

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF CONNECTICUT  
BRIDGEPORT DIVISION**

<u>In re</u>	:	
	:	<b>Chapter 11</b>
<b>JHK Investments, LLC<sup>1</sup></b>	:	
	:	
<b>Debtor.</b>	:	<b>Case No. 12-51608 (CEC)</b>
	:	

**FIRST AMENDED DISCLOSURE STATEMENT  
RELATING TO DEBTOR'S PLAN OF  
REORGANIZATION UNDER CHAPTER 11 OF THE  
BANKRUPTCY CODE**

**THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT**

Counsel to Debtor and  
Debtor-in-Possession  
Craig I. Lifland, Esq.  
Halloran & Sage LLP  
225 Asylum Street  
Hartford, CT 06103  
Ph: 860-241-4044  
Fax: 860-548-0006

Dated: February 22, 2016

<sup>1</sup> The last four digits of the Debtor's taxpayer identification number is 4856. The Debtor's current office address is 100 Newtown Turnpike, Weston, CT 06883.

## **I. INTRODUCTION**

JHK Investments, LLC, Debtor and Debtor-in-Possession, (collectively, "Debtor" or "JHK"), is soliciting acceptances of its First Amended chapter 11 plan of reorganization (the "Plan of Reorganization" or "Plan") attached as Exhibit 1 to this First Amended Disclosure Statement. This solicitation is being conducted at this time to obtain sufficient votes to enable the Plan of Reorganization to be confirmed by the Bankruptcy Court. Capitalized terms used in this Disclosure Statement but not defined herein have the meanings ascribed to such terms in the Plan.

**WHO IS ENTITLED TO VOTE:** Bay City (Class 1), the holders of Allowed General Unsecured Claims (Class 2), and the holders of allowed Interests (Class 3) are entitled to vote on the Plan. A ballot for the acceptance or rejection of the Plan is enclosed with the Disclosure Statement submitted to the holders of claims in these classes that are entitled to vote.

**THE DEBTOR RECOMMENDS THAT CREDITORS IN CLASS 1, CLASS 2 AND CLASS 3 AND HOLDERS OF INTERESTS IN CLASS 4 VOTE TO ACCEPT THE PLAN.** The Debtor's legal advisor is Halloran & Sage LLP. They can be contacted at:

Craig I. Lifland, Esq.  
HALLORAN & SAGE LLP  
Attorneys for Debtor and Debtor-In-Possession  
225 Asylum Street  
Hartford, CT 06103  
(860) 241-4044

The following table summarizes the treatment of Claims and Equity Interests under the Plan. For a complete explanation, please refer to the discussion in section V below, entitled "THE PLAN OF REORGANIZATION" and to the Plan itself.

**II. SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN<sup>2</sup>**

Class	Type of Claim or Equity Interest	Treatment	Approximate Allowed Amount <sup>3</sup>	Approximate Percentage Recovery
N/A	Administrative Expenses	Except to the extent that a holder of an Allowed Administrative Expense agrees to less favorable treatment, the Debtor shall pay in full in Cash on the later of the Effective Date, or date due in the ordinary course, or if a Bankruptcy Court order is required when the order allowing the payment becomes final.	\$300,000	100%
N/A	Allowed Priority Tax Claims	Except to the extent that a holder of an Allowed Priority Tax Claim agrees to less favorable treatment, Tax Claims, estimated at \$4,000, shall be paid in one of the following alternatives, at the option of the Debtor: (i) paid in full on the Effective Date or (ii) as determined by the Debtor over the statutory time period provided in Section 1129(a)(9) plus interest calculated under applicable law.	\$4,000	100%
1	Allowed Bay City Claim	Impaired; Bay City shall receive on account of the Allowed Claim of Bay City all the payments, rights, and privileges provided in (i) the PSA attached to the Plan as Exhibit A, and (ii) the Amended and Restated Operating Agreement, attached to the PSA as	\$34,171,343	Unknown

<sup>2</sup> This table is only a summary of the classification and treatment of claims and equity interest under the Plan. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of claims and equity interests.

<sup>3</sup> The Amounts set forth herein are the Debtor's estimates; the actual amounts will depend upon the final reconciliation and resolution of all Administrative Expenses and Claims.

		Exhibit A.		
2	Allowed General Unsecured Claims	Impaired; The Holders of Allowed General Unsecured Claims shall receive their pro rata share of the sum of \$8,000 in full complete and final satisfaction of their allowed unsecured claims.	\$80,000	10%
3	Interests	Impaired; Equity Interests shall retain their interest but subject to the terms and conditions provided in the PSA and Amended and Restated Operating Agreement	N/A	N/A

### **III. SUMMARY OF VOTING PROCEDURES**

If you are entitled to vote to accept or reject the Plan, a ballot is enclosed for voting purposes. If you hold claims in more than one class and you are entitled to vote claims in more than one class, you will receive separate ballots that must be used for each separate class of claims. Please vote and return your ballot(s) in accordance with the instructions set forth herein.

**TO BE COUNTED, YOUR VOTE INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE PROPERLY COMPLETED IN ACCORDANCE WITH THE INSTRUCTIONS ON THE BALLOT, AND MUST BE ACTUALLY RECEIVED BY THE DEBTOR'S VOTING AGENT, HALLORAN & SAGE LLC, NO LATER THAN 4:00 P.M., PREVAILING EASTERN TIME, ON [ February ], 2016 (THE "VOTING DEADLINE"). PLEASE RETURN YOUR PROPERLY COMPLETED BALLOT TO THE VOTING AGENT AT THE FOLLOWING ADDRESS:**

**HALLORAN & SAGE LLP**  
Attorneys for Debtor and Debtor In Possession  
225 Asylum Street  
Hartford, CT 06103  
Attn: Craig I. Lifland, Esq.  
Ph: 860-241-4044

**BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED. FAXED COPIES OF BALLOTS WILL NOT BE COUNTED.**

**ANY PROPERLY EXECUTED, TIMELY RECEIVED BALLOT THAT DOES NOT INDICATE EITHER ACCEPTANCE OR REJECTION OF THE PLAN WILL BE COUNTED AS A VOTE TO ACCEPT THE PLAN. ANY PROPERLY EXECUTED, TIMELY RECEIVED BALLOT THAT INDICATES BOTH ACCEPTANCE AND REJECTION OF THE PLAN WILL BE COUNTED AS A VOTE TO ACCEPT THE PLAN. BALLOTS SHOULD NOT BE DELIVERED DIRECTLY TO THE DEBTOR OR THE COURT, BUT MUST BE DELIVERED TO THE VOTING AGENT**

If you are a holder of a Claim entitled to vote on the Plan and did not receive a ballot, received a damaged ballot, or lost your ballot, or if you have any questions concerning the procedures for voting on the Plan, please contact the Debtor's Voting Agent, HALLORAN & SAGE LLP, Attorneys for Debtor and Debtor In Possession, Attn: Craig I. Lifland, Esq., 225 Asylum Street, Hartford, CT 06103, (860) 241-4044.

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

**1) IF YOU HAVE THE FULL POWER TO VOTE ALLOWED BAY CITY CLAIM (CLASS 1):**

Please complete the information requested on the Ballot, sign, date, and

indicate your vote on the Ballot, and return your completed Ballot in the enclosed pre-addressed envelope so that it is actually received by the Voting Agent before the Voting Deadline.

**2) IF YOU HAVE THE FULL POWER TO VOTE ALLOWED  
GENERAL UNSECURED CLAIMS (CLASS 2):**

Please complete the information requested on the Ballot, sign, date, and indicate your vote on the Ballot and return your completed Ballot in the enclosed pre-addressed envelope so that it is actually received by the Voting Agent before the Voting Deadline.

**3) IF YOU HAVE THE FULL POWER TO VOTE ALLOWED  
INTERESTS (CLASS 3):**

Please complete the information requested on the Ballot, sign, date, and indicate your vote on the Ballot and return your completed Ballot in the enclosed pre-addressed envelope so that it is actually received by the Voting Agent before the Voting Deadline.

Any voter that has delivered a valid ballot may withdraw its vote by delivering a written notice of withdrawal to the Voting Agent before the Voting Deadline (as more fully described in section VIII below, entitled "VOTING PROCEDURES AND REQUIREMENTS").

Any holder that has delivered a valid ballot may change its vote by delivering to the Voting Agent a properly completed subsequent ballot so as to be received before the Voting Deadline (as more fully described in section VIII below, entitled "VOTING PROCEDURES AND REQUIREMENTS").

For detailed voting instructions, see the instructions on your ballot. For a further discussion of voting on the Plan, see section VIII below, entitled "VOTING PROCEDURES AND REQUIREMENTS."

**A. Overview of Chapter 11 Process**

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business for the benefit of itself and all economic parties in interest. In addition to permitting rehabilitation of a debtor, chapter 11 promotes equality of treatment of similarly situated claims and similarly situated equity interests with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

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

In order to solicit acceptances of a proposed plan, however, section 1126 of the Bankruptcy Code requires a debtor and any other plan proponents to conduct such solicitation, pursuant to 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. The Debtor are submitting this Disclosure Statement in accordance with the Disclosure Statement Order and the requirements of sections 1125 and 1126 of the Bankruptcy Code.

#### IV.

### DESCRIPTION OF THE BUSINESS

#### A. Description of Businesses and Asset Value

JHK, whose headquarters are currently in Weston, Connecticut, is an investment company founded by the former senior management team of United States Surgical Corporation ("USSC"). Founded by Leon C. Hirsch in 1963, USSC became a global medical device manufacturer with sales exceeding \$1.2 billion and employing over 4,000 Connecticut residents. Following the success of USSC, Mr. Hirsch and two other senior USSC executives, Ms. Turi Josefsen and Mr. Robert Knarr, created JHK in order to produce and develop new markets and penetrate established markets throughout the world for high-tech medical devices. JHK owns equity in several start-up medical device subsidiaries (the "Portfolio Companies").<sup>4</sup>

The value of the Portfolio Companies is unknown, as they currently do not generate revenue and require additional capital in the millions of dollars to both maintain and improve their value, including investment in R&D and clinical trials. During the Chapter 11 case, certain of the Portfolio Companies were marketed, but were never sold. A contract providing for the sale of I.T. was executed (defined below), but the sale transaction did not close as provided further below. With the exception of ALC (defined below), the Portfolio Companies are non-revenue producing and thus generate no income for JHK. ALC, during the course of the Chapter 11 proceedings, has generated approximately \$35,000 to \$37,500 dollars per month as income on account of a management fee charged by JHK to ALC. ALC revenue is license revenue which is negotiated on an annual basis. JHK's operating accounts during the case have generally run an average cash balance of between \$10,000 and \$30,000 dollars.

The JHK management team (the former USSC senior management team) has close to 100 years of experience in marketing medical devices and other products worldwide. Detailed descriptions of JHK's Portfolio Companies, and the management team, are set forth below.

#### Interventional Therapies, LLC ("IT")

JHK owns eighty (80%) percent of IT and holds a \$14 million equity preference plus an outstanding loan in the amount of approximately \$1.2 before its twenty (20%) percent partners can participate in any net liquidation proceeds. IT has developed Quick-Close® Vascular Suturing System ("Quick-Close®"), an advanced suture-mediated vascular closure device. IT has completed its U.S. clinical trial and has

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<sup>4</sup> JHK also owned thirty (30%) percent of American Bicycle Group, LLC, a high-end bicycle manufacturer, which interest has been disposed of during the Chapter 11 case pursuant to an Order of this Court dated June 18, 2013.

received pre-market approval (“PMA”) from the U.S. Food and Drug Administration. A second generation Quick-Close ® has also received PMA approval, and has received its CE Mark, which is permission to market in Europe.

Quick-Close ® provides a significantly faster time to hemostasis, patient ambulation and discharge, than competing methods, greatly increasing lab through-put and patient comfort. Quick-Close ® achieves a suture mediated closure using a monofilament suture mechanically secured with a stainless steel clip—not a collagen plug, glue, sealant, compression adjunct or other biological methods. Monofilament sutures are the “gold standard” for vascular surgery and represent the new standard of care for arteriotomy closure.

Quick-Close ® Dual-Close: Peripheral vascular procedures and percutaneous valve implants are two of the fastest growing treatment areas for the internationalist. They require large arterial access, between 9Fr and 24Fr. No device on the market addresses closure of these arteriotomies. IT has completed development and is tooling a Dual-Close device that can close arteriotomies from 8Fr to 24Fr. The Quick-Close ® Dual-Close device is the first product to address this market and provide an answer to its needs.

The vascular closure device (“VCD”) market is a \$3.1 billion global market opportunity with current penetration rates of approximately 22.6 percent. This low penetration rate is primarily due to acknowledged shortcomings of existing devices. Despite these shortcomings, the VCD market is expected to grow over 5 percent annually, reaching \$800 million by 2012.

#### Auditory Licensing Company, LLC (“ALC”)

Leon C. Hirsch, along with Dr. Nathan Bauman, founded Vivatone ® Hearing Systems, which revolutionized the hearing aid industry with the introduction of an open-ear hearing aid in 2004. The company rapidly grew to sales of close to \$18 million in 2007. Five competitors reverse engineered Vivatone 's product and introduced an infringing copy. Vivatone ® subsequently sold its operating assets to one of the competitors and entered into a non-exclusive licensing agreement that remains in effect today. Vivatone ® then changed its name to Auditory Licensing Company, LLC.. Vivatone ® currently has a royalty stream. JHK owns approximately 68 percent of ALC equity.

#### Biowave Corporation (“Biowave”)

JHK owns one (1%) percent of Biowave common stock. Biowave, a Delaware corporation, has revolutionized pain management with its dramatically new approach to pain therapy. Biowave markets three products, each using disposables, a pain device for use in a doctor’s office, a smaller device for home use, and a device for athletes and sports organizations. Athletes have found the device is superior to anything else available and a significant improvement over other technologies. Biowave’s state-of-the-art devices provide immediate pain relief. When used by physicians, they can break the pain cycle and relieve pain for up to 48 hours after a 30 minute treatment. The physician, following a regiment of four to six office administered treatments, prescribes a home Biowave device so the patient can continue to manage his/her pain with a simple one day, 20 minute treatment. A specialized version developed for athletes is used routinely on the benches of major league football and baseball teams.



Biowave has completed six clinical studies supporting the efficacy of their pain therapy system at Cornell, Rush Medical Center, The Hospital for Special Surgery, OMROM in Japan, and a clinical study done by the New York Giants over 2.5 years. The results of these studies showed:

- the product is safe, and there were no serious adverse events;
- pain reduction was significantly better post-treatment as compared to the sham treatment group;
- 50 percent of the patients in the live group felt better at 48 hours post-treatment as compared to how they felt pre-treatment;
- 0 percent in the sham group felt better at 48 hours post-treatment;
- one week post-treatment, 54 percent of the patients in the live group reduced their drug consumption and none of the patients in the sham group reduced their drug consumption.

Biowave has FDA 510(k) clearance for all of its products. Biowave has six domestic and three foreign patents issued. In addition, there are six U.S. patents pending and additional international patents are pending.

Gorham Enterprises, LLC ("Gorham")

Gorham is a Delaware limited liability company in which JHK owns one-hundred (100%) percent of the outstanding membership interests. Obesity is becoming a plague according to the Center for Disease Control's ("CDC") National Health and Nutrition Examination Survey, and the CDC predicts that the number of obese adults will more than double in the next five years. The only effective treatment available today for morbidly obese patients is gastric bypass or space limiting surgery or banding, which has serious and frequent complications and may even cause death. The product developed by Gorham requires only the ingestion of vitamin-sized caplets. No surgery or hospitalization is necessary. The procedure is undertaken in a doctor's office, followed by a short-term home regimen of taking caplets at mealtime. While bariatric surgery and banding reduce stomach size so that less food can be ingested, Gorham's B-Caplets™ achieve the same objective by partially filling the stomach with medically-tested magnets encapsulated in a non-reactive coating. The caplets nestle together, filling a significant portion of the stomach. The caplets have approximately the same specific gravity as stomach fluid and therefore will make the patient feel comfortably full with less food. B-Caplets™ therapy can be reversed by externally demagnetizing the cubes, which will then pass.

Animal testing over a two year period has shown the product is safe and non-debilitating. Several studies were performed at various universities and medical centers on pigs and canines, with positive results. JHK and Gorham are currently considering a number of marketing alternatives, as significant gross margins generated by B-Caplets™ provide a multitude of options. The product can be sold by prescription through drugstore outlets. The practitioner can control the patient's rate of consumption by issuing prescriptions at each clinical visit. Some practitioners may choose to buy the product directly from the distributor. Under the current treatment scenario, physicians refer morbidly obese patients to a surgeon for treatment and lose control of the patient and income. The economic benefits to these physicians using B-Caplets™ regimen can be significant because it provides these physicians with a means of continuing patient treatment and ongoing income rather than passing the patient to another physician for potential surgery.

The economic cost of bariatric surgery or banding, depending on the location, averages between \$25,000 and \$35,000 plus significant follow-up costs from recurring morbidity. The total patient charges for B-Caplets™ are projected to be approximately \$15,000. The total cost to manufacture B-Caplets™ (in quantity) will be less than \$1. A 350 pound patient will require approximately 1,100 caplets, with manufacturing costs of approximately \$1,000. Therefore, the product can be marketed not only for its patient benefit, but also as a contribution to cost containment efforts, while still leaving significant margins for the selling entity, all while the costs of hospital and surgery have been eliminated. Gorham has one issued patent and other U.S. and worldwide patents are pending.

All of the above is subject to FDA approval.

#### The JHK Management Team

As set forth above, the three principals of JHK who manage the Portfolio Companies are Leon Hirsch, Turi Josefsen, and Robert A. Knarr. These three executives manage the day-to-day affairs of JHK and the Portfolio Companies, and their respective biographies are set forth below.

**Leon C. Hirsch** – Leon C. Hirsch was the founder, chairman and chief executive officer of USSC. In 1967, its first year of operations, USSC sales were \$350 million, and by 1997, had exceeded \$1 billion. USSC revolutionized the wound closure market in 1967 with the introduction of Auto Suture Surgical Staplers. Mr. Hirsch is the inventor of the first Auto Suture devices. In 1990, USSC again revolutionized surgery with the introduction of the world's first automated minimally invasive staplers that launched today's laparoscopic market. Mr. Hirsch has numerous degrees and honorary degrees from various universities and has spent his entire professional career successfully founding specialized high-tech medical device companies in the startup mode and turning them into successful companies,

**Turi Josefsen** – Turi Josefsen was executive vice-president of USSC and was a significant contributor to product innovation and built the company's domestic sales from \$500,000 in 1969 to over \$500 million in 1994. Assigned the responsibility for international markets and subsequently elected president of U.S. Surgical's international operations, she created 18 national subsidiaries and built international sales to over \$500 million. Ms. Josefsen is one of only four lay women named a Fellow of the Royal College of Surgeons in Edinburgh and was elected "Convenor" for the Corporate Council of the European Association for Endoscopic Surgery. Ms. Josefsen has been honored by the U.S. Army for her work in helping train their international surgeons. In June of 2000, the French government awarded Ms. Josefsen the rank of Knight of the Order of the Legion of Honor. Rarely is this honor awarded to anyone other than a French citizen. She has also been named Woman of the Year in 1994 by the Boys' Town of Italy.

**Robert A. Knarr** – Robert A. Knarr started at USSC as a salesman and rose to president and executive vice-president of North American Operations for USSC and a member of the Board of Directors. As such, Mr. Knarr was responsible for all product development, research and development, marketing, education and sales for Auto Suture Company USA and Canada. Under Mr. Knarr's leadership, Auto Suture Company's North American revenue rose to \$650 million.

V.

**KEY EVENTS LEADING TO THE COMMENCEMENT  
OF THE CHAPTER 11 CASE**

**A. Prepetition Indebtedness**

**1. Bay City Indebtedness**

Bay City and JHK are parties to a certain Credit Agreement, dated January 14, 2011 (as amended, including all loan, security and JHK Member guarantee documents, the “Credit Agreement”) pursuant to which Bay City made loans and extended credit to JHK in an aggregate stated original principal amount of \$20,346,072.92, subject to an original issue discount of \$5,000,000.00. Such loans are evidenced by two Notes executed by JHK, each dated as of January 14, 2011, one in the amount of \$380,471.56 in favor of Bay City and the second in the amount of \$19,965,601.36 in favor of Bay City (together, the “Notes”). In order to secure the advances under the Credit Agreement, JHK granted a security interest on virtually all of its assets and executed a Pledge Agreement pledging all of its equitable interests in the Portfolio Companies. In addition, the three principals of JHK and the management team for JHK and its Portfolio Companies, Mr. Leon Hirsch, Ms. Turi Josefsen and Mr. Robert Knarr, all issued personal guarantees and pledged, *inter alia*, one-hundred (100%) percent of their equity interests in JHK and Jarvik Heart, Inc. (“Jarvik”), and a mortgage on non-debtor property (referred to as “Quiet Lake”).

In January of 2012, the maturity date for the Credit Agreement was extended for approximately three months, and Bay City advanced an additional \$750,000 to JHK, which \$72,291.00 were fees, pursuant to an agreement that provided for an interest rate of 20% and a default interest rate of 24.0%. The loan matured in March of 2012. Pursuant to the PSA, the Allowed Claim of Bay City is \$34,171,343.

**2. Trade Debt**

As of the Petition Date, and excluding in their entirety all disputed amounts, the Debtor had outstanding trade payables, accrued expenses, and other general unsecured obligations of approximately \$80,000.00

On August 29, 2012, JHK filed a voluntary petition for the relief afforded under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”). In accordance with the provisions of 11 U.S.C. §§ 1107 and 1108 of the Bankruptcy Code, the Debtor was authorized to continue to operate its business as a Debtor-in-possession. No trustee or examiner has been appointed in these proceedings.

**B. Proceedings During the Chapter 11 Case.**

Simultaneously with the filing of the voluntary Chapter 11 Petition, JHK sought and obtained a Temporary Restraining Order from the Bankruptcy Court which enjoined Bay City from taking certain actions under its financing documents, including any

right to exercise control of JHK and its businesses (the "Adversary Proceeding"). Thereafter, JHK and Bay City entered into a "Stipulated Order Regarding JHK Investments, LLC's Application for Preliminary Injunction" (hereafter, the "Stipulation") which Stipulation was approved by Order of the Bankruptcy Court dated February 27, 2013 and which Stipulation *inter alia*, has governed the parties conduct during the Chapter 11 case regarding an orderly disposition of JHK's assets. Pursuant to the Stipulation, JHK and Bay City also agreed that Bay City's allowed claim would not be less than \$34,171,343 inclusive of fees and costs.

The Bay City claim is also secured by unique real estate owned by Hirsch and Josefsen (Quiet Lake consisting of 153 acres) and located in Wilton and New Canaan, Connecticut and an interest in real estate owned by Josefsen in France. In addition, Hirsch, Josefsen and Knarr collectively own approximately 20% of the outstanding equity interests in Jarvik which was similarly pledged to Bay City to secure obligations owing to Bay City. During the Chapter 11 case, Hirsch and Josefsen have actively marketed Quiet Lake, but the property has not sold. In addition, the JHK Members have worked with the majority owner of Jarvik to solicit bids for the equity and/or assets of Jarvik. During the Chapter 11 case, Hirsch and Josefsen also entered into security agreements pursuant to which they each granted to Bay City a further security interest in certain personal property.

Pursuant to the Stipulation, JHK retained Torrey Partners to solicit offers to purchase the assets or equity interest of JHK in I.T. During the Chapter 11 case, JHK and IT entered into a contract with Access Closure, Inc. (ACI) whereby ACI agreed to purchase and IT agreed to sell the assets of IT which transaction was approved by order of the Bankruptcy Court on February 27, 2014 with respect to providing authority for JHK to effect the transaction. However, subsequently, ACI failed to consummate the transaction approved by the Bankruptcy Court, and as a result of ACI's breach, IT retained ACI's deposit of \$1,000,000 pursuant to the asset purchase agreement.

Pursuant to numerous cash collateral orders entered during the bankruptcy case, funds paid to JHK from IT, plus license revenue received by JHK on account of its interests in ALC have been used to pay operating expenses of JHK and to make certain adequate protection payments for the benefit of Bay City regarding, among other things, the maintenance of the various assets securing the Bay City claims, including the non-bankruptcy estate assets i.e., real estate owned by Hirsh and Josefsen. There being no other sales of the Portfolio Assets or non-estate assets, JHK and Bay City have agreed to the terms of the Plan which incorporates the PSA and for all intent and purposes would vest Bay City with control over JHK.

## **VI.**

### **THE PLAN OF REORGANIZATION**

#### **A. Introduction**

The Debtor believes, and will demonstrate to the Bankruptcy Court, that, under the Plan, creditors and shareholders will receive substantially more value than they would receive in a liquidation of the Debtor under chapter 7 of the Bankruptcy Code.

The following is a general discussion of the provisions of the Plan. The Plan is attached as Exhibit 1 to this Disclosure Statement. In the event of any discrepancies, the

terms of the Plan will govern.

**B. Classification and Treatment of Claims and Equity Interests Under the Plan of Reorganization**

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

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

Under a chapter 11 plan, the separate classes of claims and equity interests must be designated either as "impaired" (affected by the plan) or "unimpaired" (unaffected by the plan). If a class of claims is "impaired," the Bankruptcy Code affords certain rights to the holders of such claims, such as the right to vote on the plan, and the right to receive, under the chapter 11 plan, no less value than the holder would receive if the debtor were liquidated in a case under chapter 7 of the Bankruptcy Code. Under section 1124 of the Bankruptcy Code, a class of claims or interests is "impaired" unless the plan (i) does not alter the legal, equitable and contractual rights of the holders or (ii) irrespective of the holders' acceleration rights, cures all defaults (other than those arising from the debtor's insolvency, the commencement of the case or nonperformance of a nonmonetary obligation), reinstates the maturity of the claims or interests in the class, compensates the holders for actual damages incurred as a result of their reasonable reliance upon any acceleration rights, and does not otherwise alter their legal, equitable and contractual rights. Typically, this means that the holder of an unimpaired claim will receive on the later of the consummation date or the date on which amounts owing are actually due and payable, payment in full, in Cash, with post-petition interest to the extent appropriate and provided for under the governing agreement (or if there is no agreement, under applicable non-bankruptcy law), and the remainder of the debtor's obligations, if any, will be performed as they come due in accordance with their terms. Thus, other than its right to accelerate the debtor's obligations, the holder of an unimpaired claim will be placed in the position it would have been in had the debtor's case not been commenced. Pursuant to 1126(f) of the Bankruptcy Code, holders

of unimpaired claims or interests are "conclusively presumed" to have accepted the plan. Accordingly, their votes are not solicited. Under the Debtor's Plan, there is no class of claims which are unimpaired, and, therefore, there are no holders of claims who are "conclusively presumed" to have voted to accept the Plan.

Under certain circumstances, a class of claims or equity interests may be deemed to reject a plan of reorganization. For a more detailed description of the requirements for confirmation, see section IX.B below, entitled "CONFIRMATION OF THE PLAN OF REORGANIZATION — Requirements for Confirmation of the Plan of Reorganization."

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

Unclassified	Administrative Expenses	
Unclassified	Priority Tax Claims	
Class 1	Bay City Claim	Impaired
Class 2	General Unsecured Claims	Impaired
Class 3	Equity Interests	Impaired

1. Unclassified

(a) *Administrative Expenses*

Administrative Expenses are the actual and necessary costs and expenses of the Debtor's Reorganization Cases that are allowed under sections 503(b) and 507(a)(1) of the Bankruptcy Code. Such expenses will include, but are not limited to, amounts owed to vendors providing goods and services to the Debtor during the chapter 11 cases, tax obligations incurred after the Petition Date, and reclamation claims granted administrative expense status by the Debtor in accordance with the Bankruptcy Court order authorizing the implementation of certain reclamation procedures in these cases. Other administrative expenses include the actual, reasonable, and necessary professional fees and expenses of the Debtor's advisors incurred during the pendency of the Reorganization Cases.

Administrative Expenses representing liabilities incurred by the Debtor in the ordinary course of business and consistent with past practice, or liabilities arising under loans or advances to the Debtor after the Petition Date, whether or not incurred in the ordinary course of business, shall be assumed and will be paid by the Debtor in accordance with the terms and conditions of the particular transaction and any related agreements and instruments. All other Allowed Administrative Expenses will be paid, in full, in Cash, on the Effective Date, or on such other terms to which the Debtor and the holder of such Administrative Expense agree.

All payments to professionals for compensation and reimbursement of expenses will be made in accordance with the procedures established by the Bankruptcy Court and Bankruptcy Rules relating to the payment of interim and final compensation and expenses. Any request for payment of Administrative Claims for fees and expenses allowable under Section 330 or 331 of the Bankruptcy Code shall be filed not later than thirty (30) days following the Effective Date.

In addition to the foregoing, section 503(b) of the Bankruptcy Code provides

for payment of compensation to creditors, indenture trustees, and other Persons making a "substantial contribution" to a chapter 11 case, and to attorneys for, and other professional advisors to, such Persons. Requests for such compensation must be approved by the Bankruptcy Court after notice and a hearing at which the Debtor and other parties in interest may participate, and, if appropriate, object to such requests.

The Debtor estimate, assuming the Effective Date occurs no later than March 31, 2016, Allowed unpaid Administrative Expenses on the Effective Date will approximate \$300,000.00, and be subject to the Debtor's negotiations with certain administrative claimants including the Debtor's professionals and former landlord, which will result in reduced or deferred payments by agreement. As of the date of this Plan, JHK's current counsel Halloran & Sage, LLP anticipates its allowed fees and expenses will be approximately \$110,000 and has agreed to accept the lesser sum of \$40,000 on account of such allowed fees and expenses on the Distribution Date with the balance of allowed fees being paid from the liquidation of collateral in accordance with the PSA. As of the date of this Plan, JHK's former counsel Zeisler & Zeisler, PC has approved allowed fees and expenses of approximately \$100,000 and has agreed to accept the lesser sum of \$30,000 on account of such allowed fees and expenses on the Distribution Date with the balance of allowed fees being paid from the liquidation of collateral in accordance with the PSA. In addition, the Debtor is in negotiations with its former landlord to reduce its allowed administrative claim to a payment less than the full amount.

(b) *Priority Tax Claims*

Priority Tax Claims essentially consist of unsecured claims of federal and state governmental authorities for the kinds of taxes specified in section 507(a)(8) of the Bankruptcy Code, such as certain income taxes, property taxes, excise taxes, and employment and withholding taxes. These unsecured claims are given a statutory priority in right of payment. The Debtor estimates that on the Effective Date, the Allowed amounts of such claims will aggregate approximately \$4,000.00.

With respect to any Priority Tax Claims not paid pursuant to prior Bankruptcy Court order, except to the extent that a holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, each holder of an Allowed Priority Tax Claim will receive, at the sole option of the Debtor, (i) on the Effective Date, Cash in an amount equal to such Allowed Priority Tax Claim, or (ii) commencing on the Effective Date and continuing over a period not exceeding six (6) years after the date of assessment of such Allowed Priority Tax Claim, Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with simple interest at the Applicable Rate, subject to the sole option of the Debtor to prepay the entire amount of the Allowed Priority Tax Claim without penalty. All Allowed Priority Tax Claims which are not due and payable on or before the Effective Date will be paid in the ordinary course of business as such obligations become due.

2. Classified Claims

The Plan provides for the treatment of each class of claims or interests as outlined below.

**Class 1.** Class 1 consists of the Allowed Claim of Bay City.

(a) Bay City's Claim shall be Allowed in the amount of \$34,171,343.

(b) Bay City shall receive all the payments, rights and privileges set forth in the PSA annexed to the Plan as Exhibit "A" and incorporated herein as if fully set forth herein.

(c) The Debtor shall execute the Amended and Restated Operating Agreement annexed to the Plan as Exhibit B and incorporated herein, which shall provide, among other things:

(i) To designate Bay City or its designee as manager with sole and complete rights to manage the affairs of JHK in accordance with the PSA;

(ii) Provide for a "profits interest" representing a right to receive 15% of all proceeds available for distribution after payment of the Bay City Recovery Amount (as defined in the PSA); and

(iii) Provide for the retention of the current equity interest in JHK by the JHK members subject to the claims and liens of Bay City and subject to all of the terms, conditions and provisions contained in the PSA.

(d) The Debtor and the JHK Parties shall execute such other documents as may be required under the Plan and PSA to give effect to the transactions therein, including reaffirming the obligations and security under the Loan Documents, except to the extent expressly modified in accordance with the terms of the PSA.

**Class 2.**

(a) Class 2 consists of the Holders of Allowed Unsecured Claims against the Debtor that have been scheduled or filed claims in the approximate amount of \$80,000.00, who shall receive within ten (10) days of the Effective Date, in full, complete and final satisfaction and release of their Allowed Unsecured Claims, their prorated share of the sum of \$8,000.00:

(b) This class is impaired.

**Class 3.** Class 3 consists of the Interest holders in the Debtor.

(a) The Class 3 Equity Interests shall retain their interests, subject to the claims and liens of Bay City and the terms and conditions of the PSA and Amended and Restated Operating Agreement.

(b) This class is impaired.

**C. Means of Implementing the Plan**

Post-Confirmation Debtor:

1. On the Effective Date, title to all property of the Debtor's bankruptcy estate shall vest in the Debtor, subject to the liens and claims of Bay City under the Loan



Documents as provided in this Plan and the PSA.

2. On the Effective Date, the Debtor and Bay City will execute the Amended and Restated Operating Agreement.

3. On the Effective Date, Bay City or its designee shall be the manager of JHK subject to the terms and conditions provided in the Amended and Restated Operating Agreement and PSA.

4. Ten days prior to the Effective Date, Bay City shall transfer to the Debtor funds in the amount of the agreed Lender Funding to fund the required payments under this Plan, including the payment of Allowed Administrative Claims, Allowed Priority Tax Claims, and the amount of the aggregate distribution allotted for Class 2 Allowed Unsecured Creditors.

5. The Debtor shall be responsible for satisfying all of the Allowed Claims in accordance with the terms and provisions of the Plan.

6. Any services performed or expenses incurred by any Professional on behalf of the Debtor with respect to this Case after the Effective Date shall not be subject to the prior review and approval of the Bankruptcy Court. All fees and expenses of JHK arising after the Effective Date shall be billed directly to JHK. The entity responsible for such fees and expenses shall pay the portion not objected to in accordance with the terms of the invoice.

**D. Plan Provisions Governing Distribution**

1. Debtor to Make Plan Distributions

JHK shall administer and make the distributions required and as provided in Article XVI of the Plan.

2. Date of Distributions

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

3. Delivery of Distributions

*Last Known Address*

Subject to Bankruptcy Rule 9010, all distributions to any holder of an Allowed Claim or Allowed Administrative Expense will be made at the address of such holder as set

forth on the Schedules filed with the Bankruptcy Court or on the books and records of the Debtor or their agents, as applicable, unless the Debtor has been notified in writing of a change of address, including, without limitation, by the filing of a proof of Claim or interest by such holder that contains an address for such holder different from the address reflected for such holder on the Schedules. In the event that any distribution to any holder is returned as undeliverable, the Debtor will use commercially reasonable efforts to determine the current address of such holder, but no distribution to such holder will be made unless and until the Debtor has determined the then current address of such holder, at which time such distribution will be made to such holder without interest; provided that such distributions will be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of one year from the Effective Date. After such date, all unclaimed property or interest in property will revert to Holdings, and the claim of any other holder to such property or interest in property will be discharged and forever barred.

4. Manner of Payment

At the option of the Debtor, any Cash payment to be made under the Plan may be made by a check or wire transfer or as otherwise required or provided in applicable agreements.

5. No Fractional Distributions

No fractions of Cash, shall be distributed. For purposes of distribution, all fractions of Cash shall be rounded up or down to the nearest whole number.

6. Setoffs and Recoupment

The Debtor may, but will not be required to, set off against, or recoup from, any Claim and the payments to be made pursuant to the Plan in respect of such Claim, any Claims of any nature whatsoever that the Debtor may have against the claimant, but neither the failure to do so nor the allowance of any claim under the Plan will constitute a waiver or release by the Debtor of any such claim it may have against such claimant.

7. Allocation of Plan Distributions Between Principal and Interest

To the extent that any Allowed Claim entitled to a distribution under the Plan consists of indebtedness and accrued but unpaid interest thereon, such distribution will be allocated first to the principal amount of the Claim (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claim, to accrued but unpaid interest.

**F. Procedures for Treating Disputed Claims**

1. Objections

Except as otherwise provided in the Plan, as of the Effective Date, objections to, and requests for estimation of, Claims and Administrative Expenses may be interposed and prosecuted only by the Debtor. Such objections and requests for estimation shall be served on the respective claimant and filed with the Bankruptcy Court on or before the latest of (a) sixty (60) days after the Effective Date, (b) sixty (60) days after a proof of Claim has been filed with Bankruptcy Court, (c) sixty (60) days after an application for allowance of an Administrative Expense has been filed with the Bankruptcy Court in the Reorganization Cases, or (d) with respect to certain Claims identified prior to the Confirmation Date by the Debtor, such other date as may be fixed by the Bankruptcy Court.

2. No Distributions Pending Allowance

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

**G. Treatment Of Executory Contracts**

Any executory contract not assumed or rejected by the Debtor before the Confirmation Date is deemed rejected. The party to such executory contract shall file a proof of claim within thirty (30) days of the Confirmation Date or be forever barred from making a claim or receiving a distribution from the Debtor with respect to such claim. Creditor and parties in interest are directed to review Article XIV of the Plan for a complete review of all terms and provisions governing the treatment of Executory Contracts.

**H. Conditions Precedent to Effective Date**

1. Conditions Precedent to Confirmation

- a. The Bankruptcy Court shall have approved the Disclosure Statement in form and substance satisfactory to Bay City;
- b. The Confirmation Order shall be in form and substance satisfactory to Bay City;
- c. The Plan (including any supplements thereto) shall be in form and substance satisfactory to Bay City.
- d. The requirements for confirmation under the Bankruptcy Code shall be satisfied; and
- e. All actions, documents and agreements necessary to implement the Plan upon confirmation shall have been effected or executed including, but not limited to execution of the PSA and Amended and Restated Operating Agreement.

**I. Effect of Confirmation**

1. Revesting of Assets

On the Effective Date, the Debtor, its properties and interests in property, and their operations will be released from the custody and jurisdiction of the Bankruptcy Court, and all property of the Estates of the Debtor, including and pre-paid expenses or deposits with vendors, will vest in the Debtor. From and after the Effective Date, the Debtor may operate their business and may use, acquire and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, subject to the terms and conditions of the Plan.

2. Binding Effect

Subject to the occurrence of the Effective Date, on and after the Confirmation Date, the provisions of the Plan will bind any holder of a Claim against, or

Equity Interest in, the Debtor and such holder's respective successors and assigns, whether or not the Claim or Equity Interest of such holder is impaired under the Plan, whether or not such holder has accepted the Plan, and whether or not such holder is entitled to distribution under the Plan.

3. Discharge of Debtor

Except to the extent otherwise provided in the Plan or in the Confirmation Order, the rights afforded in the Plan and the treatment of all Claims against or Equity Interests in the Debtor thereunder shall be in exchange for and in complete satisfaction, discharge, and release of all debts of, Claims against, and Equity Interests in, the Debtor of any nature whatsoever, known or unknown, including, without limitation, any interest accrued or expenses incurred thereon from and after the Petition Date, or against their Estates, the Debtor, or their properties or interests in property. Except as otherwise provided in the Plan or in the Confirmation Order, upon the Effective Date, all Claims against the Debtor will be satisfied, discharged and released in full in exchange for the consideration, if any, provided in the Plan. Except as otherwise provided in the Plan or in the Confirmation Order, all entities will be precluded from asserting against the Debtor or their respective properties or interests in property, any other Claims based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date.

4. Term of Injunctions or Stays

Except as otherwise expressly provided in the Plan or in the Confirmation Order, all Persons or entities who have held, hold or may hold Claims or Equity Interests will be permanently enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind on any such Claim or Equity Interest against any of the Debtor, or their respective Affiliates or Representatives, (ii) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against any Debtor, or their respective Affiliates or Representatives, with respect to such Claim or Equity Interest, (iii) creating, perfecting, or enforcing any encumbrance of any kind against any Debtor, or their respective Affiliates or Representatives, or against the property or interests in property of any Debtor, or their respective Affiliates or Representatives, with respect to such Claim or Equity Interest, and (iv) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due to any Debtor, or their respective Affiliates or Representatives, or against the property or interests in property of any Debtor, with respect to such Claim or Equity Interests.

Unless otherwise provided in the Confirmation Order, all injunctions or stays arising under or entered during the JHK case under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, will remain in full force and effect until the Effective Date.

In furtherance of the foregoing, on and after the Effective Date, any "fifty percent shareholder" (within the meaning of section 382(g)(4)(D) of the Tax Code) will be enjoined from claiming a worthless stock deduction with respect to any Equity Interests held by such entity for any taxable year of such shareholder ending prior to the Effective Date.

5. Indemnification Obligations

The Debtor's obligations under the Amended and Restated Operating

Agreement arising prior to the Effective Date will be deemed and treated as executory contracts that are assumed by the Debtor pursuant to the Plan and sections 365 and 1123(b) of the Bankruptcy Code as of the Effective Date and the occurrence of the Effective Date shall be the only condition necessary to such assumption and all requirements for Cure and/or adequate assurance of future performance under section 365 for such assumption shall be deemed satisfied.

6. Exculpation

Except as otherwise provided in the Plan or PSA, neither (i) Bay City nor (ii) any Person that is acting or has acted for or on behalf of the Debtor, shall have or incur, and Bay City and such persons are hereby released and exculpated from, any Claim, obligation, cause of action, or liability for any Claim, except for gross negligence or willful misconduct. The Debtor and Bay City (and their respective Affiliates, agents, directors, members, managers, partners, officers, employees, advisors, and attorneys) have, and on the Effective Date shall be deemed to have, participated in compliance with the applicable provisions of the Bankruptcy Code with regard to the distributions made pursuant to the Plan, and therefore are not, and on account of such distributions, shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan. Nothing contained in this paragraph shall be deemed to exculpate any party identified herein from any future conduct post Effective Date.

7. Releases.

The mutual releases provided in Section VII of the PSA between JHK, and the JHK members, and Bay City, shall become effective on the Effective Date.

8. Causes of Action

(a) *Avoidance Actions*

Effective as of the Effective Date, unless such avoidance or recovery cause of action is commenced prior to the Confirmation Date, all avoidance or recovery causes of action of the Debtor under sections 544, 545, 547, 548, 549, 550, and 551 of the Bankruptcy Code against the holders of Claims in Class 1, Class 2, and Class 3 Interests in Class 4 will be released and extinguished pursuant to the Plan.

J. Retention of Jurisdiction

The Bankruptcy Court will have exclusive jurisdiction of all matters, except as expressly noted herein, arising out of, or related to, the Reorganization Cases and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

- a) To hear and determine pending applications for the assumption or rejection of executory contracts or unexpired leases and the allowance of Claims and Administrative Expenses resulting therefrom;
- b) To determine any and all adversary proceedings, applications, and contested matters that are pending on the Effective Date;
- c) To ensure that distributions to holders of Allowed Administrative Expenses and Allowed Claims are accomplished as provided in the Plan;
- d) To hear and determine any timely objections to, or requests for estimation of,

Administrative Expenses or proofs of claims, including, without limitation, any objections to the classification of any Administrative Expense, Claim or Equity Interest, and to allow or disallow any Disputed Administrative Expense or Disputed Claim, in whole or in part;

- e) To resolve disputes as to the ownership of any Administrative Expense, Claim, or Equity Interest;
- f) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;
- g) To issue such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;
- h) To consider any amendments to or modifications of the Plan, or to cure any defect or omission, or reconcile any inconsistency, in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;
- i) To hear and determine all applications of retained professionals under sections 330, 331, and 503(b) of the Bankruptcy Code for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date;
- j) To hear and determine disputes or issues arising in connection with the interpretation, implementation or enforcement of the Plan, the Confirmation Order, any transactions or payments contemplated by the Plan, any agreement, instrument, or other document governing or relating to any of the foregoing, or any settlement approved by the Bankruptcy Court;
- k) To hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including, without limitation, any request by the Debtor prior to the Effective Date, or request by the Debtor after the Effective Date, for an expedited determination of tax under section 505(b) of the Bankruptcy Code);
- l) To hear any other matter not inconsistent with the Bankruptcy Code;
- m) To hear and determine all disputes involving the existence, scope and nature of the discharges, releases and injunctions granted under the Plan, the Confirmation Order, or the Bankruptcy Code;
- n) To issue injunctions and effect any other actions that may be necessary or desirable to restrain interference by any entity with the consummation or implementation of the Plan;
- o) To enter a final decree closing the Reorganization Cases; and
- p) To hear and determine any claim, matter or chose in action (including, explicitly, the Buyer Claims, as defined in the PSA) to the fullest extent permitted under applicable laws, , whether or not it has been commenced prior to the Effective Date, that any of the Debtor may prosecute, which has not been liquidated prior to the Effective Date, including, without limitation, any such matter for which the United States District Court for the District of Connecticut (the "District Court") may also have concurrent jurisdiction, in which case the District Court may also hear any such claim, matter or chose in action.

#### **K. Miscellaneous Provisions**

1. On the Effective Date, as provided in the PSA, Adversary Proceeding 12-05046 entitled JHK Investments, LLC v. Bay City Capital Fund V, L.P., et al shall be dismissed with prejudice.

2. Payment of Statutory Fees

All fees payable under section 1930, chapter 123, title 28, United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, will be paid on the Effective Date.

3. Modification of Plan

The Plan may be modified by the Debtor subject to Bay City's consent, in accordance with section 1127 of the Bankruptcy Code.

4. Revocation of Plan

The Debtor reserves the right, at any time prior to the entry of the Confirmation Order, to revoke and withdraw the Plan, with Bay City's prior written consent.

5. Severability of Plan Provisions

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

6. Governing Law

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent an exhibit to the Plan or Plan Supplement provides otherwise (in which case the governing law specified therein will be applicable to such exhibit), the rights, duties, and obligations arising under the Plan will be governed by, and construed and enforced in accordance with, the laws of the State of Connecticut without giving effect to the principles of conflict of laws.

7. Compliance with Tax Requirements

In connection with the consummation of the Plan, any party issuing any instrument or making any distribution under the Plan is to comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all distributions under the Plan will be subject to any such withholding or reporting requirements. Notwithstanding the above, each holder of an Allowed Claim that is to receive a distribution under the Plan will have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations, on account of such distribution.

Any party issuing any instrument or making any distribution under the Plan has the right, but not the obligation, to not make a distribution until such holder has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligations.

8. Expedited Tax Determination

The Debtor is authorized to request an expedited determination of taxes under section 505(b) of the Bankruptcy Code for any or all returns filed for, or on behalf of, the Debtor for any and all taxable periods (or portions thereof) ending after the Petition Date through, and including, the Effective Date.

**VII.**

**CERTAIN FACTORS AFFECTING THE DEBTOR**

**A. Certain Bankruptcy Law Considerations**

1. Risk of Non-Confirmation of the Plan of Reorganization

Although the Debtor believes that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion or that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate resolicitation of votes, or consideration of alternatives to the Plan, including liquidation or dismissal of the Chapter 11 case.

2. Non-Consensual Confirmation

In the event any impaired class of claims or equity interests does not accept a plan of reorganization, a bankruptcy court may nevertheless confirm such plan at the proponent's request if at least one impaired class has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes. See section VIII.B.1 below, entitled "CONFIRMATION OF THE PLAN OF REORGANIZATION - Requirements for Confirmation of the Plan of Reorganization - Requirements of Section 1129(b) of the Bankruptcy Code." The Debtor believes that the Plan satisfies these requirements, however, there can be no guarantee that the Bankruptcy Court will make such a finding.

3. Risk of Non-Occurrence of the Effective Date

Although the Debtor believes that the Effective Date will occur soon after the Confirmation Date, there can be no assurance as to such timing.

**B. Additional Factors To Be Considered**

1. No Legal or Tax Advice is Provided to You by this Disclosure Statement

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



its Claim or Equity Interest.

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

2. No Admission Made

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

## VIII

### VOTING PROCEDURES AND REQUIREMENTS

#### A. Voting Deadline

IT IS IMPORTANT THAT THE HOLDERS OF CLAIMS IN CLASS 1 (BAY CITY), CLASS 2 (UNSECURED CLAIMS) AND CLASS 3 (INTERESTS) TIMELY EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN. All known holders of Allowed Claims, and Interests entitled to vote on the Plan have been sent a ballot together with this Disclosure Statement. Such holders should read the ballot carefully and follow the instructions contained therein. Please use only the ballot that accompanies this Disclosure Statement.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR VOTE MUST BE RECEIVED BY THE VOTING AGENT AT THE ADDRESS SET FORTH BELOW BEFORE THE VOTING DEADLINE OF 4:00 P.M., EASTERN TIME, ON FEBRUARY \_\_\_\_, 2016.

IF A BALLOT IS DAMAGED OR LOST, YOU MAY CONTACT THE DEBTOR' VOTING AGENT AT THE NUMBER SET FORTH BELOW.

ANY PROPERLY EXECUTED, TIMELY RECEIVED BALLOT THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN WILL BE COUNTED AS A VOTE TO ACCEPT THE PLAN.

ANY PROPERLY EXECUTED, TIMELY RECEIVED BALLOT THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL BE COUNTED AS A VOTE TO ACCEPT THE PLAN.

FAXED COPIES OF BALLOTS WILL NOT BE ACCEPTED.

IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES, YOU MAY CONTACT THE VOTING AGENT AT:

Halloran & Sage LLP  
225 Asylum Street  
Hartford, CT 06103  
Attn: Craig I. Lifland  
Lifland@halloransage.com

(860) 241-4044

Additional copies of this Disclosure Statement are available upon request made to the Counsel for JHK, at the address set forth immediately above.

**B. Holders of Claims Entitled to Vote**

Class 1 (Bay City), Class 2 (General Unsecured Claims) and Class 3 (Interests) are impaired and entitled to vote to accept or reject the Plan.

**C. Vote Required for Acceptance by a Class**

Under the Bankruptcy Code, acceptance of a plan of reorganization by a class of claims occurs when holders of at least two-thirds in dollar amount and more than one half in number of the allowed claims of that class that cast ballots for acceptance or rejection of the plan of reorganization vote to accept the plan. Thus, acceptance of the Plan by Class 1 (Bay City), and Class 2 (General Unsecured Claims) will occur only if at least two-thirds in dollar amount and a majority in number of the holders of the Claims in the respective class that cast their ballots vote in favor of acceptance.

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

**D. Voting Procedures**

**1. Holders of Class 1 and 2**

All holders of Class 1 and 2 should complete the enclosed ballot. To be counted, properly executed ballots must be returned to the Voting Agent so that they are received by the Voting Agent before the Voting Deadline.

**2. Holders of Class 3 (Interests)**

All holders of Equity Interests as of the Record Date should complete the enclosed ballot. To be counted, properly executed ballots must be returned to the Voting Agent so that they are received by the Voting Agent before the Voting Deadline.

**3. Withdrawal of Ballot**

Any voter that has delivered a valid ballot may withdraw its vote by delivering a written notice of withdrawal to the Voting Agent before the Voting Deadline. To be valid, the notice of withdrawal must (a) be signed by the party that signed the Ballot to be revoked and (b) be received by the Voting Agent before the Voting Deadline. The Debtor may contest the validity of any withdrawals.

Any holder that has delivered a valid ballot may change its vote by delivering to the Voting Agent a properly completed subsequent ballot so as to be received before the Voting Deadline. In the case where more than one timely, properly completed ballot is received, only the ballot that bears the latest date will be counted.

## IX.

### CONFIRMATION OF THE PLAN OF REORGANIZATION

#### A. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a plan of reorganization. As set forth in the Disclosure Statement Order, the Bankruptcy Court has scheduled the confirmation hearing for [February\_\_\_\_\_, 2016]. The confirmation hearing may be adjourned from time-to-time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the confirmation hearing or any subsequent adjourned confirmation hearing.

Any objection to confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules, must set forth the name of the objector, the nature and amount of claims or interests held or asserted by the objector against the Debtor's estate or property, the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court, together with proof of service thereof, and served upon (i) Halloran & Sage LLP, 225 Asylum Street, Hartford, CT 06103, Attorneys for the Debtor (Attention: Craig I. Lifland, Esq.), and (ii) Bay City, c/o Daniel Guyder, Esq., Allen & Overy, 1221 Ave of the Americas, New York, NY 10020.

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

#### B. Requirements for Confirmation of the Plan of Reorganization

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

###### (a) *General Requirements*

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

1) The Plan complies with the applicable provisions of the Bankruptcy Code.

2) The Debtor has complied with the applicable provisions of the Bankruptcy Code.

3) The Plan has been proposed in good faith and not by any means proscribed by law.

4) Any payment made or promised by the Debtor 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 Reorganization Cases, or in connection with the Plan and incident to the Reorganization Cases, has been disclosed to the Bankruptcy Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as

reasonable.

5) The Debtor have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director or officer of the Debtor, an affiliate of the Debtor participating in a Plan with the Debtor, or a successor to the Debtor under the Plan of Reorganization, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity holders and with public policy, and the Debtor have disclosed the identity of any insider that will be employed or retained by the Debtor, and the nature of any compensation for such insider. With respect to each class of claims or equity interests, each holder of an impaired claim or impaired equity interest either has accepted the Plan or will receive or retain under the Plan on account of such holder's claim or equity interest, property of a value, as of the Effective Date, that is not less than the amount such holder would receive or retain if the Debtor were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. See discussion of "Best Interests Test" below.

6) Except to the extent the Plan meets the requirements of section 1129(b) of the Bankruptcy Code (discussed below), each class of claims or equity interests has either accepted the Plan or is not impaired under the Plan.

7) Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the Plan provides that administrative expenses and priority claims other than priority tax claims will be paid in full on the Effective Date and that priority tax claims will receive on account of such claims deferred Cash payments, over a period not exceeding six years after the date of assessment of such claims, of a value, as of the Effective Date, equal to the allowed amount of such claims.

8) At least one class of impaired claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a claim in such class.

9) 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. See discussion of "Feasibility" below.

(b) *Best Interests Test*

As described above, the Bankruptcy Code requires that each holder of an impaired claim or equity interest either (a) accepts the Plan or (b) receives or retains under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code on the Effective Date.

The first step in meeting this test is to determine the dollar amount that would be generated from the liquidation of the Debtor's assets and properties in the context of a chapter 7 liquidation case. The gross amount of cash available would be the sum of the proceeds from the disposition of the Debtor's assets and the cash held by the Debtor at the time of the commencement of the chapter 7 case. The next step, is to reduce that total by the amount of any claims secured by such assets, the costs and expenses of the liquidation, and such additional administrative expenses and priority claims that may result from the termination of the Debtor's business and the use of chapter 7 for the purposes of liquidation. Any remaining net cash would be allocated to creditors and shareholders in strict priority in accordance with section 726 of the Bankruptcy Code (see discussion below). Finally, taking into account the time necessary to accomplish the liquidation, the present value of such allocations may be compared to the value of the property that is

proposed to be distributed under the Plan on the Effective Date.

The Bank's claim would likely exceed the value of the Debtor's assets in a chapter 7 liquidation. Assuming, for the sake of argument, any assets were available for the Bank's claim, the Debtor's costs of liquidation under chapter 7 would include the fees payable to a chapter 7 trustee in bankruptcy, as well as those that might be payable to attorneys and other professionals that such a trustee may engage, plus any unpaid expenses incurred by the Debtor during the chapter 11 case and allowed in the chapter 7 case, such as compensation for attorneys, financial advisors, appraisers, accountants and other professionals. Additional claims would arise by reason of the breach or rejection of obligations incurred and executory contracts or leases entered into by the Debtor both prior to, and during the pendency of, the chapter 11 cases.

The foregoing types of claims, costs, expenses, fees and such other claims that may arise in a liquidation case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay pre-chapter 11 priority and unsecured claims. The Debtor believes that in a chapter 7 case, holders of unsecured claims would receive no distributions of property. Accordingly, the Plan satisfies the rule of absolute priority.

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in a chapter 11 case, including (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee, (ii) the erosion in value of assets in a chapter 7 case in the context of the expeditious liquidation required under chapter 7 and the "forced sale" atmosphere that would prevail and (iii) substantial increases in claims which would be satisfied on a priority basis, the Debtor has determined that confirmation of the Plan will provide each creditor and equity holder with a recovery that is not less than it would receive pursuant to a liquidation of the Debtor under chapter 7 of the Bankruptcy Code.

**The Debtor's liquidation analysis is an estimate of the proceeds that may be generated as a result of a hypothetical chapter 7 liquidation of the assets of the Debtor. The analysis is based upon a number of significant assumptions which are described. The liquidation analysis does not purport to be a valuation of the Debtor's assets and is not necessarily indicative of the values that may be realized in an actual liquidation.**

(c) *Liquidation Analysis*

As of the Petition Date, Bay City was owed in excess of \$34,000,000 secured by a blanket lien on the Debtor's assets. The Debtor believes in a liquidation of JHK under Chapter 7 that Bay City's security interest would consume all assets of the Debtor with no available funds to satisfy any other claim, including administrative or priority claimants. The Plan, however, does provide for the payment in full (unless otherwise agreed) of Administrative and Priority Claims and provides a ten percent (10%) distribution to Holders of Allowed Unsecured Claims. Accordingly, the Debtor believes that confirmation of the Plan is in the best interest of creditors as it results in a distribution to creditors that would not otherwise be available in a Chapter 7 liquidation.

(d) *Feasibility*

The Bankruptcy Code requires a debtor to demonstrate that confirmation of a plan of reorganization is not likely to be followed by the liquidation or the need for

further financial reorganization of a debtor unless so provided by the plan of reorganization. For purposes of determining whether the Plan meets this requirement, the Debtor have analyzed their ability to meet their financial obligations as contemplated thereunder. Based upon its analysis, the Debtor believes JHK will be able to make all payments required to be made pursuant to the Plan and that they will need no further financial reorganization.

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

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

(a) *No Unfair Discrimination*

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under a plan of reorganization. The test does not require that the treatment be the same or equivalent, but that such treatment be "fair."

(b) *Fair and Equitable Test*

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

(c) *Secured Claims*

Each holder of an impaired secured claim either (i) retains its liens on the property (or if sold, on the proceeds thereof) to the extent of the allowed amount of its secured claim and receives deferred Cash payments having a value, as of the effective date of the plan, of at least the allowed amount of such claim or (ii) receives the "indubitable equivalent" of its allowed secured claim.

(d) *Unsecured Claims*

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

(e) *Equity Interests*

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

**X.**

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

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

**A. Liquidation Under Chapter 7**

If no plan can be confirmed, the Debtor's chapter 11 case may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed to liquidate the assets of the Debtor for distribution in accordance with the priorities established by the Bankruptcy Code. In a chapter 7 liquidation, the Debtor believes that there would likely be no distribution to the holders of Administrative Claims, Priority Claims, General Unsecured Claims, or the holders of Equity Interests.

A discussion of the effects that a chapter 7 liquidation would have on the recovery of holders of claims and equity interests and the Debtor's liquidation analysis are set forth in section IX (b) and (c). 1(b) above, entitled "CONFIRMATION OF THE PLAN — Requirements for Confirmation of the Plan— Requirements of Section 1129(a) of the Bankruptcy Code — Best Interests Test and (c) Liquidation Analysis." The Debtor believes that liquidation under chapter 7 would result in no distributions being made to creditors versus those provided for in the Plan - and likely no distributions to any creditors other than the secured creditors - because of (a) the loss of any all going concern value (since the Debtor could not continue to operate), (b) the likelihood that the assets of the Debtor would have to be sold or otherwise disposed of in a less orderly fashion over a shorter period of time, (c) additional administrative expenses involved in the appointment of a trustee and (d) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtor's operations.

**B. Alternative Plan**

If the Plan is not confirmed, the Debtor or any other party in interest could attempt to formulate a different chapter 11 plan. Such a plan of reorganization might involve either a reorganization or continuation of the Debtor's business or an orderly liquidation of its assets. The Debtor believes that the Plan, as described herein, enables creditors and equity holders to realize the most value under the circumstances. Although preferable to a chapter 7 liquidation, the Debtor believes that any alternative liquidation under chapter 11 is a much less attractive alternative to creditors and equity holders than the Plan because of the greater return provided by the Plan.

**XI.**

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

**A. IRS Circular 230 Notice: To ensure compliance with IRS Circular 230, holders of Claims and Equity Interests are hereby notified that: (A) any discussion of federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be used, and cannot be used, by holders of Claims or Equity Interests for the purpose of avoiding penalties that may be imposed on them under the Tax Code; (b) such discussion is written in connection with the promotion or marketing by the Debtor of the transactions or matters addressed herein; and (c) holders of Claims and Equity Interests should seek advice based on their particular circumstances from an independent tax advisor.**

**B. Consequences to Holders of Class 3 Claims:** The Debtor has not researched the federal tax income tax consequences of the Plan to Holders of Claims and Interests, based on the Internal Revenue Code. The Debtor has not requested a ruling from the Internal Revenue Service with respect to these matters. Accordingly, no assurance can be given as to the interpretation of the Internal Revenue Service. Further, the federal income tax consequences to any particular Creditor or Interest Holder may be affected by matters not discussed herein. There also may be state, local or foreign tax considerations applicable to each creditor or holder of any interest. **EACH CREDITOR AND HOLDER IN INTEREST IS URGED TO CONSULT ITS OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE PLAN.**

## **XII.**

### **CONCLUSION**

The Debtor believes that confirmation and implementation of the Plan is in the best interests of all creditors, and urge holders of impaired Claims in Class 1, Class 2 and Class 3 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 no later than 4:00 p.m. (Eastern Time) on the Voting Deadline.

Dated: February 22, 2016

JHK INVESTMENTS, LLC

THE DEBTOR,  
JHK INVESTMENTS, LLC

By: /s/Leon C. Hirsch  
Leon C. Hirsch

By/s/ Craig I Lifland  
Craig I. Lifland  
Fed. Bar No. ct00976  
Halloran & Sage LLP  
225 Asylum Street  
Hartford, CT 06103  
Tel.: 860-241-4044  
Fax: 860-548-0006  
[lifland@halloransage.com](mailto:lifland@halloransage.com)