liquidation Trustee and its retained professionals, shall be paid out of the Liquidation Trust Assets.

3. Calculation of the Buyer EBITDA Contribution

During the EBITDA Sharing Period, Buyer shall provide the Liquidation Trustee with quarterly reports of Buyer's estimated EBITDA for the preceding quarter. On or before the end of the month following each quarter during the EBITDA Sharing Period, Buyer shall make quarterly payments of the Buyer EBITDA Contribution, if any, to the Liquidation Trustee based on Buyer's estimated EBITDA during the preceding quarter. No later than sixty (60) days after the EBITDA Sharing Period, Buyer shall provide the Liquidation Trustee with (i) a calculation of Buyer's EBITDA, (ii) certification from McGladrey LLP, or such other qualified independent accounting firm as may be selected by Buyer, that Buyer's calculation of EBITDA is accurate and in compliance with GAAP, and (iii) funds in the amount of the difference between the

EBITDA calculation and the sum of quarterly payments paid to or for the benefit of the Liquidation Trust during the EBITDA Sharing Period. Buyer's calculation of EBITDA (as certified by an independent accounting firm as set forth above) shall be final and not subject to any objection or other challenge by Liquidation Trustee or any other party

4. Discharge of the Debtor

Except as provided in the Bankruptcy Code, the Plan or the Confirmation Order, all consideration distributed under the Plan will be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims against and Interests in the Debtor of any nature whatsoever, whether known or unknown, or against the assets or properties of the Debtor that arose before the Effective Date. Except as provided in the Bankruptcy Code, the Plan or the Confirmation Order, upon the Effective Date, entry of the Confirmation Order acts as a discharge and release under Bankruptcy Code section 1141(d)(1)(A) of all Claims against and Interests in the Debtor and the Debtor' assets and properties, arising at any time before the Effective Date, regardless of whether a proof of Claim or Interest was filed, whether the Claim or Interest is Allowed, or whether the Holder of the Claim or Interest votes to accept the Plan or is entitled to receive a Distribution under the Plan. Except as provided in the Plan or the Confirmation Order, upon the Effective Date, any Holder of a discharged Claim or Interest will be precluded from asserting against the Debtor or any of its assets or properties any other or further Claim or Interest based on any document, instrument, act, omission, transaction or other activity of any kind or nature that occurred or arose before the Effective Date. Except as provided in the Plan or the Confirmation Order, and subject to the occurrence of the Effective Date, the Confirmation Order will be a judicial determination of discharge of all liabilities of the Debtor to the extent allowed under Bankruptcy Code section 1141, and the Debtor will not be liable for any Claims or Interests and will only have the obligations as are specifically provided for in the Plan.

5. Releases

Effective as of the Effective Date, and except as otherwise set forth in the Plan or the Confirmation Order, Committee, the Buyer, and their respective Professionals' will be deemed to have forever released, waived and discharged the Debtor and its employees, agents and Professionals from any and all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the right to act in accordance with or otherwise enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered or executed thereunder), whether for tort, contract, violations of federal or state securities laws, or otherwise, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence, taking place on or prior to the Effective Date in any way relating to the Debtor, the Bankruptcy Case, or the Plan.

Effective as of the Effective Date, and except as otherwise set forth in the Plan or the Confirmation Order, the Debtor and its Professionals will be deemed to have forever released, waived and discharged the Committee, the Buyer, and their respective principals, employees, agents and Professionals from any and all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the right to act in accordance

with or otherwise enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered or executed thereunder), whether for tort, contract, violations of federal or state securities laws, or otherwise, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence, taking place on or prior to the Effective Date in any way relating to the Debtor, the Bankruptcy Case, or the Plan.

6. Exculpation

The Debtor, the Buyer, the Committee, and any of their present or former Professionals, principals, agents, members, officers, directors, employees, representatives, successors, and assigns, shall not have or incur any liability or obligation, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, and whether asserted or assertable directly or derivatively, in law, equity, or otherwise, to any Holder of a Claim or Interest or any other Person for any act or omission in connection with, relating to, or arising out of the Debtor, the Estate, the administration of the Bankruptcy Case, the operation of the Debtor's business during the Bankruptcy Case, the Settlement Agreement the formulation, negotiation, preparation, filing, dissemination, approval, or confirmation of the Plan, the Disclosure Statement, the solicitation of votes for or confirmation of the Plan, the consummation or administration of the Plan, or the property to be distributed under the Plan, except for their willful misconduct or gross negligence as determined by a Final Order of a court of competent jurisdiction. The foregoing parties will be entitled to rely reasonably upon the advice of counsel in all respects regarding their duties and responsibilities under the Plan.

7. Injunction

Except as otherwise provided in the Plan, the Confirmation Order shall provide that from and after the Effective Date, all Holders of Claims against and Interests in the Debtor are permanently enjoined from taking any of the following actions against the Debtor or any of its Assets on account of any such Claim or Interest: (a) commencing or continuing in any manner or in any place, any action or other proceeding; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order; (c) creating, perfecting, or enforcing any encumbrance or Lien; (d) asserting a setoff, subrogation, or recoupment of any kind against any debt, liability, or obligation due to the Debtor; and (e) commencing or continuing, in any manner or in any place, any action that does not conform to or comply with, or is inconsistent with, the provisions of the Plan; provided, however, that nothing contained herein shall preclude such Persons from exercising their rights pursuant to and consistent with the terms of the Plan or the Confirmation Order. If allowed by the Bankruptcy Court, any Person injured by any willful violation of such injunction shall recover actual damages, including costs and attorneys' and experts' fees and disbursements, and, in appropriate circumstances, may recover punitive damages, from the willful violator.

8. Revocation or Withdrawal of the Plan

The Debtor reserve the right to revoke and/or withdraw the Plan at any time before the Confirmation Date. If the Debtor revoke or withdraw the Plan, or if confirmation or the

Effective Date of the Plan does not occur, then the Plan shall be deemed null and void. In such event, nothing contained herein or in the Plan shall be deemed to constitute a waiver or release of any Claims by or against the Debtor or any other Person or to prejudice in any manner the rights of the Debtor or any other Person in any further proceedings involving the Debtor or any other Person.

9. Modification of the Plan

The Debtor reserve the right to modify the Plan in writing at any time before the Confirmation Date, provided that (a) the Plan, as modified, meets the requirements of Bankruptcy Code sections 1122 and 1123 and (b) the Debtor shall have complied with Bankruptcy Code section 1125. The Debtor further reserve the right to modify the Plan in writing at any time after the Confirmation Date and before substantial consummation of the Plan, provided that (a) the Plan, as modified, meets the requirements of Bankruptcy Code sections 1122 and 1123, (b) the Debtor shall have complied with Bankruptcy Code section 1125, and (c) the Bankruptcy Court, after notice and a hearing, confirms the Plan as modified, under Bankruptcy Code section 1129. A Holder of a Claim or Interest that has accepted or rejected the Plan shall be deemed to have accepted or rejected, as the case may be, such Plan as modified, unless, within the time fixed by the Bankruptcy Court, such Holder changes its previous acceptance or rejection.

D. Executory Contracts and Unexpired Leases

Certain Assigned Contracts have been assumed and assigned by the Debtor to the Buyer under the terms of the Asset Purchase Agreement and the Sale Order entered by the Bankruptcy Court. In all events, the Buyer shall be obligated to pay all Cure Amounts up to $100,000.00 and shall assume all obligations (not exceeding $100,000.00) regarding the demonstration of adequate assurance of future performance under the Assigned Contracts.

The Plan contemplates the rejection of all Excluded Contracts as of the Effective Date. Any Rejection Claim arising from the rejection of an Excluded Contract shall be treated as a General Unsecured Claim pursuant to the Plan, except as limited by the provisions of Bankruptcy Code sections 502(b)(6) and 502(b)(7) and mitigation requirements under applicable law. Nothing contained herein shall be deemed an admission by either Debtor that such rejection gives rise to or results in a Rejection Claim or shall be deemed a waiver by either Debtor or any other party in interest of any objections to such Rejection Claim if asserted.

If the rejection of an Executory Contract pursuant to Section 8.01 of the Plan gives rise to a Claim by any non-Debtor party or parties to such Executory Contract, such Claim shall be forever barred and shall not be enforceable against the Debtor, the Estate, or the agents, successors, or assigns of the foregoing, unless a proof of such Claim is filed with the Bankruptcy Court and served upon the Debtor on or before the Rejection Bar Date. Any Holder of a Claim arising out of the rejection of an Executory Contract that fails to file a proof of such Claim on or before the Rejection Bar Date shall be forever barred, estopped, and enjoined from asserting such Claim against the Debtor, the Estate or any of its Assets. Nothing contained herein shall extend the time for filing a proof of Claim for rejection of any Executory Contract rejected before the Confirmation Date.

V. DESCRIPTION OF THE DEBTOR

A. Overview of the Debtor's Business

Prior to the Petition Date, the Debtor was a veteran-owned business based in Savannah, Tennessee that provided a broad range of services in the unmanned vehicle systems industry. Unmanned vehicles, sometimes referred to as "drones," are used for many different purposes, including security and surveillance, military and national defense operations, law enforcement and border patrol operations, maritime operations, and disaster relief operations. Pre-petition, the Debtor generally provided technical support, training, logistics and repair services for unmanned aircraft, marine vessels, and ground vehicles used in these and other industries.

Historically, the Debtor operated through four business divisions. ISR Technical Services deployed highly-skilled professionals to support research & development, production, operations, maintenance, and logistical activities of unmanned vehicle systems throughout the world. ISR Training provided tailored training programs at the Debtor's Savannah headquarters to support ground, air, and maritime unmanned vehicle systems. ISR Logistics and Depot operated a dedicated depot complex at the Debtor's headquarters that provided a cost effective logistical operations and maintenance center for unmanned vehicle programs. ISR Range Services provided customers a 10 square mile practice and training range located in Hardin County, Tennessee for training, testing, and developing various unmanned vehicle systems.

Pre-petition, the Debtor's operations were authorized by the Federal Aviation Administration (the "FAA") and the Debtor was registered with the United States Department of State's Office of Defense Trades Controls Compliance as a Manufacturer and Exporter of defense articles and services.

B. Ownership and Capital Structure

As of the Petition Date, 100% of the equity in the Debtor was owned by ISR Group Holdings, Inc. ("ISR Holdings"). ISR Holdings is principally owned by Alfred Lumpkin who, prior to the Petition Date, also served as the Debtor's sole director, President, and Chief Executive Officer.[2] As discussed more fully below, Mr. Lumpkin resigned his positions with the Debtor as of April 23, 2014 and appointed John Stuecheli as the Debtor's sole director, President, and Chief Restructuring Officer.

C. Debtor' Pre-Petition Financing

Prior to the Petition Date, the Debtor and ISR Holdings entered into that certain Loan Agreement dated March 28, 2012, with PNC Bank, National Association ("PNC") (as amended, supplemented, modified, extended, renewed, restated and/or replaced at any time prior to the Petition Date, the "Existing Credit Agreement"). The Existing Credit Agreement provided for a $22.5 million term loan and $5 million line of credit. The obligations of the Debtor and ISR Holdings under the Existing Credit Agreement: (i) are secured by substantially all of their assets (the "Prepetition Collateral"); (ii) are evidenced by an Amended and Restated Term Note in the

[2] Mr. Lumpkin owns 73% of the stock in ISR Holdings.

amount of the aggregate outstanding principal amount of each advance, together with accrued but unpaid interest on the principal amount of each such advance (the line of credit having been previously terminated by PNC); and (iii) mature on March 31, 2017 (the "Maturity Date").

Prior to the Petition Date, PNC made loans, advances and provided other financial accommodations to the Debtor and ISR Holdings pursuant to the terms and conditions set forth in the Existing Credit Agreement and all other agreements, documents and instruments executed and/or delivered with, to, or in favor of PNC, including, without limitation, ISDA Master Agreement (with associated schedule and confirmation), all security agreements, notes, guarantees, mortgages, Uniform Commercial Code financing statements and all other related agreements, documents and instruments executed and/or delivered in connection therewith or related thereto (all of the foregoing, together with the Existing Credit Agreement, as all of the same have heretofore been amended, supplemented, modified, extended, renewed, restated and/or replaced at any time prior to the Petition Date, collectively, the "Existing Credit Documents").

As of the Petition Date, the aggregate amount of all obligations owing by the Debtor and ISR Holdings to Lender under and in connection with the Existing Credit Documents was not less than $17,444,444.04, plus interest accrued and accruing thereon, together with all costs, fees, expenses (including attorneys' fees and legal expenses) and other charges accrued, accruing or chargeable with respect thereto (collectively, and as such term is more fully defined in the Amendment, the "Pre-Petition Obligations").

Prior to the Petition Date, certain Events of Default (as defined in the Existing Credit Documents) occurred, and PNC accelerated the Prepetition Obligations of the Debtor and ISR Holdings as a result. By virtue of the issuance of the establishment of the Existing Credit Agreement, each of ISR Holdings and the Debtor is primarily or secondarily liable and obligated for the repayment of all obligations under the Existing Credit Agreement and substantially all of their respective assets constitute collateral therefor.

As discussed below, PNC assigned, sold and delegated all of its rights and obligations under the Existing Credit Documents to TCFI, an affiliate of Trive Capital, pursuant to the Loan Sale Agreement (the "Assignment") dated as of April 22, 2014, by and among PNC and TCFI.

VI. THE DEBTOR'S BANKRUPTCY

A. Decrease in Revenue Leads to Liquidity Crisis

Historically, the Debtor's primarily derived its revenue from providing support services, including development, training, and logistical services in connection with unmanned vehicle systems utilized by the United States military. For example, the Debtor provided training to the United States Armed Forces in connection with the use of unmanned aerial vehicles (drones) in Iraq and Afghanistan. A significant portion of the Debtor's pre-petition revenue was derived from these and other support services related to the Boeing Insitu "ScanEagle" unmanned aerial vehicle.

The Debtor began to see a decline in its revenue as the United States reduced its military activities in the middle east. I am informed and believe that, during approximately the same time, the Debtor lost certain key employees and was underbid by competitors on several lucrative contracts. The reduction in revenue on existing business coupled with the failure to secure these new contracts had a significant negative effect on the Debtor's revenue.

The decrease in revenue caused the Debtor to fall out of compliance with the covenants in the Existing Loan Documents. In late 2012, the Debtor fell below the total leverage ratio and the fixed charge ratio required by the Existing Loan Documents. On July 31, 2013, PNC notified the Debtor of the occurrence of an event of default under the Existing Credit Documents. By letter dated August 16, 2013, PNC informed the Debtor that, as a result of the events of default, PNC would no longer make any advances or provide any additional funds under the Existing Credit Documents.

After receiving notice of default from PNC, the Debtor began exploring options to secure additional financing. However, given its operational issues the Debtor was unable to secure traditional bank financing and therefore began exploring alternative financing arrangements such as a capital infusion or sale of some or all of the Debtor's assets. The Debtor met with various potential sources of funding during the second half of 2013 but was ultimately unable to reach an agreement to secure the additional financing necessary to continue operating.

B. Cessation of Operations

On or about October 2, 2013, PNC accelerated the amounts due under the Existing Credit Documents and exercised its rights to sweep the Debtor's bank accounts and seize control of the Debtor's accounts receivable. PNC subsequently directed all of the Debtor's customers to make payments directly to PNC. Without its cash and incoming revenue, the Debtor was unable to meet its operating expenses, including payroll, as those came due. As a result, the Debtor effectively ceased operations and shut down in late 2013.

C. TCFI Acquires the PNC Indebtedness

In late 2013 or early 2014, Trive Capital ("Trive") became interested in acquiring some or all of the Debtor's assets. Trive negotiated extensively with the Debtor and its principal, Alfred Lumpkin, regarding various means through which Trive could acquire the Debtor and its assets. Trive proposed several alternatives that would have allowed the Debtor to resume operations, rehire its employees, and pay creditors in full. Ultimately, however, the Debtor repeatedly declined Trive's offers.

Recognizing significant value in the Debtor's dormant business, Trive proceeded with its efforts to acquire the Debtor. On or about April 22, 2014, Trive reached an agreement to acquire the PNC indebtedness via an assignment of the Existing Loan Documents from PNC to TCFI, a Trive affiliate. Upon receiving assignment of the Existing Loan Documents, TCFI notified the Debtor that it had acquired the PNC indebtedness and that it was instituting a proceeding to foreclose on the stock in the Debtor (TCFI's collateral under the Existing Loan Documents) via a public sale.

Upon acquiring the PNC indebtedness, TCFI reached an agreement with the Debtor and Alfred Lumpkin under which TCFI has lent sufficient new capital to enable the Debtor to resume operations and fund a bankruptcy sale process. As discussed more fully below, the Lender agreed to provide a $1-2 million debtor-in-possession loan to facilitate the bankruptcy and sale of the Debtor and to provide additional funds to pay employees' claims for unpaid wages. TCFI has also agreed to pay unsecured creditors provided that the Debtor meets certain operating incentives. In exchange, Mr. Lumpkin agreed to resign all positions with the Debtor and to cede control of the Debtor's operations to John Stuecheli of Verto Partners, LLC as the Debtor's Sole Director, President and Chief Restructuring Officer.

In connection with its acquisition of the PNC indebtedness, TCFI agreed to fund a chapter 11 bankruptcy proceeding in order to facilitate the marketing and sale of the Debtor's assets. Verto Partners, LLC and Mr. Stuecheli were retained by the Debtor to assume responsibility for the management and operations of the Debtor during the pendency of this bankruptcy proceeding and to assist in the marketing and sale of the Debtor's assets. Mr. Stuecheli has over 25 years of experience in financial and management restructuring across a broad array of industries. In his capacity as the Debtor's Sole Director, Mr. Stuecheli approved the Debtor's bankruptcy filing by corporate resolution dated April 29, 2014. On that date, the Debtor filed its voluntary petition for relief under chapter 11 of the Bankruptcy Code.

D. Significant Events Since Commencement of the Bankruptcy Case

1. First Day Hearing And Associated Motions

On May 8, 2014, the Bankruptcy Court held a hearing to consider various motions filed by the Debtor shortly after the Petition Date. Among these motions were a motion for authority to continue using the Debtor's existing bank account, a motion to provide adequate assurance of payment to various utility service providers, a motion to pay certain prepetition employee wage claims, and a motion for approval of debtor-in-possession financing. The Bankruptcy Court granted these motions by orders dated May 13, 2014.

2. Filing of Schedules and Creditors' Meeting

The Debtor filed its Schedules and Statement of Financial Affairs on May 13, 2014. The Schedules and Statement of Financial Affairs are available from the Bankruptcy Court via PACER or upon written request to the Debtor's counsel. The United States Trustee held a meeting of creditors in accordance with section 341 of the Bankruptcy Code on June 5, 2014 in Jackson, Tennessee.

3. Creation and Appointment of Committee

On May 20, 2014, the United States Trustee created the Committee and appointed Michael Maddox, Wanna Huerta, and Gary Kennedy as members of the Committee pursuant to sections 1102(a) and 1102(b)(1) of the Bankruptcy Code. Michael Maddox was appointed as the Committee Chairman.

4. Proposed Sale and Global Settlement

On May 13, 2014, the Debtor filed a motion seeking the entry of an order establishing certain bidding procedures and approving the sale of substantially all of the Debtor's assets free and clear of all claims, liens, and encumbrances (the "Sale Motion"). In the Sale Motion, the Debtor sought approval of an asset purchase agreement between the Debtor and TCFI (the "Stalking Horse APA") under which TCFI would acquire substantially all of the Debtor's assets for (i) a credit bid of $18,207.179.54; (ii) a cash payment of $300,000 to be used exclusively for payments to Holders of Claims in Class 1; and (iii) the assumption of certain liabilities. The Sale Motion contemplated that the Stalking Horse APA would be subject to higher and better offers obtained through a marketing and auction process.

Both the Committee and United States Trustee objected to the Sale Motion and the Debtor's request for approval of continued debtor-in-possession financing from TCFI. After extensive negotiations, the Debtor, TCFI, and the Committee reached an agreement to resolve the Committee's objection Sale Motion, the terms of which agreement are set forth in the Settlement Agreement between the parties dated May 29, 2014. In general, the Settlement Agreement increased the consideration being paid by the Buyer and provided for the sale of the Debtor's assets to TCFI in a private sale in full and complete satisfaction of all obligations owing to TCFI. As part of the consideration for the Debtor's assets, the Buyer is making certain contributions to the Debtor to be distributed under the terms of the Plan, including the Settlement Payment, the Priority Wage Contribution, and the Buyer EBITDA Contribution, which will be distributed to the Debtors' creditors by the Debtor and the Liquidation Trust under the terms of the Plan. The Bankruptcy Court approved the Settlement Agreement under Bankruptcy Rule 9019 by order dated June 17, 2014.

5. Sale of the Debtor's Assets to the Buyer

On June 17, 2014, the Bankruptcy Court granted the Sale Motion and approved the Sale of the Debtor's Assets to the Buyer in accordance with the terms of the Asset Purchase Agreement, the Settlement Agreement, and the Sale Order. The Sale closed on or about June 18, 2014 and substantially all of the Debtor's Assets were transferred to the Buyer under the terms of the Asset Purchase Agreement and the Sale Order.

6. Change of Debtor's Name and Case Caption

The name "ISR Group, Incorporated" was transferred to the Buyer in connection with the Sale. Accordingly, after the Sale closed TCFI changed its name to "ISR Group, LLC" and the Debtor changed its name to "Old Drone Co., Inc." and began taking steps to register this new name with the appropriate authorities. By order dated July 2, 2014, the Bankruptcy Court approved the Debtor's name changed and instructed that all pleadings filed in the Bankruptcy Case reflect the Debtor's new name: Old Drone Co., Inc. f/k/a ISR Group, Incorporated. **Accordingly, any pleadings or Proofs of Claim filed in the Bankruptcy Case after July 2, 2014 must identify the Debtor Old Drone Co., Inc. f/k/a ISR Group, Incorporated.**

VII. LITIGATION

A. Pending Litigation

As of the Petition Date, the Debtor was a party to three pending lawsuits, which are listed on the Debtor's Statement of Financial Affairs. The lawsuits generally involve claims by third parties to collect funds allegedly owed by the Debtor. The Claims underlying those lawsuits will be treated as disputed General Unsecured Claims under the Plan.

One of the lawsuits involves collective action claims against the Debtor for unpaid wages under the Fair Labor Standards Act of 1938, 29 U.S.C. § 201, *et seq*. *See Sondesky, et al., v. ISR Goup, Inc., et al*., Case No. 1:14-cv-01077-JDB, in the United States District Court for the Western District of Tennessee, Jackson Division. The plaintiffs in that action seek damages on behalf of themselves and all other similarly situated employees under 29 U.S.C. § 216(b). The Debtor contests the allegations in the lawsuit. However, in the event that damages are awarded against the Debtor, the amounts awarded as Statutory Damages (as defined in the Plan) will be subordinated to Allowed General Unsecured Claims under the Plan, and the Statutory Damages portion of an Allowed General Unsecured Claim will be paid only after all non-Statutory Damages portions of Allowed General Unsecured Claims have been paid in full.

B. Potential Litigation Under Non-Bankruptcy Law

The Debtor is currently investigating potential claims against the Debtor's former officers and directors related to the prepetition operation of the Debtor's business. The Debtor has not yet completed its investigation into these and other potential claims and nothing herein or in the Plan shall be deemed a waiver of any rights with respect thereto.

The Debtor and/or the Buyer may have claims against former employees of the Debtor for theft or misappropriation of property of the Debtor's Estate. The Debtor may bring litigation to recover any such stolen property or may offset the value of such property against amounts distributable under the Plan to person(s) in possession of such property. In order to avoid litigation and potential offsets, persons holding property of the Debtor's Estate should immediately return it to the Debtor.

C. Avoidance Causes of Action

Section 547 of the Bankruptcy Code enables a debtor in possession to avoid a transfer to a creditor made within 90 days before the petition date (or within one year before the petition date in the case of a transfer to an insider) if the transfer was made on account of an antecedent debt and enabled the creditor to receive more than it would in a liquidation. A creditor can assert certain defenses to the avoidance of such a preferential transfer based upon, among other things, the transfer's occurring as part of the ordinary course of the debtor's business or that, subsequent to the transfer, the creditor provided the debtor with new value. Section 548 of the Bankruptcy Code allows a debtor in possession to avoid a transfer to a creditor made within one year before the petition date if (a) the transfer was made with actual intent to hinder, delay, or defraud other creditors or (b) the transfer was for less than reasonably equivalent value and the debtor was insolvent or undercapitalized at the time of the transfer or became insolvent or undercapitalized as a result of the transfer. A list of all transfers by the Debtor within 90 days before the Petition

Date, and one year to insiders, is provided in the Debtor' Statements of Financial Affairs filed with the Bankruptcy Court. To the extent the Debtor' Statements of Financial Affairs are inaccurate or do not reflect all of the respective transfers, nothing in this Disclosure Statement or Plan shall constitute a waiver of the Debtor' rights to pursue avoidance actions to recover the full amount of any such transfer(s).

D. All Causes of Action to Be Transferred to the Liquidation Trust

As of the Effective Date, all Causes of Action (including, without limitation, claims based on sections 510, 544, 547 and 548 of the Bankruptcy Code) will be transferred to the Liquidation Trust under the Plan. Thereafter, the Liquidation Trust, acting through the Liquidation Trustee, shall have the exclusive right to assert, prosecute, settle, or compromise any Causes of Action transferred to it under the Plan as well as any and all defenses, counterclaims, privileges and rights that have been asserted or could be asserted by the Debtor against or with respect to all Claims asserted against the Debtor or property of the Debtor's Estate.

In accordance with section 1123(b) of the Bankruptcy Code, and except where such Causes of Action have been expressly released, the Liquidation Trust may commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, and the Liquidation Trust's rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. No Person may rely on the absence of a specific reference in the Plan or Disclosure Statement to any Cause of Action against them as any indication that the Debtor or the Liquidation Trust, as applicable, will not pursue any and all available Causes of Action against them. Unless any Cause of Action against a Person is expressly waived, relinquished, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Debtor and the Liquidation Trust expressly reserve all Causes of Action for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppels, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Causes of Action upon, after or as a consequence of the confirmation of the Plan. The Liquidation Trustee shall be entitled to the proceeds of any Cause of Action in accordance with the terms of the Plan.

VIII. CONFIRMATION OF THE PLAN

A. Solicitation of Votes; Voting Procedures

1. Ballots and Voting Deadlines

A ballot to be used for voting to accept or reject the Plan, together with an addressed return envelope, is enclosed with all copies of this Disclosure Statement mailed to all Holders of Claims and Interests entitled to vote, if any. BEFORE COMPLETING YOUR BALLOT, PLEASE READ CAREFULLY THE INSTRUCTION SHEET THAT ACCOMPANIES THE BALLOT.

The Bankruptcy Court has directed that in order to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received no later than 5:00 p.m. Central Time on _____, 2014, at the following address:

Neligan Foley LLP
Attn: Ruth Clark
325 North St. Paul, Suite 3600
Dallas, Texas 75201
rclark@neliganlaw.com

YOUR BALLOT MAY NOT BE COUNTED IF IT IS RECEIVED AT THE ABOVE ADDRESS AFTER 5:00 P.M. CENTRAL TIME ON _____, 2014.

2. Parties in Interest Entitled to Vote

Any Holder of a Claim against the Debtor as of the Voting Record Date (_____, 2014) whose Claim has not previously been disallowed by the Bankruptcy Court or objected to by the Debtor is entitled to vote to accept or reject the Plan, if such Claim is impaired under the Plan and either (a) such Holder's Claim has been scheduled by the Debtor (and such Claim is not scheduled as disputed, contingent, or unliquidated) or (b) such Holder has filed a proof of claim on or before the Bar Date (September 3, 2014), the last date set by the Bankruptcy Court for such filings.

If a creditor or other party in interest files a motion seeking temporary allowance for voting purposes of a claim that has been objected to by a party in interest (a "Temporary Allowance Motion"), the Debtor shall mail, via express or overnight mail, a solicitation package approved by the Bankruptcy Court together with a ballot (a "Temporary Allowance Ballot") to the creditor holding such claim within two business days after the filing of such motion. The creditor shall execute and return the Temporary Allowance Ballot to the Debtor' tabulation agent at the address set forth above prior to the Voting Deadline. After notice and hearing, the Court may temporarily allow the claim of the creditor in an amount which the court deems proper for the purpose of accepting or rejecting a plan.

3. Definition of Impairment

As set forth in section 1124 of the Bankruptcy Code, a class of claims or equity interests is impaired under a plan of reorganization unless, with respect to each claim or equity interest of such class, the plan:

(a) leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or equity interest; or

(b) notwithstanding any contractual provision or applicable law that entitles the holder of a claim or equity interest to demand or receive accelerated payment of such claim or equity interest after the occurrence of a default:

(i) cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code;

(ii) reinstates the maturity of such claim or interest as it existed before such default;

(iii) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance on such contractual provision or such applicable law; and

(iv) does not otherwise alter the legal, equitable or contractual rights to which such claim or interest entitles the holder of such claim or interest.

4. Classes Impaired Under the Plan

Classes of claims or equity interests that are not impaired under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Classes of claims or equity interests that are impaired under a plan and are not receiving any distribution under the plan are conclusively presumed to have rejected the plan and thus are not entitled to vote on the plan. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or equity interests in an impaired class and are receiving a distribution under the plan. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified in any way under the plan. Modification for purposes of determining impairment, however, does not include curing defaults and reinstating maturity, or payment in full in Cash.

Claims and Interests in Class 2, 5, and 7 are impaired under the Plan and the Holders of those Claims are entitled to vote on the Plan. Claims in Classes 1, 3, 4, and 6 are not impaired under the Plan, and the Holders of those Claims are conclusively presumed to have accepted the Plan under Bankruptcy Code section 1126(f) and are thus not entitled to vote on the Plan. Holders of Interests in Class 8 shall not receive or retain any property or interest in property on account of such Interests under the Plan and therefore such Holders are conclusively presumed to have rejected the Plan under Bankruptcy Code section 1126(g) and thus are not entitled to vote on the Plan. Administrative Expense Claims and Priority Tax Claims are unclassified. Their treatment is prescribed by the Bankruptcy Code, and the Holders of such Claims are not entitled to vote on the Plan.

5. Vote Required For Class Acceptance

Under the Bankruptcy Code, a Class of Claims that is entitled to vote to accept or reject the Plan shall have accepted the Plan if it is accepted by at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims in such Class that have voted on the Plan. The Bankruptcy Code also provides that a Class of Interests that is entitled to vote to accept or reject the Plan shall have accepted the Plan if it is accepted by the Holders of at least two-thirds (2/3) in amount of the Allowed Interests in such Class that have voted on the Plan.

B. <u>Confirmation Hearing</u>

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to

hold a hearing on confirmation of a plan. By order of the Bankruptcy Court, **the Confirmation Hearing on the Plan has been scheduled for _____, 2014 at ___.m. Central Time** in the United States Bankruptcy Court for the Western District of Tennessee, Eastern Division. The Bankruptcy Court may adjourn the Confirmation Hearing from time to time without further notice except for an announcement made at the confirmation hearing or any adjournment thereof.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. **Any objection to confirmation of the Plan must be made in writing and filed with the Bankruptcy Court on or before _____, 2014 at 5:00 p.m. Central Time**, at the following address:

Clerk of the United States Bankruptcy Court
Western District of Tennessee
Eastern Division
111 South Highland Avenue
Suite 107
Jackson, Tennessee 38301

In addition, any such objection must be served upon the following parties, together with proof of service, so that they are ***received*** **by such parties on or before 5:00 p.m. Central Time on _____, 2014**:

Neligan Foley LLP
Attn: Ruth Clark
325 N. St. Paul, Suite 3600
Dallas, TX 75242
rclark@neliganlaw.com
COUNSEL FOR THE DEBTOR

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014 and the Disclosure Statement Order. **UNLESS AN OBJECTION TO CONFIRMATION IS SERVED AND FILED ON THE DEBTOR AND THE OTHER NOTICE PARTIES AND THEIR COUNSEL SO THAT IT IS ACTUALLY RECEIVED BY NO LATER THAN 5:00 P.M. CENTRAL TIME ON _____, 2014, THE BANKRUPTCY COURT MAY NOT CONSIDER IT.**

The Debtor believe that the key dates leading up to and including the Confirmation Hearing may be summarized as follows:

1. _____, 2014, 5:00 p.m. Central Time: Deadline for parties to file and serve any objection to the Plan.

2. _____, 2014, 5:00 p.m. Central Time: Deadline for parties entitled to vote on the Plan, if any, to have their ballots received by the tabulation agent.

3. _____, 2014, _____.m. Central Time: Commencement of the

Confirmation Hearing.

C. Requirements For Confirmation of a Plan

At the Confirmation Hearing, the Bankruptcy Court must determine whether the Bankruptcy Code's requirements for confirmation of the Plan have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. As set forth in section 1129 of the Bankruptcy Code, these requirements are as follows:

1. The plan complies with the applicable provisions of the Bankruptcy Code.

2. The proponent of the plan complied with the applicable provisions of the Bankruptcy Code.

3. The plan has been proposed in good faith and not by any means forbidden by law.

4. Any payment made or promised by the debtor, by the plan proponents, 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 case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable.

5. (a) (i) The proponent of the plan has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in a joint plan with the debtor, or a successor to the debtor under the plan; and

(ii) the appointment to, or continuance in, such office of such individual, is consistent with the interests of creditors and equity security holders and with public policy; and

(b) the proponent of the plan has disclosed the identity of any insider that will be employed or retained by the reorganized debtor, and the nature of any compensation for such insider.

6. Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the debtor have approved any rate change provided for in the plan, or such rate change is expressly conditioned on such approval.

7. With respect to each impaired class of claims or interests:

(a) each holder of a claim or interest of such class has accepted the plan or will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor liquidated on such date under chapter 7 of the Bankruptcy Code on such date; or

(b) if section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, the holder of a claim of such class will receive or retain under the plan on account of such claim property of a value, as of the effective date of the plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims.

8. With respect to each class of claims or interests:

(a) such class has accepted the plan; or

(b) such class is not impaired under the plan.

9. Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that:

(a) with respect to a claim of a kind specified in section 507(a)(2) or 507(a)(3) of the Bankruptcy Code, on the effective date of the plan, the holder of such claim will receive on account of such claim cash equal to the allowed amount of such claim;

(b) with respect to a class of claims of a kind specified in section 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6), or 507(a)(7) of the Bankruptcy Code, each holder of a claim of such class will receive:

(i) if such class has accepted the plan, deferred cash payments of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or

(ii) if such class has not accepted the plan, cash on the effective date of the plan equal to the allowed amount of such claim; and

(c) with respect to a claim of a kind specified in section 507(a)(8) of the Bankruptcy Code, the holder of a claim will receive on account of such claim regular installment payments in cash –

(i) of a total value, as of the effective date of the plan, equal to the allowed amount of such claim;

(ii) over a period ending not later than 5 years after the date of the order for relief under section 301, 302, or 303; and

(iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the plan (other than cash payments made to a class of creditors under section 1122(b)); and

(d) with respect to a secured claim that would otherwise meet the description of an unsecured claim of a governmental unit under section 507(a)(8), but for the secured status of that claim, the holder of that claim will receive on account of that claim, cash payments, in the same manner and over the same period, as described in subparagraph (c) above.

10. If a class of claims is impaired under the plan, at least one class of claims that is impaired has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim of such class.

11. Confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan.

12. All fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on confirmation of the plan, have been paid or the plan provides for the payments of all such fees on the effective date of the plan.

13. The plan provides for the continuation after its effective date of payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to subsection (e)(1)(B) or (g) of section 1114, at any time prior to confirmation of the plan, for the duration of the period the debtor has obligated itself to provide such benefits.

The Debtor believes that the Plan satisfies all the statutory requirements of chapter 11 of the Bankruptcy Code, that it has complied or will have complied with all the requirements of chapter 11, and that the Plan is proposed in good faith.

Section 1129(a)(7) of the Bankruptcy Code requires that every creditor in an impaired class who has not accepted a proposed plan of reorganization receive at least as much under the plan as that creditor would receive in a hypothetical liquidation of the Debtor under chapter 7 of the Bankruptcy Code. That is, each creditor who votes to reject the plan is entitled to be certain that it is no worse off under the plan than it would be if the Debtor were liquidated and the proceeds of that liquidation were distributed among all the Debtor's creditors in accordance with the distribution priorities established by the Bankruptcy Code. This requirement is generally known as the "best interests of creditors" test.

The Debtor believes that Holders of all Allowed Claims and Interests impaired under the Plan, if any, will receive payments or other property under the Plan having a present value as of the Effective Date not less than the amounts likely to be received if the Debtor were liquidated in a case under chapter 7 of the Bankruptcy Code. After the Sale of the Debtor's Assets to the Buyer under the terms of the Sale Order, the Debtor has no material assets and no ongoing operations. Accordingly, the Debtor does not believe that Holders of Allowed Unsecured Claims would receive a distribution if the Debtor's assets were liquidated under chapter 7 of the Bankruptcy Code. Conversely, the Plan provides for payment in full to Classes 1, 2, 3, 4, and 5 and a significant distribution, including possible payment in full, to Holders of Allowed

Unsecured Claims in Class 6. Accordingly, the Debtor believes that Holders of all Allowed Claims and Interests will receive at least as much under the Plan as they would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

D. Cramdown

If any impaired Class of Claims or Interests does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtor if, 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 that Class. A plan of reorganization "does not discriminate unfairly" within the meaning of the Bankruptcy Code if no Class receives more than it is legally entitled to receive for its claims or equity interests.

"Fair and equitable" has different meanings with respect to the treatment of secured and unsecured claims. As set forth in section 1129(b)(2) of the Bankruptcy Code, those meanings are as follows:

1. With respect to a class of *secured claims*, the plan provides:

(a) (i) that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims; and

(ii) that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property;

(b) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under clause (a) or (c) of this paragraph 1; or

(c) the realization by such holders of the "indubitable equivalent" of such claims.

2. With respect to a class of *unsecured claims*, the plan provides:

(a) that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or

(b) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property.

3. With respect to a class of *equity interests*, the plan provides:

(a) that each holder of an interest of such class receive or retain on account of such interest property of a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest; or

(b) that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property.

In the event that any impaired Class of Claims or Interests does not accept the Plan, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable with respect to, and does not discriminate unfairly against, any rejecting impaired Class of claims or equity interests. For the reasons set forth above and below, the Debtor believes that the Plan does not discriminate unfairly against, and is fair and equitable with respect to, each impaired Class of Claims or Interests.

IX. RISK FACTORS

The following is intended as a summary of certain risks associated with the Plan, but it is not exhaustive and must be supplemented by the analysis and evaluation made by each Holder of a Claim or Interest of the Plan and this Disclosure Statement as a whole with such Holder's own advisors.

A. Insufficient Acceptances

For the Plan to be confirmed, each impaired Class of Claims or Interests is given the opportunity to vote to accept or reject the Plan, unless the Plan provides that the Holders in such Class will not receive any distribution under the Plan (in which event such Holders are deemed to reject the Plan). With regard to any impaired voting Classes, the Plan will be deemed accepted by a Class of impaired Claims if the Plan is accepted by claimants of such Class who hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the total Allowed Claims in that Class that actually vote on the Plan. Only those members of a Class who vote to accept or reject the Plan will be counted for voting purposes. In the event that the Bankruptcy Court determines that an impaired Class of Claims has not voted to accept the Plan, the Debtor reserve the right to request confirmation of the Plan pursuant to the cramdown provisions in section 1129(b) of the Bankruptcy Code, which will allow confirmation of the Plan even if a particular Class of impaired Claims has not accepted the Plan. However, there can be no assurance that any impaired Class of Claims will accept the Plan or that the Debtor would be able to use the cramdown provisions of the Bankruptcy Code for confirmation of the Plan.

B. Confirmation Risks

The following specific risks exist with respect to confirmation of the Plan:

(i) Any objection to confirmation of the Plan filed by a member of a Class of Claims or Interests can either prevent confirmation of the Plan or delay confirmation for a significant period of time.

(ii) Since the Debtor may be seeking to obtain approval of the Plan over the rejection of one or more impaired Classes of Claims or Interests, the cramdown process could delay confirmation.

C. Conditions Precedent

Confirmation of the Plan and occurrence of the Effective Date are subject to certain conditions precedent that may never occur. The Debtor, however, will work diligently with all parties in interest to ensure that all conditions precedent are satisfied.

D. Risk Regarding Amounts and Classification of Claims

The estimated number and amount of claims in each Plan Class set forth on pages 8-10 of this Disclosure Statement are based on the Debtor's review and analysis of its Schedules and the proofs of claim filed in the Bankruptcy Case, and on the Debtor's assumptions regarding how certain Claims may be classified and treated under the Plan. There can be no assurance that the estimated amount of distributions and recoveries by Creditors in any Class (whether in amount or as a percentage of any Allowed Claim), will prove to be accurate, and the distributions and recoveries may be substantially less than estimated.

X. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

After the Sale of the Debtor's Assets to the Buyer under the terms of the Sale Order, the Debtor has no material assets or ongoing operations. As a result, the only feasible alternative to the Plan is the liquidation of the Debtor's remaining estate and distribution of its value under chapter 7 of the Bankruptcy Code. However, the Debtor believes that the distribution of the Settlement Payment, Priority Wage Contribution, the Buyer EBITDA Contribution, and the proceeds of any Causes of Action under the Plan will yield a significantly larger recovery to Holders of Claims than would be possible under chapter 7.

XI. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain federal income tax consequences of the implementation of the Plan to the Debtor and certain Holders of Claims. This summary does not address all aspects of federal income taxation that may be relevant to all persons considering the Plan. Special federal income tax considerations not discussed in this summary may be applicable to, among other persons, financial institutions, insurance companies, foreign corporations, tax-exempt institutions and persons who are not citizens or residents of the United States. In addition, this summary does not discuss the effect of any foreign, state or local tax law, the effect of which may be significant. Furthermore, this discussion assumes that the Debtor is classified as a partnership for U.S. federal income tax purposes.

This summary is based on the Internal Revenue Code of 1986, as amended ("IRC"), the regulations promulgated thereunder, judicial decisions, and administrative positions of the Internal Revenue Service (the "Service"). All Section references in this summary are to Sections of the IRC. Any change in the foregoing authorities may be applied retroactively in a manner that could adversely affect persons considering the Plan.

No ruling will be sought from the Service with respect to the federal income tax aspects of the Plan and there can be no assurance that the conclusions set forth in this summary will be accepted by the Service. No opinion has been sought or obtained with respect to the tax aspects of the Plan.

THIS SUMMARY IS INTENDED FOR GENERAL INFORMATION ONLY. PERSONS CONSIDERING THE PLAN ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE REORGANIZATION OF THE DEBTOR, THE RECEIPT OF ANY PAYMENT UNDER THE PLAN, AND THE IMPACT ON THAT PERSON OR ANY OTHER PERSON OF ANY OBLIGATION IMPOSED UNDER THE PLAN.

IRS Circular 230 Disclosure: To ensure compliance with requirements imposed by the IRS in Circular 230, you are hereby informed that (i) any tax advice contained in this Disclosure Statement is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code, (ii) the advice is written to support the promotion or marketing of the transactions or matters addressed in the Disclosure Statement and (iii) each Holder should seek advice based on its particular circumstances from an independent tax advisor.

A. Tax Consequences to the Debtor

Under the IRC, a taxpayer generally must include in gross income the amount of any discharge-of-indebtedness income realized during the taxable year. If, as contemplated under the Plan, the Debtor does not pay all Allowed Claims in full, then the Debtor may be required to realize discharge-of-indebtedness income.

B. Tax Consequences To Holders of Interests

Under the Plan, the Interests in the Debtor will be extinguished on the Effective Date. The amount, character and timing of any gain or loss recognized by the Holder of any Interest depends on a variety of factors, including the individual circumstances of such Holder. Each Holder of an Interest in the Debtor should consult with its own tax advisor to determine the impact of the Plan's treatment of its Interest in the Debtor.

C. Tax Consequences to Holders of Claims

A Holder of an Allowed Claim who receives Cash or other consideration in satisfaction of any Allowed Claim may recognize ordinary income. Each Holder of a Claim is urged to consult with its tax advisor regarding the tax implications of any Distributions it may receive under the Plan.

D. Information Reporting and Withholding

All distributions to Holders of Claims and Interests are subject to any applicable withholding (including employment tax withholding). Under the IRC, interest, dividends and other "reportable payments" may, under certain circumstances, be subject to "backup withholding" then in effect. Backup withholding generally applies if the holder (1) fails to furnish its social security number or other taxpayer identification number ("TIN"), (2) furnishes an incorrect TIN, (3) fails properly to report interest or dividends or (4) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it 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. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

THE FOREGOING SUMMARY OF CERTAIN MATERIAL FEDERAL INCOME TAX CONSEQUENCES HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT ITS OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES THAT MAY BE APPLICABLE UNDER THE PLAN.

XII. CONCLUSION

The Debtor urge all Holders of Claims entitled to vote on the Plan to vote to **ACCEPT** the Plan and to evidence such acceptance by returning their ballots so that they will be received by **5:00 p.m. Central Time on _____, 2014.**

Dated: September 9, 2014

Respectfully submitted,

NELIGAN FOLEY LLP

/s/ Patrick J. Neligan, Jr.

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CERTIFICATE OF SERVICE

I hereby certify that on the 9th day of September, 2014, a copy of the foregoing was served on the parties named below and the parties listed on the attached Creditors' Matrix via first class U.S. Mail, postage prepaid, unless said party is a registered CM/ECF participant who has consented to electronic notice, and the Notice of Electronic Filing indicates that Notice was electronically mailed to said party.

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