

**EXHIBIT A**

**Exhibit 6 to Disclosure Statement**

**Explanation of Reserves**

## Leaf 123, Inc. (f/k/a Natrol, Inc.), et al.

(\$000s)		<u>Plan Page</u>	<u>Reference</u>	<u>Notes</u>
<b>Adjusted Projected Cash Balance as of Week Ending on 4/25/15</b>	<b>\$ 37,208</b>			[A]
Reserve for Class Action Claims	(5,100)	<i>Pg. 29</i>		[B]
Reserve for Disputed Liabilities	(1,702)	<i>Pg. 29</i>		[C]
Reserve for GUC Claims	(2,589)	<i>Pg. 29</i>		[D]
Reserve for Admin Claims	(280)	<i>Pg. 29</i>		[E]
Reserve for Fee Claims	(3,700)	<i>Pg. 30</i>		[F]
Reserve for Wind-Down Expenses	(1,758)	<i>Pg. 30</i>		[G]
Reserve for GUC Representative	(125)	<i>Pg. 30</i>		[H]
Reserve for Priority Tax Claims		<i>Pg. 30</i>		[I]
Reserve for Tax Liabilities	(17,300)	<i>Pg. 30</i>		[J]
	<u>(32,554)</u>			
Funds Available for Distribution to Plethico US Holdings, KFT & Plethico Global Holdings, BV (net of reserves)	<b>\$ 4,655</b>			
<b>PROPOSED INITIAL DISTRIBUTION AMOUNT</b>	<b>\$ 4,000</b>	<i>Pg. 26</i>		
Estimated M. Khoudagoulian's incentive payment	(2,000)			[K]
Estimated Plethico Professional Fees Reserves	TBD			[L]

**NOTES:**

[A] Based on Wind Down Cash Flow "Budget" (dated 3.24.2015). This balance is projected to include all payments made through the week before the projected Effective Date of 5/1/2015, including income tax payments totaling approx. \$19.125 million that were made on 3/16/2015, and payment of \$200K success fee due Carl Marks. Additionally, an \$1.5 million distribution is also assumed to be made in April to Equity in satisfaction of certain Plethico Professionals Fees.

Projected Cash Balance as of the Week Ending on 4/25/15:	\$ 37,377
Estimated withholding tax on the \$1.5 million distribution	<u>(169)</u>
Adjusted Projected Cash Balance as of the Week Ending on 4/25/15:	<u>\$ 37,208</u>

[B] Consists of \$ 5.0 million full face amount of the Augustine claim and \$0.1 million covering the full settlement of the Eisner case (including interests)

[C] Estimated amount of disputed liabilities [Docket No. 948], adjusting for certain non-disputed items, contingency and post-petition interest at 0.10% per annum through 5/31/15

[D] Estimated total GUC claims (see detailed estimates on the supporting worksheet), including post-petition interest at 0.10% per annum through 5/31/15. Claims for which the Debtors intend to exercise their right of setoff are not reserved.

[E] Estimated Admin Claims (see detailed estimates on the supporting worksheet).

[F] Consists of estimated professional fees and expenses incurred through and payable as of the Effective Date, including approximately \$2.16 million in fees and expenses (\$1.91 million in fees + \$0.25 million in legal expenses) estimated by counsel to GLC to be incurred in connection with GLC Fee Dispute, and 15% of contingency amount on non-GLC related professional fees and expenses.

[G] Estimated wind-down costs (see detailed estimates on the supporting worksheet).

[H] Per Plan of Liquidation.

[I] Included in the Reserve for Disputed Liabilities.

[J] Estimated reserve for any penalties and interests that may be assessed by the taxing authorities relating to tax positions taken in the 2014 tax return extension payments (made on or about March 16, 2015).

[K] Amount of payment due M. Khoudagoulian under an incentive agreement incorporated as exhibit to Docket No. 695.

[L] TBD.

**Leaf 123, Inc. (f/k/a Natrol, Inc.), et al.**

(\$000s)

Notes**Schedule of Reserves**

Disputed, Alleged Class Action Claims	\$ 5,100	[A]
Disputed Liabilities	1,702	[B]
General Unsecured Claims Other Than Disputed, Alleged Class Action Claims and Disputed Liabilities	2,589	[C]
Administrative Expense Claims	280	[D]
Fee Claims	3,700	[E]
Tax Liability	17,300	[F]
GUC Representative	125	[G]
Wind-Down Expenses	1,758	[H]
	<u>\$ 32,554</u>	

**NOTES:**

- [A] Consist of \$ 5.0 million full face amount of the Augustine claim and \$0.1 million covering the full settlement of the Eisner case and post-petition interest on both.
- [B] Consist of sum of the liabilities in dispute under the Purchase Agreement, adjusted for 15% contingency and post-petition interest at 0.1% per annum
- [C] Consist of other general unsecured claims at full amount of the respective proofs of claim plus post-petition interest at 0.1% per annum. Claims for which the Debtors intend to exercise their right of setoff are not reserved.

	<u>Claim amount</u>
Rovio Entertainment	700
M. Psomas	750
Intrepid Investment Bankers	1,073
Other general unsecureds	<u>63</u>
	2,586
Post-petition interest (approx. one year)	<u>3</u>
	2,589

- [D] Consist of estimated damage claim on an contract rejection and other accrued post-petition general & administrative expenses.
- [E] Consist of estimated professional fees and expenses incurred through and payable as of the Effective Date, including approximately \$2.16 million in fees and expenses (\$1.91 million in fees + \$0.25 million in legal expenses) estimated by counsel to GLC to be incurred in connection with GLC Fee Dispute, and 15% of contingency amount on non-GLC related professional fees and expenses.
- [F] Consist of funds set aside to satisfy additional federal and/or state income tax liabilities, if any, relating to the Debtors' 2014 income.
- [G] Per Section 7.9(b)(7) of the Plan.
- [H] Estimated costs of the Wind-Down Committee in carrying out the duties set forth in the Plan, including obtaining a final clearance from the Federal and State tax authorities on the 2014 income tax returns.

Leaf 123, Inc. (f/k/a Natrol, Inc.), et al.  
(\$000s)

Liquidation Analysis (1)(2)

<b>Net Liquidation Proceeds</b>		\$	37,208		[A]
<b>Less: Contingency Reserve (2.5%)</b>			(930)		
<i>Net Liquidation Proceeds After Contingency Reserve</i>			<u>36,278</u>		
	Estimated			Recovery	
	Claims	Recovery		%	
<b>Less: Chapter 7 Fees &amp; Expenses</b>					
Chapter 7 Trustee Fees	1,112	(1,112)	100%		[B]
Chapter 7 Professional Fees & Expenses	525	(525)	100%		[C]
<i>Net Liquidation Proceeds After Chapter 7 Fees &amp; Expenses</i>		<u>34,641</u>			
<b>Less: Administrative and Priority Claims/Reserves</b>					
Reserve for Admin Claims	280	(280)	100%		[D]
Reserve for Fee Claims	3,700	(3,700)	100%		[E]
Reserve for Tax Liabilities	17,300	(17,300)	100%		[F]
<i>Net Liquidation Proceeds After Chapter 7 Fees &amp; Expenses, and Administrative and Priority Claims/Reserves</i>		<u>13,361</u>			
<b>Less: General Unsecured Claims/Reserves</b>					
Reserve for Class Action Claims	5,065	(5,065)	100%		[G]
Reserve for Disputed Liabilities	1,442	(1,442)	100%		[H]
Reserve for GUC Claims	2,586	(2,586)	100%		[I]
<i>Net Liquidation Proceeds Available to Holders of Equity Interests</i>			<u>\$</u>	<u>4,269</u>	

(1) This schedule should be read in conjunction with the accompanying "Notes to the Liquidation Analysis".

(2) Discrepancies may exist relative to figures elsewhere in the Plan and Disclosure Statement due to rounding of numbers.

**NOTES:**

- [A] Projected Cash Balance as of 4/25/15, after adjusting for the withholding tax related to the proposed \$1.5 million distribution to the Equity/Plethico Professionals Fees, is considered a proxy for Net Liquidation Proceeds.
- [B] Estimated in accordance with Section 326 of the Bankruptcy Code.
- [C] Estimated at approximately \$75K per month from May through December 2015.
- [D] Consists of estimated damage claim on a contract rejection and other accrued post-petition general & administrative expenses.
- [E] Consists of estimated professional fees and expenses incurred through and payable as of the Effective Date, including approximately \$2.16 million in fees and expenses (\$1.91 million in fees + \$0.25 million in legal expenses) estimated by counsel to GLC to be incurred in connection with GLC Fee Dispute.
- [F] Consists of funds set aside to satisfy additional federal and/or state income tax liabilities, if any, relating to the Debtors' 2014 income.
- [G] Consists of \$5.0 million full face amount of the Augustine claim and \$65K covering the full settlement of the Eisner case.
- [H] Consists of sum of the liabilities in dispute under the Purchase Agreement.
- [I] Consists of other general unsecured claims at full amount of the respective proofs of claims.

**Leaf123, Inc. (f/k/a Natrol, Inc.), et al.**  
**Notes to the Liquidation Analysis**

---

Leaf123, Inc., (“Leaf123”, f/k/a Natrol, Inc.), Leaf123 Holdings, Inc. (“Leaf123 Holdings”, f/k/a Natrol Holdings, Inc.), Leaf123 Products, Inc. (“Leaf123 Products”, f/k/a Natrol Products, Inc.), Leaf123 Direct, Inc. (“Leaf123 Direct”, f/k/a Natrol Direct, Inc.), Leaf123 Acquisition Corp. (f/k/a Natrol Acquisition Corp.), Leaf123 Nutrition, Inc. (“Leaf123 Nutrition”, f/k/a Prolab Nutrition, Inc.), and Leaf123 Medical Research Institute (f/k/a Medical Research Institute, and collectively with Leaf123, Leaf123 Holdings, Leaf123 Products, Leaf123 Direct, Leaf123 Acquisition Corp., and Leaf123 Nutrition, the “Debtors”) were in the business of producing, marketing and distributing certain dietary supplements, herbal teas, and sports nutrition products. These products were distributed in the United States and certain other parts of the world. Leaf123 Products, Leaf123 Direct, Leaf123 Acquisition Corp., Leaf123 Nutrition, and Leaf123 Medical Research Institute are wholly owned subsidiaries of Leaf123, which is a direct wholly owned subsidiary of Leaf123 Holdings. In addition, Leaf123 also owns a dormant foreign subsidiary, Natrol UK, Ltd. (“Natrol UK”), which is not part of the Chapter 11 proceedings but it is being dissolved concurrently with the liquidation of the Debtors’ Estates.

Prior to the closing of the Sale Transaction<sup>1</sup>, the Debtors had been in operations for over 33 years<sup>2</sup>. The Debtors’ headquarters were located at 21411 Prairie Street, Chatsworth, California, 91311, in a leased building containing offices, manufacturing operations and warehouse spaces. On November 12, 2014, the Court entered an order approving the sale of substantially all of the Debtors’ assets to Aurobindo Pharma USA Inc. (the “Buyer”), which also assumed certain liabilities, executory contracts and unexpired leases of the Debtors. On December 4, 2014, the Sale Transaction closed.

The attached liquidation analysis (“Liquidation Analysis”) concerning the Debtors was prepared in conjunction with developing the Plan described in the Disclosure Statement to which this document is an exhibit. The Liquidation Analysis may be helpful to holders of Equity Interests in reaching a determination of whether to accept or reject the Plan. The Liquidation Analysis has not been audited or reviewed by an independent public accountant, and accordingly, no opinion, or any other form of assurance, has been expressed in connection therewith.

The Liquidation Analysis reflects management’s estimate of the proceeds that may be realized by the Debtors and the potential recoveries that may be realized by the holders of Allowed Claims and Equity Interests if the assets of the Debtors were liquidated and the proceeds distributed in accordance with chapter 7 of the Bankruptcy Code (“Chapter 7”). Underlying the Liquidation Analysis are various estimates and assumptions that, although developed and considered reasonable by management, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of management, and are based upon assumptions with respect to liquidation decisions which could be subject to change. Accordingly, there can be no assurance that

---

<sup>1</sup> Capitalized terms which are not defined herein shall have the meaning ascribed to them in the Plan and/or in the Disclosure Statement unless the context otherwise requires. Capitalized terms not otherwise defined herein, in the Plan and/or in the Disclosure Statement have been italicized to indicate that such terms reflect line item captions in the Liquidation Analysis.

<sup>2</sup> See the Disclosure Statement for additional description of the Debtors’ pre-Sale business and operations.

the values and the costs reflected in the Liquidation Analysis would be realized if the Debtors were, in fact, to undergo such liquidation.

The Liquidation Analysis is based on the assets projected to be held by the Debtors as of November 30, 2015. It has been assumed, hypothetically, that a plan of liquidation could not ultimately be confirmed and that on or about May 6, 2015 (“Conversion Date”) the Debtors’ Chapter 11 Cases would be converted to proceedings under Chapter 7. From a timing standpoint, it is assumed that (i) a trustee (“Chapter 7 Trustee”) would be appointed immediately upon the hypothetical conversion of the Chapter 11 Cases to continue resolving Claims on the Debtors’ Estates, and (ii) the Chapter 7 Trustee would conclude the resolution and reconciliation of substantially all of Claims, including any additional priority tax claims related to the Debtors’ 2014 income tax returns, by November 30, 2015, on which date the net liquidation proceeds available to holders of all Allowed Claims are assumed to be distributed on or about December 1, 2015 (“Distribution Date”).

For purposes of the Liquidation Analysis, it has been assumed that the liquidation of the Debtors’ Estates would be substantively consolidated and jointly administered and, therefore, the assets, estimated claims and recoveries are prepared on a consolidated basis.

Costs that have been specifically identified in connection with the liquidation of the Debtors’ assets have been netted against the net proceeds from the Sale Transaction. The classification and dollar amounts of estimated Allowed Claims incorporated within the Liquidation Analysis are subject to material modification pending further analysis and the receipt of additional information with respect to such Claims. Certain Claims that are disputed by the Debtors have not been incorporated into the Liquidation Analysis. Recoveries resulting from potential avoidance actions that could hypothetically be pursued by the Debtors (to the extent any exist) have not been addressed in the Liquidation Analysis.

The following notes describe the significant assumptions utilized in arriving at the liquidation proceeds and estimated amounts of Allowed Claims reflected at the various captions within the Liquidation Analysis.

#### Note 1 – Cash

*Cash* (including equivalents thereof) is assumed to have a liquidation value equal to the projected book value at November 30, 2015.

#### Note 2 – Income and Related Taxes

For purposes of the Liquidation Analysis, it is assumed that the liquidation of the Debtors’ assets, consisting of substantially cash and cash equivalents, will not result in additional taxable income<sup>3</sup> and, therefore, create income tax liabilities under the Chapter 7 liquidation.

---

<sup>3</sup> Potential income tax liabilities relating to the Sales Transaction are being reserved and included as part of the Administrative and Priority Claims

Note 3 – Allocation of Net Liquidation Proceeds to Administrative, Non-Priority Tax, General Unsecured Claims, and Equity Interests

The projected *Net Liquidation Proceeds* are reduced by 2.5% (the “Contingency Reserve”) in order to arrive at the *Net Liquidation Proceeds after Contingency Reserve*. The Contingency Reserve is intended to serve as a buffer and reflects, among other things, the uncertainties inherent in: (i) implementing the liquidation process; (ii) quantifying and classifying unliquidated, contingent and/or disputed Claims; and (iii) providing for disputed Claims to the extent the Debtors do not ultimately prevail in defending against such Claims. The *Net Liquidation Proceeds after Contingency Reserve* balance is then allocated in accordance with priorities set forth in the Bankruptcy Code.

*Chapter 7 Trustee Fees* are estimated in accordance with the upper limit established under Section 326 of the Bankruptcy Code. Accordingly, for the purposes of the Liquidation Analysis, the projected *Chapter 7 Trustee Fees* are equal to 25% of the first \$5,000 disbursed by the Chapter 7 Trustee to parties-in-interest; 10% on any amount distributed in excess of \$5,000, but not in excess of \$50,000; 5% on any amount distributed in excess of \$50,000, but not in excess of \$1 million; and, 3% on any amount distributed in excess of \$1 million.

*Chapter 11 Professional Fees and Expenses* incurred and payable as of the Conversion Date is estimated at approximately \$3.7 million. *Chapter 7 Professional Fees and Expenses* are estimated at an average of \$75,000 per month from the Conversion Date through the Distribution Date. For illustrative purposes only, it is assumed in the Liquidation Analysis that *Chapter 11 Professional Fees and Expenses* which are outstanding and unpaid as of the Conversion Date are not paid until the Distribution Date. Likewise, it is assumed that *Chapter 7 Professional Fees and Expenses* which are outstanding as of November 30, 2015, or which incurred subsequent to that date, are not paid until the Distribution Date. The outstanding *Chapter 7 Professional Fees and Expenses* and *Chapter 11 Professional Fees and Expenses* as of Distribution Date are estimated to be approximately \$75,000 and \$3.7 million, respectively.

*Chapter 7 Administrative Claims (Excluding Professional Fees)* and *Chapter 11 Administrative Claims (Excluding Professional Fees)* include unpaid post-petition liabilities incurred in the ordinary course of business that were not assumed by the Buyer pursuant to the Purchase Agreement and/or the Claim Administrative Protocol.

*Non-Priority Tax Claims (Class 1)* consist of the income tax claim arising from the Debtors’ operations prior to the closing of the Sale Transaction.

*General Unsecured Claims (Class 2)* consist of pre-petition liabilities that are unsecured non-priority Claims against the Debtors and are not (i) Secured Claims, (ii) Administrative Expense Claims, (iii) Fee Claims, (iv) Priority Tax Claims, and (v) Non-Priority Tax Claims, to the extent not assumed by the Buyer pursuant to the Purchase Agreement and/or the Claim Administrative Protocol. Under Chapter 7, General Unsecured Claims are not entitled to post-petition interest and, therefore, would receive less than the recovery provided in the Plan. .

*Equity Interests (Class 3)* consist of equity interests in the Debtors, held through Leaf 123 Holdings’ equity interests, which are 75% owned by Plethico US Holdings, Kft, a Hungarian company, and the remaining 25% owned by Plethico Global Holdings B.V., a company domiciled in Netherlands.