A HEARING TO CONSIDER THE ADEQUACY OF THIS DISCLOSURE STATEMENT UNDER SECTION 1125 OF THE BANKRUPTCY CODE HAS BEEN SET BY THE BANKRUPTCY COURT FOR APRIL 2, 2015 AT 10:00 A.M. (PREVAILING EASTERN TIME). THE DEBTORS RESERVE THE RIGHT TO AMEND, SUPPLEMENT OR OTHERWISE MODIFY THIS DISCLOSURE STATEMENT PRIOR TO AND UP TO THE DATE OF SUCH HEARING.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Chapter 11
	:	
LEAF123, INC. (f/k/a NATROL, INC.), *et al.*,	:	Case No. 14-11446 (BLS)
	:	
Debtors.[1]	:	(Jointly Administered)

DISCLOSURE STATEMENT FOR FIRST AMENDED JOINT LIQUIDATING PLAN OF LEAF 123, INC. (F/K/A NATROL, INC.), AND ITS AFFILIATED DEBTORS

Dated: April 2, 2015
Wilmington, Delaware

YOUNG CONAWAY STARGATT & TAYLOR, LLP
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Wilmington, Delaware 19801
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Counsel for the Debtors and the Debtors in Possession

[1] The Debtors in these chapter 11 cases and the last four digits of each Debtor's taxpayer identification number are as follows: Leaf123, Inc. (f/k/a Natrol, Inc.) (0780); Leaf123 Holdings, Inc. (f/k/a Natrol Holdings, Inc.) (4614); Leaf123 Products, Inc. (f/k/a Natrol Products, Inc.) (7823); Leaf123 Direct, Inc. (f/k/a Natrol Direct, Inc.) (5090); Leaf123 Acquisition Corp. (f/k/a Natrol Acquisition Corp.) (3765); Leaf123 Nutrition, Inc. (f/k/a Prolab Nutrition, Inc.) (3283); and Leaf123 Research Institute (f/k/a Medical Research Institute) (2825). The Debtors' principal offices are located at 21411 Prairie Street, Chatsworth CA 91311.

CONFIRMATION HEARING AND
DEADLINE TO OBJECT TO THE PLAN

THE HEARING TO CONSIDER CONFIRMATION OF THE PLAN HAS BEEN SCHEDULED FOR MAY 8, 2015 AT 9:30 A.M. (PREVAILING EASTERN TIME). OBJECTIONS TO CONFIRMATION OF THE PLAN MUST BE FILED (I) ON OR BEFORE MAY 1, 2015, AT 4:00 P.M. (PREVAILING EASTERN TIME), AND (II) IN ACCORDANCE WITH PARAGRAPH 9 OF THE DISCLOSURE STATEMENT ORDER.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING THE EXHIBITS ATTACHED HERETO) IS SPECULATIVE AND PERSONS SHOULD NOT RELY ON SUCH DOCUMENTS IN MAKING INVESTMENT DECISIONS WITH RESPECT TO (I) THE DEBTORS, OR (II) ANY OTHER ENTITIES THAT MAY BE AFFECTED BY THE CHAPTER 11 CASES.

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR THE FIRST AMENDED JOINT LIQUIDATING PLAN OF LEAF123, INC. (F/K/A NATROL, INC.), AND ITS AFFILIATED DEBTORS TO HOLDERS OF EQUITY INTERESTS FOR PURPOSES OF OBTAINING APPROVAL OF THE DISCLOSURE STATEMENT FROM THE BANKRUPTCY COURT. YOU SHOULD NOT RELY UPON OR USE THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR ANY OTHER PURPOSE.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(b) AND IS NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS. THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT MAY CONTAIN "FORWARD LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS CONSIST OF ANY STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE IDENTIFIED BY THE USE OF FORWARD LOOKING TERMINOLOGY SUCH AS "MAY," "EXPECT," "ANTICIPATE," "ESTIMATE" OR "CONTINUE" OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. THE READER IS CAUTIONED THAT ALL FORWARD-LOOKING STATEMENTS ARE NECESSARILY SPECULATIVE AND THERE ARE CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE REFERRED TO IN SUCH FORWARD-LOOKING STATEMENTS. DISTRIBUTION PROJECTIONS AND OTHER INFORMATION CONTAINED HEREIN AND ATTACHED HERETO ARE ESTIMATES ONLY, AND THE TIMING AND AMOUNT OF ACTUAL DISTRIBUTIONS TO HOLDERS OF ALLOWED CLAIMS MAY BE AFFECTED BY MANY FACTORS THAT CANNOT BE PREDICTED. THEREFORE, ANY ANALYSES, ESTIMATES OR RECOVERY PROJECTIONS MAY OR MAY NOT TURN OUT TO BE ACCURATE.

NO LEGAL OR TAX ADVICE IS PROVIDED TO YOU BY THIS DISCLOSURE STATEMENT. THE DEBTORS URGE EACH HOLDER OF A CLAIM OR AN EQUITY INTEREST TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN AND EACH OF THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF DISCLOSURE CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. RATHER, HOLDERS OF CLAIMS AND EQUITY INTERESTS AND OTHER ENTITIES SHOULD CONSTRUE THIS DISCLOSURE STATEMENT AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS.

NO RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR LITIGATION CLAIM OR PROJECTED OBJECTION TO A PARTICULAR CLAIM IS, OR IS NOT, IDENTIFIED IN THE DISCLOSURE STATEMENT. THE DEBTORS, REORGANIZED DEBTORS, AND/OR THE WIND-DOWN COMMITTEE MAY SEEK TO INVESTIGATE, FILE, AND/OR PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THE DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS. THE PLAN RESERVES FOR THE DEBTORS, REORGANIZED DEBTORS, AND/OR THE WIND-DOWN COMMITTEE THE RIGHT TO BRING CAUSES OF ACTION (DEFINED IN THE PLAN) AGAINST ANY ENTITY OR PARTY IN INTEREST EXCEPT THOSE SPECIFICALLY RELEASED.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS IN THE DEBTORS' CHAPTER 11 CASES AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THE SUMMARIES DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THE DEBTORS' CHIEF FINANCIAL OFFICER HAS REVIEWED THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THE DEBTORS HAVE USED THEIR REASONABLE BUSINESS JUDGMENT TO ENSURE THE ACCURACY OF THIS FINANCIAL INFORMATION, NO ENTITY HAS AUDITED THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT.

THE DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE

DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO. HOLDERS OF CLAIMS AND EQUITY INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THE FILING OF THIS DISCLOSURE STATEMENT. HOLDERS OF EQUITY INTERESTS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN MUST RELY ON THEIR OWN EVALUATION OF THE DEBTORS AND THEIR OWN ANALYSIS OF THE TERMS OF THE PLAN, INCLUDING, WITHOUT LIMITATION, ANY RISK FACTORS CITED HEREIN.

THE DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

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ARTICLE I.

INTRODUCTION

1.1. Purpose of the Disclosure Statement. [2]

This disclosure statement (as may be amended, modified or supplemented, the "Disclosure Statement") is being provided, pursuant to section 1125 of the Bankruptcy Code. The summaries of the Plan contained herein shall not be relied upon for any other purpose. A copy of the Plan is attached hereto as Exhibit 2.

The following documents are annexed hereto as exhibits to this Disclosure Statement.

EXHIBITS TO DISCLOSURE STATEMENT	
Exhibit 1	List of Debtors
Exhibit 2	Plan
Exhibit 3	Committee Administration Guidelines
Exhibit 4	Prepetition Corporate Organizational Chart
Exhibit 5	Analysis of Certain Federal Income Tax Consequences of the Plan
Exhibit 6	Explanation of Reserves
Exhibit 7	Disclosure Statement Order (without exhibits)

On April [2], 2015, the Bankruptcy Court (i) entered an order approving this Disclosure Statement (the "Disclosure Statement Order") as containing "adequate information" under section 1125 of the Bankruptcy Code to enable a hypothetical, reasonable investor typical of the Holders of Equity Interests against the Debtors to make an informed judgment as to whether to accept or reject the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.**

THIS DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN. THIS DISCLOSURE STATEMENT IS INTENDED TO AID AND SUPPLEMENT THAT REVIEW.

[2] Capitalized terms utilized within this Disclosure Statement which are not otherwise defined herein shall have the meanings ascribed to such terms in the attached Plan.

THE DESCRIPTION OF THE PLAN HEREIN IS ONLY A SUMMARY. HOLDERS OF CLAIMS AND EQUITY INTERESTS AND OTHER PARTIES IN INTEREST ARE CAUTIONED TO REVIEW THE PLAN AND ANY RELATED ATTACHMENTS FOR A FULL UNDERSTANDING OF THE PLAN'S PROVISIONS. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN.

Additional copies of this Disclosure Statement can be accessed free of charge at http://dm.epiq11.com/NTL/Project#. Additional copies of this Disclosure Statement are also available upon request made to the office of the Debtors' counsel, Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 N. King Street, Wilmington, Delaware 19801, Attention: Maris J. Kandestin, Esq., (302) 571-6600 (phone), (302) 571-1253 (facsimile), or at mkandestin@ycst.com.

ARTICLE II.

BUSINESS DESCRIPTION, PREPETITION INDEBTEDNESS AND EVENTS LEADING TO CHAPTER 11

2.1. The Debtors' Pre-Sale Business.

Prior to the Closing of the Sale Transaction, the Debtors were leading producers of high-quality, branded nutritional and dietary supplements. Collectively, the Debtors manufactured, marketed, and distributed dietary and nutritional supplements and related products that addressed a wide range of preventative healthcare and condition-specific dietary, national, and performance needs. The Debtors built a strong and loyal customer base throughout their more than 33 years in operation, with a dedication to delivering high-quality nutraceuticals that met rigorous manufacturing quality controls and standards to guarantee all products are safe and effective.

Leaf123, Inc. was one of the world's leading manufacturers of dietary supplements, herbal teas, and sports nutrition products. Prior to the Closing of the Sale Transaction, the Debtors produced and distributed certain product lines of nutritional and dietary supplements, including *Natrol*, *NuHair*, *Laci le Beau*, *Shen MIN*, and *Essentially Pure Ingredients*. In addition, through Leaf123 Nutrition, the Debtors produced and conducted sales and marketing efforts relating to the *Prolab* product line, a line of sports nutrition products that allowed athletes to customize a nutritional supplement program to meet specific training and physique goals. Similarly, through Leaf123 Research Institute, the Debtors produced and conducted sales and marketing efforts relating to the *MRI* product line, a line of sports nutrition products with advanced delivery technology designed to create safe and advanced performance products.

The Debtors' product portfolio included approximately 115 products, which were distributed through direct customer sales in addition to a retailer network of over 50,000 retailers, including natural and health food stores, specialty health retailers, mass market/club stores, online retailers, and through international distribution channels. The products regularly received accolades and cover features in major industry publications, received consistent mention in

mainstream press, and were used by a number of high-profile celebrities. Despite the economic downturn over the last several years, prior to the Petition Date, the Debtors had achieved steady, organic growth, including net sales of approximately $94.9 million and adjusted EBITDA of approximately $16.1 million in 2013. The Debtors also broke $10 million in monthly sales four times in nine months prior to the Petition Date. The Debtors' revenues continued to trend upward during the Chapter 11 Cases and through the Closing of the Sale Transaction.

As described in detail in Section 3.7 of this Disclosure Statement, the Debtors sold substantially all of their assets through a Court-approved Sale Transaction that closed on December 4, 2014. As of the date of the Closing of the Sale Transaction, the Debtors no longer have any significant business operations.

For additional information regarding the Debtors' business operations prior to the Closing of the Sale Transaction (as those terms are defined in the Plan), refer to the Declaration of Mesrop G. Khoudagoulian in Support of the Debtors' Chapter 11 Petitions and Requests for First Day Relief [Docket No. 31] and the Declaration of Jeffrey C. Perea in Support of the Debtors' Chapter 11 Petitions and Requests for First Day Relief [Docket No. 32] (collectively, the "First Day Declarations"), which are incorporated herein by reference.

2.2. Debtors' Prepetition Capital Structure and Indebtedness.

Leaf123, Inc. (f/k/a Natrol, Inc.), a Delaware corporation, is wholly owned subsidiary of Leaf123 Holdings, Inc. (f/k/a Natrol Holdings, Inc.). Leaf123 Holdings is owned by seventy-five percent (75%) by Plethico Global Holdings B.V., a Netherlands company ("Plethico"), and twenty-five percent (25%) by Plethico US Holdings, Kft, a Hungary company ("Plethico US"). Plethico owns one hundred percent (100%) of Plethico US. Plethico India, a publicly traded global pharmaceuticals company based in India, owns one hundred percent (100%) of Plethico. Natrol had been publicly owned from 1998 until 2007, when it became a privately-owned subsidiary of Plethico. Plethico, Plethico US, and Plethico India are not debtors in these Chapter 11 Cases.

Leaf123 Holdings owns 100% of the equity in Leaf123, Inc. (f/k/a Natrol, Inc.), which in turn owns 100% of the equity in (1) Leaf123 Direct, Inc. (f/k/a Natrol Direct, Inc.); (2) Leaf123 Acquisition Corp. (f/k/a Natrol Acquisition Corp.); (3) Leaf123 Nutrition, Inc. (f/k/a Prolab Nutrition, Inc.); and (4) Leaf123 Research Institute (f/k/a Medical Research Institute). Leaf123, Inc. (f/k/a Natrol, Inc.) also owns 100% of the equity in Natrol UK Ltd., a UK entity with no material assets that is in the process of being dissolved. Natrol UK Ltd. was not purchased by the Buyer through the Sale Transaction.

As of the Petition Date, on a consolidated basis, the Debtors had liabilities of approximately $86 million, excluding contingent liabilities that could arise from the rejection of executory contracts. The bulk of the Debtors' liabilities arise from a 2013 credit facility with Cerberus. In March 2013, the Debtors obtained from Cerberus a $65 million term loan plus an additional $10 million revolving credit facility (together, the "Prepetition Credit Facility"). The primary purposes of seeking debt financing were to (a) repay $34 million of debt that Plethico had incurred to finance its acquisition of the Debtors in 2007, and (b) undertake a $25 million expansion of their manufacturing facilities, which is described below. As of the Petition Date,

Cerberus asserted that the Debtors owed Cerberus approximately $70 million in connection with the Prepetition Credit Facility, exclusive of any reductions from cash sweeps or otherwise, and without taking into account any claims or offsets that the Debtors may have had against Cerberus. The Allowed Cerberus Claim was satisfied in full at Closing from the proceeds of the Sale Transaction and prior to the Payment Deadline, and Cerberus no longer holds any Claims against the Estates.

On the Petition Date, each of the Debtors Filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. Prior to the Petition Date, the Debtors manufactured the majority of their products in-house, which enabled the Debtors to exercise the high level of quality control their customers had come to expect and rely upon, and which made the Debtors leaders in the industry. After, and as a result of, experiencing significant quality issues from third-party providers of raw materials and completed products, on or about March 5, 2013, the Debtors entered into the Fabtech Transaction and began to revise and finalize the plans for the build-out of a manufacturing facility, which would enable the Debtors to manufacture and finish all of their products in-house.

Cerberus began declaring technical defaults on the Debtors only a few months after closing the Prepetition Credit Agreement, which during the year preceding the Petition Date led inexorably to the point where the Debtors became subject to terms under the Prepetition Credit Agreement and a forbearance agreement (the "Forbearance Agreement") that they had no hope of performing.

In connection with the Forbearance Agreement, a variety of persons were placed into the Debtors' management structure, which made it difficult for the Debtors to operate their businesses. For months preceding the Petition Date, the Debtors were unable to operate in any way reflecting a semblance of normalcy. Ultimately, the Debtors were charged with technical defaults and termination under the Prepetition Credit Agreement and Forbearance Agreement and were threatened with imminent foreclosure. Because of the threat of irreparable harm facing the Debtors, and in an effort to reorganize their operations and repay all their creditors in full, the Debtors commenced the Chapter 11 Cases.

ARTICLE III.

ADMINISTRATION OF THE CHAPTER 11 CASES

3.1. Overview of Chapter 11.

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for similarly situated holders of claims and equity interests, subject to the priority of distributions prescribed by the Bankruptcy Code.

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 of a chapter 11 petition. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan is the principle objective of a chapter 11 case. A plan sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan by the Bankruptcy Court makes the plan binding upon the debtor, any entity acquiring property under the plan, any holder of a claim against or equity interest in a debtor and all other entities as may be ordered by the Bankruptcy Court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order approving confirmation of a plan discharges a debtor, to the fullest extent permitted by applicable law, from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.

Pursuant to section 1125 of the Bankruptcy Code, acceptance or rejection of a plan may not be solicited after the commencement of a chapter 11 case until such time as a bankruptcy court has approved a disclosure statement as containing adequate information. Pursuant to section 1125(a) of the Bankruptcy Code, "adequate information" is information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding the plan. The Debtors are submitting this Disclosure Statement in satisfaction of the applicable disclosure requirements under section 1125 of the Bankruptcy Code.

3.2. Debtors' First Day Pleadings.

On June 11, 2014, each of the Debtors commenced these Chapter 11 Cases by filing voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. Shortly thereafter, the Debtors Filed various "first day" motions seeking authority to, among other things: (i) pay prepetition compensation, benefits, and reimbursable employee expenses; (ii) continue certain insurance policies and programs; (iii) continue certain customer practices and programs; (iv) substantially maintain their existing bank accounts and continue the Debtors' integrated cash management system that was in place prior to the Petition Date; (v) pay prepetition Claims of certain critical vendors; (vii) prohibit utility companies from discontinuing, altering or refusing service; and (viii) continue to use cash collateral during the Chapter 11 Cases. Other than the Debtors' request for an order authorizing the continued use of cash collateral, which was opposed by Cerberus, all of the Debtors' first day motions were approved by the Bankruptcy Court in substantially the manner requested by the Debtors.

3.3. Debtors' Retention Applications.

During the course of the Chapter 11 Cases, the Debtors retained various professionals in connection with the prosecution and administration of their Chapter 11 Cases, and the operation of their day-to-day business. The Bankruptcy Court has approved the Debtors' retention and/or employment of, among others, (i) Young Conaway Stargatt & Taylor, LLP, as bankruptcy counsel; (ii) Gibson, Dunn & Crutcher LLP, as special transactional counsel; (iii) Conway MacKenzie Management Services, LLC, which supplied Jeffrey C. Perea as the Debtors' Chief Financial Officer; (iv) GLC Advisors & Co., LLC, as the Debtors investment banker; (v) Squar, Milner, Peterson, Miranda & Williamson, LLP, which supplied Stephen P. Milner as the Debtors Chief Restructuring Officer; (vi) Epiq Bankruptcy Solutions, LLC as the Debtors' Bankruptcy-Court appointed claims and noticing agent, as well as administrative advisor to the Debtors; and (vii) certain ordinary course professionals. The Bankruptcy Court

also approved the appointment of Hobart G. Truesdell as an independent director of each of the Debtors. On February 3, 2015, Hobart G. Truesdell resigned as the independent director of the Debtors, and on February 13, 2015, Bradley E. Scher was appointed by the board as the Independent Director of the Debtors, and on February 19, 2015, the Bankruptcy Court entered an Order appointing Bradley E. Scher as the Independent Director of the Debtors [Docket No. 925].

3.4. Appointment of Official Committee of Unsecured Creditors.

On June 19, 2014, the United States Trustee appointed the Creditors' Committee. The Creditors' Committee selected Otterbourg P.C. and Pepper Hamilton LLP as their counsel in connection with these Chapter 11 Cases. On July 16, 2014, the Bankruptcy Court entered orders approving the retention of both firms [Docket Nos. 265 and 267, respectively].

3.5. Settlement Agreement.

On June 19, 2014, Cerberus Filed an *Emergency Motion for Appointment of a Chapter 11 Trustee* (the "Trustee Motion") and a *Preliminary Objection to Debtors' Motion for Entry of Interim Order Authorizing the Use of Cash Collateral and Related First Day Motions* (the "Cash Collateral Objection"). Following extensive discovery and negotiations, the Settlement Parties entered into the Settlement Agreement, which, among other things, permitted the Debtors' use of cash collateral during the Chapter 11 Cases and resolved the Trustee Motion. Pursuant to the Settlement Agreement, the Debtors were required to satisfy the Allowed Cerberus Claim (as defined in the Settlement Agreement) in full in Cash by a date certain (the "Payment Deadline"). The Allowed Cerberus Claim was paid in full prior to the Payment Deadline, and Cerberus no longer holds any Claims against the Debtors or the Estates.

3.6. Filing of Schedule and Establishment of Bar Dates.

On August 15, 2014, the Debtors Filed their Schedules, and on September 26, 2014, the Debtors amended certain of their Schedules. On August 22, 2014, the Bankruptcy Court entered the Bar Date Order, which established (a) October 27, 2014, as the Claims Bar Date; (b) December 8, 2014, as the Governmental Claims Bar Date; and (c) the date that was the later of (i) the Claims Bar Date or the date that was thirty (30) days after entry of an order approving the rejection of an executory contract or unexpired lease as the Rejection Damages Bar Date.

3.7. Sale of Substantially All of the Debtors' Assets.

In accordance with the Settlement Agreement, the Debtors pursued a sale of their assets and/or refinancing of their debt. The Debtors, through their investment banker, GLC Advisors & Co., LLC, engaged in extensive marketing efforts, soliciting expressions of interest from over 100 strategic and financial investors. On October 24, 2014, the Bankruptcy Court entered an *Order (I) Approving Bid Procedures*; *(II) Approving Stalking Horse Protections*; *(III) Scheduling a Hearing to Consider Sale of Certain Assets or a Refinancing Transaction*; *(IV) Approving Form and Manner of Notice of Bid Procedures and Notice of Potential Assumption, Assignment, and/or Sale of Contracts and Leases*; and *(V) Granting Related Relief* [Docket No. 622] (the "Bid Procedures Order"). Pursuant to the Bid Procedures Order, (a) the Debtors were required to select a stalking horse bidder on or before November 3, 2014, (b) a bid

deadline of November 6, 2014, was set, and (c) an auction for the Debtors' assets was scheduled for November 10, 2014.

In accordance with the Bid Procedures Order, on November 3, 2014, the Debtors selected ICV-N Acquisition as the stalking horse bidder for the Debtors' assets. Prior to the bid deadline, the Debtors received two additional qualified bids and conducted an auction for the sale of the Debtors' assets on November 10, 2014. At the conclusion of a lengthy and competitive auction, Aurobindo Pharma USA Inc. (the "Buyer") was declared the successful bidder for the Assets, with a purchase price of $132.5 million plus the assumption of certain liabilities and other consideration, and SRN Acquisition Corp. was selected as the next highest bidder, with a purchase price of $132 million plus the assumption of certain liabilities and other consideration. On November 12, 2014, following a hearing and the presentation of evidence, the Bankruptcy Court entered the *Order (A) Approving Asset Purchase Agreement Between Debtors and Buyer; (B) Authorizing the Sale of Substantially All of the Debtors' Assets Free and Clear of Liens, Claims, Encumbrances and Interests; (C) Authorizing the Assumption, Assignment, and Sale of Certain Executory Contracts and Unexpired Leases; and (D) Granting Related Relief* [Docket No. 709] (the "Sale Order"). The Sale Order became a Final Order on November 26, 2014.

Through the Sale Order, in addition to the assumption of the Assumed Liabilities, the Buyer took assignment of substantially all of the Debtors' Contracts and Leases. On November 24, 2014, the Debtors and Buyer entered into a Claims Administration Protocol to, among other things, clarify how disputes, if any, with respect to Assumed Liabilities would be handled, and clarify that the Buyer would be responsible for objecting to all Claims arising from any of the Assumed Liabilities. The Bankruptcy Court entered an order approving the Claims Administration Protocol on December 2, 2014 [Docket No. 764]. On December 1, 2014, the Debtors and the Buyer entered into the Side Letter, which constituted an ancillary agreement pursuant to the Sale Order and which was incorporated in full into the Purchase Agreement. The Debtors Filed the Side Letter with the Bankruptcy Court on December 3, 2014 [Docket No. 767].

On December 4, 2014, the Sale closed. As of the Closing of the Sale, the Debtors have no secured debt. Additionally, through the Sale Transaction, the Debtors assumed, and the Buyer took assignment of, all of the Debtors' prepetition Contracts and Leases. As such, the Debtors are not currently party to any Contracts or Leases.

On December 23, 2014, the Debtors and the Buyer filed a *Notice of List of Assumed, Excluded, and Disputed Liabilities Pursuant to Claims Administration Protocol* [Docket No. 828], which, among other things, listed certain liabilities that the Buyer disputed as being Assumed Liabilities under the Purchase Agreement.

On March 5, 2015, after several attempts by the Debtors to engage the Buyer in discussions with respect to the Disputed Liabilities, the Debtors filed the *Debtors' Motion Seeking an Order Finding, Pursuant to the Claims Administration Protocol, that Certain Disputed Liabilities are Assumed Liabilities* [Docket No. 948] (the "Disputed Liabilities Motion"). The Disputed Liabilities Motion is scheduled to be heard by the Bankruptcy Court on April 16, 2015.

3.8. Certain Remaining Assets.

Following the Closing of the Sale Transaction, certain assets remained with the Estates (collectively, the "Remaining Assets"), including, but not limited to: tax refunds and credits, all shares of capital stock or other Equity Interests in Natrol UK (intercompany receivables from Natrol UK were purchased by the Buyer), all Avoidance Actions not otherwise purchased by the Buyer under the Purchase Agreement, the proceeds from prepetition litigation, the proceeds from the Sale Transaction, and certain other assets.

ARTICLE IV.

SUMMARY OF PLAN AND CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS THEREUNDER

4.1. Summary of Plan.

The Plan is a plan of liquidation, pursuant to which the net proceeds from the Sale Transaction, the disposition of any Remaining Assets are being pooled and distributed to persons or entities holding Allowed Claims and Equity Interests in accordance with the priorities of the Bankruptcy Code and the summary of treatment of Claims and Equity Interests set forth below. The number and amount of Allowed Claims will not affect distributions for Holders of Allowed Administrative Expense Claims, Allowed Priority Tax Claims, or Allowed Non-Tax Priority Claims. Actual distributions may differ from those set forth in the table below depending on, among other things, the liquidation of Filed litigation Claims, the amount of the recoveries on account of any pending litigation, and the Wind-Down Expenses.

THE FOLLOWING CHART IS A SUMMARY OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS AND THE POTENTIAL DISTRIBUTIONS UNDER THE PLAN. THE AMOUNTS SET FORTH BELOW ARE ESTIMATES ONLY. 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. THE RECOVERIES SET FORTH BELOW ARE PROJECTED RECOVERIES AND ARE THEREFORE SUBJECT TO CHANGE. THE ALLOWANCE OF CLAIMS MAY BE SUBJECT TO LITIGATION OR OTHER ADJUSTMENTS, AND ACTUAL ALLOWED CLAIM AMOUNTS MAY DIFFER MATERIALLY FROM THESE ESTIMATED AMOUNTS. FOLLOWING THE CHART IS THE DESCRIPTION OF THE TREATMENT OF THE CLAIMS AND EQUITY INTERESTS UNDER THE PLAN.

Class	Description	Treatment	Entitled to Vote	Estimated Percentage Recovery
Class 1	Non-Priority Tax Claims	Unimpaired	No (conclusively presumed to accept)	100%
Class 2	General Unsecured Claims	Unimpaired	No (conclusively presumed to accept)	100% plus Interest
Class 3	Equity Interests	Impaired	No (deemed to accept)[3]	TBD[4]

Underlying the estimated percentage recovery identified in the above-table represents a number of assumptions that, although developed and considered reasonable by the Debtors, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtors. There is no assurance that the stated estimated percentage recovery will be realized, and the actual recovery percentage for Holders of Equity Interests in Class 3 could vary materially from those shown here dependent on the outcome of a number of variables.

Treatment of Administrative Expense Claims, Plethico Professional Fees, and Priority Tax Claims

4.2. Administrative Expense Claims.

Except to the extent that any entity entitled to payment of any Allowed Administrative Expense Claim agrees to a less favorable treatment, each Holder of an Allowed Administrative Expense Claim shall receive Cash in an amount equal to such Allowed Administrative Expense Claim on, or as soon thereafter as is reasonably practicable, the later of five (5) Business Days following the later of (a) the Effective Date or (b) the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim.

3 The Holders of Equity Interests in the Debtors are "insiders" under section 101 of the Bankruptcy Code, and therefore, pursuant to section 1129(a) of the Bankruptcy Code, votes of the Holders of Equity Interests will not be counted. As there are no Classes of Claims eligible to vote on the Plan, the solicitation of votes for acceptance or rejection of the Plan is not required, as set forth in section 1126(f) of the Bankruptcy Code.

4 The approximate recovery percentage identified for Equity Interests is based on the Debtors' best estimate of the aggregate amount of the General Unsecured Claims ultimately Allowed upon conclusion of the Claims reconciliation and objection process, and after payment of Wind-Down Expenses and other expenses, including administrative expenses, accrued during the pendency of the Chapter 11 Cases. Accordingly, actual recoveries may be less as they are subject to a number of factors, including, but not limited to, the successful prosecution of certain objections to Claims.

4.3. Time for Filing Administrative Expense Claims.

The Holder of an Administrative Expense Claim accruing on or after the Petition Date, other than: (a) a Fee Claim; (b) an Administrative Expense Claim that has been Allowed on or before the Effective Date; (c) a claim for U.S. Trustee Fees, and (d) a Claim arising under section 503(b)(1)(D) of the Bankruptcy Code, must submit to the Claims Agent and serve on the Reorganized Debtors, their counsel, and the Wind-Down Committee, a request for such Administrative Expense Claim so as to be received by 5:00 p.m. (prevailing Eastern Time) on the date that is thirty (30) days after service of notice of occurrence of the Effective Date. Such request must include at a minimum: (i) the name of the Holder of the Administrative Expense Claim; (ii) the amount of the Administrative Expense Claim; (iii) the basis of the Administrative Expense Claim; and (iv) supporting documentation for the Administrative Expense Claim. **FAILURE TO FILE AND SERVE SUCH REQUEST TIMELY AND PROPERLY SHALL RESULT IN SUCH ADMINISTRATIVE EXPENSE CLAIM BEING FOREVER BARRED; PROVIDED, HOWEVER, THAT THE INTERNAL REVENUE SERVICE SHALL NOT BE REQUIRED TO FILE A PROOF OF CLAIM OR APPLICATION FOR ALLOWANCE OF ANY CLAIMS COVERED BY SECTIONS 503(b)(1)(B), (C), OR (D) OF THE BANKRUPTCY CODE.**

4.4. Fee Claims.

All Fee Claims must be Filed with the Bankruptcy Court and served on the Reorganized Debtors, their counsel, the Wind-Down Committee, the United States Trustee, and former counsel to the Creditors' Committee no later than thirty (30) days after the Effective Date, including a non-binding estimate of fees and expense that will be incurred from the Effective Date. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior orders of the Bankruptcy Court in the Chapter 11 Cases, the allowed amounts of such Fee Claims shall be determined by the Bankruptcy Court. **FAILURE TO FILE AND SERVE FINAL FEE APPLICATIONS TIMELY AND PROPERLY SHALL RESULT IN THE UNDERLYING FEE CLAIMS BEING FOREVER BARRED UNLESS OTHERWISE ORDERED BY THE BANKRUPTCY COURT.**

Objections to Fee Claims, if any, must be Filed and served pursuant to the procedures set forth in the Confirmation Order no later than sixty (60) days after the Effective Date or such other date as may be established by the Bankruptcy Court.

4.5. Treatment of Fee Claims.

A Fee Claim in respect of which a final fee application has been timely Filed and served pursuant to Section 2.3 of the Plan shall be payable to the extent approved by a Final Order of the Bankruptcy Court. Subject to the Holdback Amount, on the Effective Date, or as soon thereafter as reasonably practicable, to the extent not otherwise paid, all allowed Professional Fees shall be paid in full in Cash.

On the Effective Date, the Reorganized Debtor(s) shall fund the Fee Claim Reserve for payment of all fees that are or become Allowed Fee Claims to the extent not otherwise paid, including the Holdback Amount. Upon final allowance by the Bankruptcy Court

of a Professional Fee, or entry of an earlier order of the Bankruptcy Court granting a release of the Holdback Amount, any outstanding fees and the Holdback Amount shall be paid promptly and directly to the Professionals.

4.6. Claims for Director's Fees.

To the extent not paid prior to the Effective Date, Director's Fees incurred during the Chapter 11 Cases shall be paid as soon as practicable after the Effective Date without the need for the Debtor's Independent Director to File an Administrative Claim.

4.7. Plethico Professionals' Fees.

Following the Effective Date, the Plethico Professionals shall periodically deliver invoices, together with a certification of amount, if any, of the invoices that remain unpaid ("Unpaid Amount"), to the Wind-Down Committee that set forth the Plethico Professionals Fees. Within the later of (i) ten (10) days of receipt of such invoice(s) and certifications, and (ii) the date that the Initial Equity Distribution may be made in accordance with the term of the Plan, the Unpaid Amount(s) shall be paid directly to the Plethico Professionals out of, prior to, and as part of, the Initial Equity Distribution. For the avoidance of doubt, following the Effective Date, the Wind-Down Committee shall be authorized to pay the Plethico Professional Fees, consistent with this Section 2.6 of the Plan, without any order of the Bankruptcy Court.[5]

4.8. Priority Tax Claims.

To the extent that a Priority Tax Claim was not assumed by the Buyer through the Sale Transaction, and except to the extent that a Holder of an Allowed Priority Tax Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, each Holder of an Allowed Priority Tax Claim shall receive on, or as soon thereafter as is reasonably practicable, the later of five (5) Business Days following the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date a Priority Tax Claim becomes an Allowed Claim, Cash in an amount equal to such Allowed Priority Tax Claim; provided, however, that federal or state taxing authorities shall have until 180 days from the Effective Date to file a Priority Tax Claim, if any, relating to the Debtors' 2014 income, in excess of the Debtors' payment of approximately $19 million in estimated taxes on or around March 16, 2015 (an "Income Tax Claim"). Except with respect to any Income Tax Claim, any Claim or demand for fines or penalties related to a Priority Tax Claim, excluding penalties provided for in 507(a)(8)(G), shall be Disallowed and the Holder of an Allowed Priority Tax

[5] On March 26, 2015, Plethico, Plethico India, and Plethico US on the one hand, and Miller Canfield, Paddock and Stone, PLC on the other hand, entered into that certain *Assignment and Distribution Rights* (the "Assignment"), whereby Plethico, Plethico India, and Plethico US assigned their right, title, and interest in and right to distributions, including without limitation, all amounts due, paid or to be paid pursuant to the Plan as a result of their rights to any equity distributions to Miller Canfield, Paddock and Stone, PLC, in the amount of $1 million, which amount is to be used and applied in accordance with the professional engagement letter entered into by the parties to the Assignment. On March 31, 2015, Plethico India filed the Assignment with the Bankruptcy Court [Docket No. 1023]. The description of the Assignment herein is qualified in full by the actual terms of the Assignment.

Claim shall not assess or attempt to collect any such fine or penalty from the Reorganized Debtors. The Debtors estimate that after accounting for Priority Tax Claims already paid and subject to potential disallowance or reduction pursuant to objections sustained by the Bankruptcy Court, the potential amount of the Allowed Priority Tax Claims will be approximately $100,000, which amount is fully reserved in the Disputed Liabilities Reserve.

Treatment of Classified Claims

4.9. Class 1—Non-Tax Priority Claims.

(a) Impairment and Voting. Class 1 is unimpaired by the Plan. Each Holder of an Allowed Non-Tax Priority Claim is not entitled to vote to accept or reject the Plan because it is unimpaired and conclusively deemed to have accepted the Plan, pursuant to section 1126(f) of the Bankruptcy Code.

(b) Treatment. Except to the extent that a Holder of an Allowed Non-Tax Priority Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, each Holder of an Allowed Non-Tax Priority Claim shall receive Cash in an amount equal to such Allowed Non-Tax Priority Claim on the later of five (5) Business Days following (a) the Effective Date or (b) the date such Allowed Non-Tax Priority Claim becomes an Allowed Non-Tax Priority Claim, or as soon thereafter as is practicable.

4.10. Class 2—General Unsecured Claims.

(a) Impairment and Voting. Class 2 is unimpaired by the Plan. Each Holder of a General Unsecured Claim is not entitled to vote to accept or reject the Plan because it is unimpaired and conclusively deemed to have accepted the Plan, pursuant to section 1126(f) of the Bankruptcy Code.

(b) Treatment. Except to the extent that a Holder of a General Unsecured Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, each Holder of an Allowed General Unsecured Claim shall receive Cash in an amount equal to such Allowed General Unsecured Claims on the later of five (5) Business Days following (a) the Effective Date, (b) the date such General Unsecured Claim becomes an Allowed General Unsecured Claim, or (c) the Initial GUC Distribution Date, or as soon thereafter as is practicable.

4.11. Class 3—Equity Interests.

(a) Impairment and Voting. Class 3 is impaired by the Plan. Holders of Equity Interests are not entitled to vote to accept or reject the Plan.

(b) Allowed Equity Interests. The Equity Interests of Plethico and Plethico US in Leaf123 Products, Leaf123 Direct, Leaf123 Acquisition Corp., Leaf123 Nutrition, Leaf123 Research Institute, and Leaf123 as the sole owner are Allowed Equity Interests under the Plan.

(a) Distributions. On the Effective Date, all Equity Interests in Leaf123 Products, Leaf123 Direct, Leaf123 Acquisition Corp., Leaf123 Nutrition, Leaf123 Research Institute, and Natrol UK shall be deemed cancelled, and Holders of Equity Interests in these Debtors shall not receive any distribution on account of such interests. Allowed Equity Interest Holders shall receive an Initial Equity Distribution on the Initial Equity Distribution Date in accordance with the terms of the Plan; provided, however, that no such Initial Equity Distribution shall be made until satisfaction in full of Allowed Administrative Expense Claims, Allowed Fee Claims, Claims for Director's Fees, Priority Tax Claims, all administrative expenses due and owing as of the Initial Equity Distribution Date, Class 1 Claims, and with respect to Class 2 Claims, any and all Class 2 Claims that are Allowed as of the Initial GUC Distribution Date; provided, further, that all Wind-Down Expenses due and owing as of the Initial Equity Distribution Date, the Unpaid Amounts related to the Plethico and Professional Fee and the Khoudagoulian Incentive Payment shall be paid out of, and as part of, the Initial Equity Distribution on the Initial Equity Distribution Date. For the avoidance of doubt, no further Distributions on account of Equity Interests shall be made unless and until all Claims of a higher priority under the Bankruptcy Code, including, but not limited to, Allowed Claims, are satisfied in full, one or more Notices of Satisfaction covering each applicable category of Claims is filed with the Bankruptcy Court, the applicable objection period for each Notice of Satisfaction has expired, and all objections with respect thereto have been resolved and any Claims that are or become Allowed Claims are satisfied in full with Interest and there are no unresolved Claims of any Creditors.

ARTICLE V.

MEANS FOR IMPLEMENTATION OF THE PLAN

5.1. Deemed Substantive Consolidation of the Debtors.

Entry of the Confirmation Order shall constitute the approval, pursuant to sections 105(a), 541, 1123, and 1129 of the Bankruptcy Code, effective as of the Effective Date, of the substantive consolidation of the Debtors for all purposes, including confirmation, and Distribution. On and after the Effective Date, (i) all assets and liabilities of the Debtors shall be treated as though they were pooled, (ii) no Distributions shall be made under the Plan on account of any Claim held by a Debtor against any other Debtor (to the extent any remain following the Closing Date), (iii) no Distributions shall be made under the Plan on account of any Equity Interest held by a Debtor in any other Debtor, and (iv) all guarantees of any Debtors of the obligations of any other Debtor shall be eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor, and any joint or several liability of any of the Debtors shall be one obligation of the substantively consolidated Debtors.

The substantive consolidation effected pursuant to Section 5.1 of the Plan shall not affect, without limitation, (i) defenses to any Cause of Action or requirements for any third party to establish mutuality in order to assert a right of set-off, or (ii) Distributions out of any insurance policies or proceeds of such policies.

The Disclosure Statement and the Plan shall be deemed to be a motion requesting that the Bankruptcy Court approve the substantive consolidation provided for in the Plan. Unless

an objection to the proposed substantive consolidation is made in writing by any creditor purportedly affected by such substantive consolidation on or before the deadline to object to confirmation of the Plan, or such other date as may be fixed by the Bankruptcy Court, the substantive consolidation proposed by the Plan may be approved by the Bankruptcy Court at the Confirmation Hearing. In the event any such objections are timely Filed, a hearing with respect thereto shall be scheduled by the Bankruptcy Court, which hearing may, but need not, be the Confirmation Hearing.

Sections 105(a) and 1123(a)(5) of the Bankruptcy Code empower a bankruptcy court to authorize substantive consolidation pursuant to a chapter 11 plan over the objections of creditors. In re Owens Corning, 419 F.3d 195 (3d Cir. 2005) amended by 2005 U.S. App. Lexis 18043 (Aug. 23, 2005). In reversing the district court's consolidation of a parent company and a number of its subsidiary guarantors, the Third Circuit did not endorse any specific set of "factors" a court should consider in ordering consolidation. Instead, the Third Circuit Court of Appeals articulated a number of "principles" to guide the court in its analysis. Owens Corning, 419 F.3d at 211. These principles include: (i) absent compelling circumstances courts must respect entity separateness; (ii) recognition that substantive consolidation nearly always addresses harms caused by debtors disregarding separateness; (iii) mere benefit of administration is "hardly a harm calling substantive consolidation into play"; (iv) substantive consolidation should be used rarely and as a last resort after alternative remedies have been considered and rejected; and (v) substantive consolidation may not be used as a "sword." Id.

Using these principles, the Third Circuit set forth the standard by which courts in this jurisdiction must weigh requests for substantive consolidation where creditor consent is lacking. Specifically, in ordering substantive consolidation (absent consent of the parties) courts must either find, with respect to the entities in question, that (a) prepetition, they disregarded their separateness "so significantly their creditors relied on the breakdown of entity borders and treated them as one legal entity," or (b) postpetition, "their assets and liabilities are so scrambled that separating them is prohibitive and hurts all creditors." Id.

The Debtors believe that substantive consolidation is warranted here because, among other reasons, the Debtors have little or no business operations. Further, as the Allowed Cerberus Claim has been satisfied in full and the Debtors' primary obligations are unsecured. The Debtors further believe that substantive consolidation under the terms of the Plan will not adversely impact the treatment of any of the Debtors' creditors but, rather, will reduce administrative expenses by automatically eliminating duplicate Claims asserted against more than one of the Debtors, decreasing the administrative difficulties and costs, as well as eliminating the need to determine professional fees on a case-by-case basis and streamlining the process of making Distributions. Accordingly, based on the foregoing, the Debtors believe that substantive consolidation of the Estates is justified.

Notwithstanding the substantive consolidation provided for in the Plan, quarterly U.S. Trustee Fees payable pursuant to 28 U.S.C. § 1930 shall continue to accrue for each and every Debtor until a particular Debtor's case is closed, dismissed, or converted to a case under Chapter 7 of the Bankruptcy Code.

In the event the Bankruptcy Court determines that substantive consolidation of the Debtors is not appropriate, the Debtors may request that the Bankruptcy Court otherwise confirm the Plan and the treatment of and distribution to the different Classes under the Plan on a Debtor-by-Debtor basis. Furthermore, the Debtors reserve their right to seek confirmation of the Plan without implementing substantive consolidation, and request that the Bankruptcy Court approve the treatment of and distribution to the different Classes under the Plan on a Debtor-by-Debtor basis.

5.2. Retention of Causes of Actions/Reservation of Rights.

Nothing contained in the Plan or the Confirmation Order shall be deemed a waiver or relinquishment of Causes of Action, or other legal or equitable defenses that the Debtors had immediately prior to the Effective Date in accordance with any provision of the Bankruptcy Code or any applicable non-bankruptcy law. The Debtors, the Reorganized Debtors, and from and after the Effective Date, the Wind-Down Committee shall have, retain, reserve, and be entitled to assert all such Causes of Action, or other legal or equitable defenses as fully as if the Chapter 11 Cases had not been commenced, and all of the Debtors' legal and/or equitable rights respecting any Claim left unimpaired may be asserted after the Confirmation Date to the same extent as if the Chapter 11 Cases had not been commenced. Nothing contained herein is intended to be inconsistent with the Settlement Agreement, the Cerberus Release, the Purchase Agreement, the Sale Order, or the Side Letter.

5.3. Approval of Plan Documents.

Entry of the Confirmation Order shall constitute approval of the Plan Documents and such transactions. On the Confirmation Date, the Reorganized Debtors shall be authorized to enter into, file, execute and/or deliver each of the Plan Documents and any other agreement or instrument issued in connection with any Plan Document without the necessity of any further corporate, board or shareholder action.

5.4. Plan Supplement/Exhibits/Schedules.

The Plan Supplement(s), and all exhibits and schedules to the Plan are incorporated hereto in full and constitute a part of the Plan as if set forth herein.

5.5. No Interference.

The Plan is intended not to be in any respect inconsistent with, or to modify, threaten, hinder, or prevent the implementation of, any terms of the Settlement Agreement, the Cerberus Release, the Purchase Agreement, the Sale Order, or the Side Letter. All of the provisions of the Plan shall be interpreted to fulfill this general intent.

5.6. Plan Governs.

The terms of the Plan shall govern in the event of any inconsistency between the Plan, the Plan Supplement(s), this Disclosure Statement, or the Committee Administration Guidelines.

ARTICLE VI.

CORPORATE GOVERNANCE AND MANAGEMENT OF REORGANIZED DEBTORS

6.1. Post-Effective Date Corporate Existence.

Each Reorganized Debtor is authorized and empowered to merge into or with each other Reorganized Debtor, and each of the Wind-Down Committee and any successor thereto (including, without limitation, any other designated officer or trustee or representative of each such Reorganized Debtor) is authorized and empowered to effect each such merger and to take and cause to be taken such actions in order to carry out such mergers, in each case, on such terms and conditions it may deem necessary or desirable. The Wind-Down Committee and any successor thereto (including, without limitation, any other designated officer or trustee or representative of each such Reorganized Debtor) is authorized and empowered to effect the dissolution of any remaining Reorganized Debtors as soon as practicable after the Effective Date. On the Effective Date, the Equity Interests in Leaf123, Leaf123 Products, Leaf123 Direct, Leaf123 Acquisition Corp., Leaf123 Nutrition, Leaf123 Research Institute, and Natrol UK shall be cancelled as contemplated by Section 6.1 of the Plan and each entity shall be dissolved. The Equity Interests in Leaf123 Holdings shall remain and the entity shall not be dissolved on the Effective Date. The foregoing actions are authorized pursuant to Section 303 of Delaware General Corporation Law, Section 1400 of the California Corporations Code, or other applicable law of the states and countries in which the Debtors and the Reorganized Debtors are organized, without any requirement of further action by the stockholders, directors, members, managers, or partners of the Debtors or Reorganized Debtors.

6.2. Corporate Action and Post-Effective Date Governance.

All matters provided for under the Plan that would otherwise require approval of the stockholders, directors, members, managers or partners of one or more of the Debtors or Reorganized Debtor, including (i) the effectiveness of the certificates of incorporation and by-laws of the Reorganized Debtor, (ii) the election or appointment, as the case may be, of directors and officers of the Reorganized Debtor, and (iii) qualification of the Reorganized Debtor(s) as a foreign corporation wherever the conduct of business by the Reorganized Debtor(s) requires such qualification, will be deemed to have occurred and will be in effect from and after the Effective Date pursuant to Section 303 of the Delaware General Corporation Law and Section 1400 of the California Corporations Code, without any requirement of further action by the stockholders, directors, members, managers, or partners of the Debtors or Reorganized Debtor. On the Effective Date, or as soon thereafter as is practicable, the Reorganized Debtors shall, if required, file their amended certificates of incorporation with the Secretary of State of the state in which each such entity is (or will be) incorporated, in accordance with the applicable general corporation law of each such state.

The Wind-Down Committee shall consist of Jeffrey C. Perea, Vimlesh Chaurasia, and Hiren Doshi. The Wind-Down Committee shall not be formed and shall not have authority to act until the occurrence of the Effective Date. The Chairman of the Wind-Down Committee shall be Vimlesh Chauraisa or such other Wind-Down Committee member as selected by a

majority of the Wind-Down Committee members. The Wind-Down Committee shall operate in accordance with the Committee Administration Guidelines ("Guidelines") set forth on Exhibit 3 hereto. The Committee Administration Guidelines shall also govern the selection, removal and replacement of any member of the Wind-Down Committee. The Chairman of the Wind-Down Committee shall be authorized to act on behalf of the Reorganized Debtors; the Chairman of the Wind-Down Committee shall be authorized to act on behalf of the Reorganized Debtors; provided, however, that Jeffrey C. Perea as the Independent Member (or such other Independent Member approved by the Bankruptcy Court in accordance with the terms of the Plan and the Committee Administration Guidelines) shall be the sole signatory on the Debtors' and Reorganized Debtors' bank accounts, including, but not limited to, the Fee Escrow Reserve Account, until all Distributions are made under the Plan and all fees and expenses of the GUC Representative, subject to the cap set forth in Section 7.10(b)(7) of the Plan, have been satisfied in full, in accordance with the terms of the Plan. For the avoidance of doubt, the GUC Representative shall not have consent or consultation rights with respect to any Distributions.

The Wind-Down Committee shall be deemed the representative of the Estates under section 1123(b)(3)(B) of the Bankruptcy Code and shall have all rights associated therewith. The Wind-Down Committee shall have all duties, powers, and standing authority necessary to implement the Plan and to administer and liquidate the assets of the Liquidating Debtors for the benefit of the Holders of Allowed Claims. These powers shall include, without limitation, the following, as provided in the Plan and the Committee Administration Guidelines:

a. Administering the Distributions and maintaining the Alleged Class Action Claims Reserve, Disputed Liabilities Reserve, General Unsecured Claims Reserve, Administrative Expense Claims Reserve, Fee Claims Reserve, Tax Liability Reserve, GUC Representative Reserve, and Wind-Down Expense Reserve;

b. Investing any Cash of the Reorganized Debtors that is not set aside for the reserves in (a) above;

c. Filing with the Bankruptcy Court reports and other documents required by the Plan or otherwise required to close these Chapter 11 Cases;

d. Preparing and filing tax and informational returns for the Debtors;

e. Retaining such professionals as the Wind-Down Committee may in its discretion deem necessary for the operation and management of the Reorganized Debtors;

f. Litigating or settling any Claims or Causes of Action asserted against the Debtors and using all commercially reasonable efforts to cooperate with other parties in such litigation;

g. Prosecuting objections to Claims;

h. Evaluating, filing, litigating, prosecuting, settling, or abandoning the Claims and/or Causes of Action of the Debtors;

i. Setting off amounts owed to the Debtors against any amounts otherwise due to be distributed to the Holder of an Allowed Claim;

j. Abandoning any property of the Liquidating Debtors that cannot be sold or otherwise disposed of for value and whose distribution to Holders of Allowed Claims would not be feasible or cost-effective in the reasonable judgment of the Wind-Down Committee;

k. Making interim and final distributions of Debtors' assets;

l. Winding up the affairs of the Debtors and dissolving them under applicable law as appropriate;

m. Providing for storage and disposal of records; and

n. Taking any other actions that the Chairman of the Wind-Down Committee, in his reasonable discretion, determines to be in the best interest of the Estates.

The Wind-Down Committee shall be responsible for winding up the affairs of the Estates and liquidating the assets held by, or transferred to, the Reorganized Debtors on or after the Effective Date including, but not limited to, preparing and filing final tax returns, filing dissolution documents pursuant to applicable law, paying any franchise taxes and other fees that are due in connection with such dissolution, and taking any other actions that are necessary to wind-down the affairs of the Debtors.

The compensation of the members of the Wind-Down Committee shall be as specified in the Committee Administration Guidelines and shall be paid by the Reorganized Debtors, subject to and consistent with the Wind-Down Budget, which shall be filed as part of the Plan Supplement. The members of the Wind-Down Committee shall also be entitled to reimbursement of reasonable expenses, which expenses shall include, but not be limited to, the reasonable fees and expenses of attorneys and/or accountants and other professionals retained by the Wind-Down Committee (not the professionals retained by the individual members of the Wind-Down Committee).

As soon as practicable after final Distributions under the Plan, the Wind-Down Committee shall wind-up the affairs of the Estates and the Reorganized Debtors, file final tax returns, arrange for storage of its records, and dissolve the Reorganized Debtors pursuant to applicable law. As soon as practicable thereafter, the Wind-Down Committee shall File with the Bankruptcy Court a final report of Distributions and perform such other duties as are specified in the Plan, whereupon the Wind-Down Committee shall have no further duties under the Plan and shall be deemed to be dissolved.

6.3. The GUC Representative.

The GUC Representative shall be a Person selected by the Creditors' Committee as disclosed in the Plan Supplement, subject to the approval of the Debtors, which approval shall not be unreasonably withheld. The GUC Representative shall be compensated for services as set

forth in the Plan Supplement, and the reimbursement of reasonable fees and expenses of its professionals, all of the foregoing subject in an amount not to exceed the GUC Representative Reserve amount. Except as noted elsewhere in the Plan or the Confirmation Order, the role of the GUC Representative shall be, among other things, to receive bi-weekly reports from the Wind-Down Committee with respect to (i) the timing and amount of all Distributions as provided in the Plan, as applicable, and (ii) the reduction of any amounts contained in the Reserves. During the tenure of the GUC Representative, as set forth herein, the GUC Representative shall (i) have consultation rights with respect to any anticipated or planned movement of Estate funds from the Debtors' existing bank accounts, and (ii) have standing to be heard on any matters relating to the wind-down of the Estates and the implementation of the Plan. For the avoidance of doubt, the GUC Representative shall not have consent or consultation rights with respect to any Distributions made pursuant to the Plan.

The GUC Representative may retain legal counsel, financial advisors, and other professionals in connection with the performance of its duties. The GUC Representative's fees and expenses and the GUC Representative's professional fees and expenses shall be capped by the amount set forth in the GUC Representative Reserve and shall be paid by the Reorganized Debtors or the Wind-Down Committee within ten (10) days after submission of a detailed invoice therefor to the members of the Wind-Down Committee. If the Wind-Down Committee disputes the reasonableness of any such invoice, the Wind-Down Committee, the GUC Representative, or the affected professional(s) may submit such dispute to the Bankruptcy Court for a determination for the reasonableness of any such invoice and the disputed portion of such invoiced fees and expenses shall not be paid until the dispute is resolved. The undisputed portion of such invoiced fees and expenses shall be paid as provided in Section 6.5 of the Plan.

The GUC Representative shall be released and discharged of and from further authority, duties, responsibilities and obligations relating to, arising from, and in connection with, the Chapter 11 Cases, on the later of: (i) the date all Allowed Class 2 Claims are paid in full, with Interest, as applicable and subject to the terms of the Plan; (ii) the first Business Day after the objection deadline related to the final Notice of Satisfaction with respect to Class 2 Claims filed by the Reorganized Debtors or the Wind-Down Committee, or the first Business Day following the resolution or determination of all objections to all Notices of Satisfaction with respect to Class 2 Claims; and (iii) the date that all reasonable fees and expenses of the GUC Representative and its professionals shall have been paid, subject to the cap amount set forth in the GUC Representative Reserve or, if the subject of a timely dispute, resolved consensually or pursuant to a Final Order.

Notwithstanding any other provision of the Plan, the GUC Representative shall not be liable to any entity for anything other than the GUC Representative's own fraud, gross negligence, or willful misconduct. The GUC Representative may, in connection with the performance of its duties, and in its sole discretion, consult with its counsel, accountants, financial advisors, or other professionals. Except with respect to the GUC Representative's fraud, gross negligence, or willful misconduct, if the GUC Representative determines not to consult with its counsel, accountants, financial advisors, or other professionals, the failure to so consult shall not itself impose any liability on the GUC Representative or any of its designees. Notwithstanding anything contained herein, the GUC Representative shall not be entitled to reimbursement of legal fees or expenses or to indemnification or contribution from the Estates,

the Reorganized Debtors or the Wind-Down Committee with respect to the GUC Representative's own fraud, gross negligence, or willful misconduct.

In the event that the GUC Representative dies or resigns, a replacement GUC Representative shall be selected by the initial GUC Representative's counsel, subject to the express written consent of the Independent Member, provided that such consent is not unreasonably withheld. Any replacement GUC Representative remains subject to the cap set forth in the GUC Representative Reserve.

6.4. Officers and Boards of Directors.

Effective as of the Effective Date, the board of directors of each Reorganized Debtor shall be comprised solely of the Wind-Down Committee. Effective as of the Effective Date, members of the board of directors of each Debtor prior to the Effective Date, in their capacities as such, shall have no continuing obligations to any of the Reorganized Debtors on or after the Effective Date. Effective as of the Effective Date, the sole officer of each Reorganized Debtor shall be the Independent Member. The Wind-Down Committee shall be authorized, without an order of the Bankruptcy Court, to retain any professionals the Wind-Down Committee deems necessary to assist him in the performance of his duties.

6.5. Payment of Wind-Down Expenses.

Following the Effective Date, as they come due, Wind-Down Expenses shall be paid by the Wind-Down Committee from the assets of the Estates.

6.6. Cancellation of Existing Securities and Agreements.

On the Effective Date, any document, agreement or instrument evidencing any Claim or Equity Interests in Leaf123 Products, Leaf123 Direct, Leaf123 Acquisition Corp., Leaf123 Nutrition, Leaf123 Research Institute, and Natrol UK shall be deemed cancelled without further act or action under any applicable agreement, law, regulation, order, or rule and the obligations of the Debtors under such documents, agreements, or instruments evidencing such Claims and Equity Interests, as the case may be, shall be rendered legally ineffective.

ARTICLE VII.

PROVISIONS REGARDING DISTRIBUTIONS UNDER THE PLAN

7.1. Distributions Generally.

Pursuant to the terms and provisions of the Plan, the Wind-Down Committee shall consult with respect to required Distributions specified under the Plan; provided, however, that the Chairman of the Wind-Down Committee, with the consent of the Independent Member, shall have the sole authority to authorize any such Distributions. Any payment of Cash made by the Wind-Down Committee pursuant to the Plan shall, at the Wind-Down Committee's option and subject to the foregoing, be made by check drawn on a domestic bank or wire transfer.

7.2. Initial Distribution to General Unsecured Creditors.

The Reorganized Debtors or the Wind-Down Committee shall make an Initial GUC Distribution to Holders of Allowed General Unsecured Claims, inclusive of Interest, within thirty (30) days of the Effective Date of the Plan. The Initial GUC Distribution shall be in an amount equal to 100% of the Allowed General Unsecured Claims, plus Interest. The Reorganized Debtors or the Wind-Down Committee shall File and serve upon the affected Holders of General Unsecured Claims, the GUC Representative and its counsel, counsel to the Creditors' Committee to the extent it is still in existence at the time, and the U.S. Trustee (collectively, the "Distribution Notice Parties"), a notice of the Initial GUC Distribution twenty (20) days prior to the issuance of such Distribution. If no objections are received to the proposed Initial GUC Distribution within fifteen (15) days prior to the scheduled Initial GUC Distribution, the Reorganized Debtors may proceed with the issuance of the Initial GUC Distribution to Holders of Allowed General Unsecured Claims as set forth in the notice of the Initial GUC Distribution. Immediately upon payment of the Initial GUC Distribution, the affected Claimant's Claim shall be reduced in the amount of the applicable Initial GUC Distribution.

General Unsecured Claims shall be paid as they become Allowed, plus Interest, within thirty (30) days of the allowance of such Claim.

7.3. Initial Distribution to Equity.

Subject to Section 2.6 of the Plan, the Reorganized Debtors or the Wind-Down Committee shall make an Initial Equity Distribution to Holders of Equity Interests in Leaf123 Holdings within sixty (60) days after the Effective Date; provided, however, that no such Initial Equity Distribution shall be made until satisfaction in full of all Allowed Administrative Expense Claims, all Allowed Fee Claims, all Claims for Director's Fees, all Priority Tax Claims, all administrative expenses due and owing as of the Initial Equity Distribution Date, all Allowed Class 1 Claims, and with respect to Class 2 Claims, any and all Class 2 Claims that are Allowed as of the Initial GUC Distribution Date; provided, further, that all Wind-Down Expenses due and owing as of the Initial Equity Distribution Date, the Unpaid Amounts related to the Plethico Professional Fees and the Khoudagoulian Incentive Payment shall be paid out of, and as part of, the Initial Equity Distribution on the Initial Equity Distribution Date. For the avoidance of doubt, no further Distributions on account of Equity Interests shall be made unless and until all Claims of a higher priority under the Bankruptcy Code, including, but not limited to, Allowed Claims, are satisfied in full and one or more Notices of Satisfaction covering each applicable category of Claims is filed with the Bankruptcy Court and all objections with respect thereto have been resolved and any Claims that are or become Allowed Claims are satisfied in full with Interest and there are no unresolved Claims of any Creditors.

The Initial Equity Distribution shall be in the amount of $4 million of the Equity Interests in Leaf123 Holdings; provided, however, that to the extent Claims in the Reserves are resolved, paid, satisfied or reduced by a Final Order of the Bankruptcy Court on or before the Initial Equity Distribution Date, the amount of the Initial Equity Distribution shall be increased dollar-for-dollar in an amount not to exceed $10 million in the aggregate; provided, that unless and until all General Unsecured Claims are paid in full, disallowed or estimated at $0, the Initial Equity Distribution shall not be increased unless there is a $2 million equity holdback. For the

avoidance of doubt, once all General Unsecured Claims are paid in full, disallowed or estimated at $0, the $2 million equity holdback shall be available for Distribution to Holders of Equity Interests. The Reorganized Debtors or the Wind-Down Committee shall File and serve upon the Distribution Notice Parties, a notice of Initial Equity Distribution twenty (20) days prior to the issuance of such Distribution. If no objections are received to the proposed Initial Equity Distribution within fifteen (15) days prior to the scheduled Initial Equity Distribution, the Reorganized Debtors or the Wind-Down Committee may proceed with the issuance of the Initial Equity Distribution to the Holders of Equity Interests in Leaf123 Holdings as set forth in the notice of the Initial Equity Distribution. For the avoidance of doubt, no further Distributions on account of Equity Interests shall be made unless and until all claims of a higher priority under the Bankruptcy Code and the then incurred Wind-Down Expenses and reasonable fees and expenses of the GUC Representative, subject to the cap amount set forth in the GUC Representative Reserve, have been paid in full, including, but not limited to, all Allowed General Unsecured Claims, (i) are satisfied in full and all relevant Notices of Satisfaction are filed with the Bankruptcy Court, and (ii) the objection deadlines with respect to each such Notice of Satisfaction have passed without objection, or (iii) all Allowed Claims have been resolved by a Final Order of the Bankruptcy Court. For the avoidance of doubt, no additional distributions to Equity shall be made until the Tax Liability is resolved in accordance with the terms of Section 7.10(b)(6) of the Plan.

7.4. Timing of Distributions.

In the event that any payment, Distribution, including the Initial GUC Distribution, and subsequent Distributions, or the Initial Equity Distribution, 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 Distribution or the performance of such act may be completed on or as soon as reasonably practicable after the next succeeding Business Day, but shall be deemed to have been completed as of the required date. Any requirement under the Plan that the Reorganized Debtors or the Chairman of the Wind-Down Committee make a payment or Distribution on a date shall mean that such party is required to commence the process of making a payment or Distribution on such date or as soon as reasonably practicable thereafter.

7.5. Distribution to Address of Record.

Subject to Bankruptcy Rule 9010, and except as set forth in Section 7.7 of the Plan, all Distributions under the Plan to Holders of Allowed Claims shall be made to the Holder of each Allowed Claim at the address of such Holder as listed on the Schedules, unless the Debtors or, on and after the Effective Date, the Reorganized Debtors, and the Wind-Down Committee, have been notified in writing of a change of address, including, without limitation, by the timely filing of a proof of Claim by such Holder that provides an address for such Holder different from the address reflected on the Schedules. In the event that any Distribution to any such Holder is returned as undeliverable, no Distribution to such Holder shall be made unless and until the Debtors or, on and after the Effective Date, the Reorganized Debtors and the Wind-Down Committee, has been notified of the then current address of such Holder, at which time or as soon as reasonably practicable thereafter, such distribution shall be made to such Holder without Interest; provided, however, that, at the later of the expiration of one (1) year from the Effective Date and the date a Claim becomes an Allowed Claim, such Distributions shall be

deemed unclaimed property and shall revest in the Reorganized Debtors and be distributed to Holders of Equity Interests, in accordance with the Plan or otherwise ordered by the Bankruptcy Court.

7.6. Unclaimed Distributions.

All Distributions to Holders of Allowed Claims under the Plan that are unclaimed for a period of one (1) year after Distribution thereof shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code, and any entitlement of any Holder of any Claim to such distributions shall be extinguished and forever barred. All such unclaimed property shall revest in the Reorganized Debtors and be distributed to other Holders of Allowed Claims or Equity Interests.

7.7. Set-offs.

The Reorganized Debtors may, but shall not be required to, set-off against any Claim (for purposes of determining the Allowed amount of such Claim on which distribution shall be made), any Causes of Action of any nature whatsoever that the Debtors may have against the Holder of such Claim, provided, however, that neither the failure to do so nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtors, the Reorganized Debtors, or the Wind-Down Committee of any such Causes of Action that the Debtors or the Reorganized Debtors, may have against the Holder of such Claim.

7.8. Allocation of Plan Distributions Between Principal and Interest.

To the extent that any Allowed Claim entitled to a distribution under the Plan is comprised of indebtedness and accrued but unpaid Interest thereon, such distribution shall 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.

7.9. Estimation of Claims; Certain Reserves; Liquidation of Claims Reserves.

(a) **Estimation of General Unsecured Claims.**

For purposes of calculating and making distributions under the Plan with respect to General Unsecured Claims, including Alleged Class Action Claims, pursuant to section 502(c) of the Bankruptcy Code, the Reorganized Debtors shall be entitled to estimate, in good faith and with due regard to litigation risks associated with Disputed Claims, the maximum dollar amount of Allowed and Disputed Claims, inclusive of contingent and/or unliquidated Claims in a particular class. The Reorganized Debtors shall be entitled to seek one or more estimation orders from the Bankruptcy Court for such purposes, which requests may be joined with objections to the Claims that are subject to any such request. Appropriate Disputed Claims reserves shall be established for each category of Claims as to which estimates are utilized or sought.

(b) **Establishment of Reserves.**

(1) *Establishment of Reserve for Disputed, Alleged Class Action Claims.*

On the Effective Date, the Reorganized Debtors shall establish an Alleged Class Action Claims Reserve, which shall be in the aggregate amount of the face amount of the Claims, plus Interest for a period of time not to exceed one year from the Petition Date, Filed by the Alleged Class Action Claimants on or before Bar Date. The aggregate amount of the Alleged Class Action Claims Reserve shall be $5.1 million, which includes Interest. **Pursuant to the Bar Date Order, and unless otherwise ordered by the Bankruptcy Court, any Alleged Class Action Claimant that was listed in the Debtors' Schedules as contingent, disputed, and unliquidated who did not File a Claim by the General Bar Date shall not be treated as a creditor with respect to such alleged Claim for purposes of distribution under the Plan. Pursuant to the Bar Date Order, such Claims shall be forever barred and expunged.** Nothing contained herein or in the Plan shall be construed as an admission or allowance that any Alleged Class Action Claim is certified as a class, absent an order of the Bankruptcy Court or another court of competent jurisdiction, as recognized by the Bankruptcy Court.

(2) *Establishment of Reserve for Disputed Liabilities.*

On the Effective Date, the Reorganized Debtors shall establish a Disputed Liabilities Reserve in the amount of $1.702 million, which includes Interest for a maximum of one year at the applicable Interest Rate.

(3) *Establishment of Reserve for General Unsecured Claims Other Than Alleged Class Action Claims and Disputed Liabilities.*

On the Effective Date, the Reorganized Debtors shall establish a General Unsecured Claims Reserve in the aggregate amount of $2.589 million, which amount includes Interest and represents the face amount of all General Unsecured Claims asserted against the Estate that were not assumed by the Buyer through the Sale Transaction, the amount of Allowed General Unsecured Claims as reduced by a Final Order of the Bankruptcy Court, the amount of General Unsecured Claims compromised pursuant to a pending motion or pursuant to an Order of the Bankruptcy Court, or the amount of General Unsecured Claims after taking into account the Debtors' right to setoff, and which includes Interest for a period of one year from the Petition Date, which General Unsecured Claims Reserve shall not include Alleged Class Action Claims or Disputed Liabilities.

(4) *Establishment of Administrative Expense Claims Reserve.*

On the Effective Date, the Reorganized Debtors shall establish an Administrative Expense Claims Reserve in the aggregate amount of $280,000, which Administrative Claims shall not include Fee Claims.

(5) *Establishment of Fee Claim Reserve.*

On the Effective Date, the Reorganized Debtors shall establish a Fee Claim Reserve in the aggregate amount of $3.7 million, which amount shall include the reasonable estimate of fees and expenses for periods that will not have been billed as of the Effective Date[6]. The Fee Claim Reserve shall not constitute a cap on Professional Fees and may be amended in the discretion of the Independent Member, as necessary.

(6) *Establishment of Tax Liability Reserve.*

On the Effective Date, the Reorganized Debtors shall establish a Tax Liability Reserve in the amount of $17.3 million. The Tax Liability Reserve will be used solely to pay any additional federal or state tax liabilities, if any, relating to the Debtors' 2014 income, in excess of the Debtors' payment of approximately $19 million in estimated taxes on or around March 16, 2015. The Tax Liability Reserve shall be held until there is a final, non-appealable adjudication/agreement with respect to the Debtors' 2014 tax liabilities. For the avoidance of doubt, the Tax Liability Reserve does not include Allowed Priority Tax Claims, which are subsumed in the Disputed Liabilities Reserve.

(7) *Establishment of GUC Representative Reserve.*

On the Effective Date, the Reorganized Debtors shall establish a GUC Representative Reserve in an aggregate amount of $125,000 to cover the reasonable fees and expenses of the GUC Representative, including, but not limited to, the reasonable fees and expenses of the GUC Representative's legal counsel, financial advisor or other professionals. The amount of the GUC Representative Reserve is capped and is not subject to upward adjustment under any circumstances. Upon the release and discharge of the GUC Representative, as contemplated by Section 6.3 of the Plan, amounts remaining in the GUC Representative Reserve, if any, shall immediately revert to the Reorganized Debtors.

(8) Establishment of Wind-Down Expense Reserve.

On the Effective Date, the Reorganized Debtors shall establish a Wind-Down Expense Reserve in the aggregate amount of $1.76 million, which amount shall include the reasonable estimate of post-Effective Date fees and expenses.

(c) *Liquidation of Reserves*.

Immediately following the liquidation, satisfaction, disallowance, or other disposition, as appropriate, of one or more of the Claims in any of the Reserves, the funds relating to such Claims shall revert to the Reorganized Debtors and become available for the payment of Wind-Down Expenses, for Distributions to other Creditors and Holders of Equity

[6] With respect to the Disputed Fees, a good faith estimate of $250,000 to cover any reasonable and documented fees or expenses incurred by counsel to GLC ("GLC Counsel Fees") pursuant to GLC's engagement letter shall be included in the Fee Claim Reserve; provided that any portion of the reserved GLC Counsel Fees that are not approved by Final Order of the Bankruptcy Court shall be treated in accordance with Section 7.9(c) of the Plan.

Interests in accordance with the terms of the Plan without further approval of the Bankruptcy Court.

7.10. Non-Recourse.

Notwithstanding that the allowed amount of any particular Disputed Claim is reconsidered under the applicable provisions of the Bankruptcy Code and Bankruptcy Rules or is allowed in an amount for which after application of the payment priorities established by the Plan there is insufficient value to provide a recovery equal to that received by other Holders of Allowed Claims in the respective Class, no Claim Holder shall have recourse against the Debtors or the Reorganized Debtors, or any of their respective professionals, consultants, officers, directors, employees, or members or their successors or assigns, or any of their respective property. However, nothing in the Plan shall modify any right of a Holder of a Claim under section 502(j) of the Bankruptcy Code, nor shall it modify or limit the ability of claimants (if any) to seek disgorgement to remedy any unequal distribution from parties other than those released under Article IX of the Plan. THE ESTIMATION OF CLAIMS AND THE ESTABLISHMENT OF RESERVES UNDER THE PLAN MAY LIMIT THE DISTRIBUTION TO BE MADE ON INDIVIDUAL DISPUTED CLAIMS, REGARDLESS OF THE AMOUNT FINALLY ALLOWED ON ACCOUNT OF SUCH DISPUTED CLAIMS.

7.11. Withholding and Reporting Requirements.

In connection with the Plan and all distributions thereunder, the Reorganized Debtors and the Wind-Down Committee shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all Distributions under the Plan shall be subject to any such withholding and reporting requirements. The Reorganized Debtors and the Wind-Down Committee shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements, including, without limitation, liquidating a portion of any Distribution to generate sufficient funds to pay applicable withholding taxes or establishing any other mechanisms the Reorganized Debtors or the Wind-Down Committee believe are reasonable and appropriate, including requiring a Holder of a Claim to submit appropriate tax and withholding certifications. Notwithstanding any other provision of the Plan, (a) each Holder of an Allowed Claim or Equity Interest that is to receive a distribution under the Plan shall have 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, and (b) no Distributions shall be required to be made to or on behalf of such Holder pursuant to the Plan unless and until such Holder has made arrangements satisfactory to the Reorganized Debtors and the Wind-Down Committee for the payment and satisfaction of such tax obligations or has, to the Reorganized Debtors' and the Wind-Down Committee's satisfaction, established an exemption therefrom.

ARTICLE VIII.

PROCEDURES RELATED TO DISPUTED CLAIMS

8.1. Objections to Administrative Expense Claims and Claims.

For the avoidance of doubt, Section 8.1 of the Plan does not apply to Fee Claims, Wind-Down Expenses, or expenses of the GUC Representative. Any objections to Administrative Expense Claims and Claims shall be Filed and served on or before the later of (i) ninety (90) days after the Confirmation Date, and (ii) such later date as may be fixed by the Bankruptcy Court, which later date may be fixed before or after the date specified in clause (i) above. The Debtors and the Reorganized Debtors shall be entitled to File motions to extend the initial deadline to object to Administrative Expense Claims and Claims on notice to the GUC Representative, and the Bankruptcy Court may enter an order approving such motion without further notice or a hearing.

No objection shall be required with respect to a proof of Claim or proof of Administrative Expense Claim Filed after the applicable Bar Date, and any and all such Claims and Administrative Expense Claims shall be deemed disallowed unless otherwise ordered by the Bankruptcy Court after notice and a hearing. The Plan is intended not to be in any respect inconsistent with, or to modify, threaten, hinder, or prevent the implementation of, any terms of the Claims Administration Protocol.

8.2. Amendments to Claims.

After the Confirmation Date, a proof of Claim or Administrative Expense Claim may not be amended to increase the amount of the Claim or elevate the priority of the Claim without the authorization of the Bankruptcy Court. Any amendment to a proof of Claim or Administrative Expense Claim submitted after the Confirmation Date shall be deemed Disallowed in full and expunged, unless the Holder of the Claim or Administrative Expense Claim has obtained prior Bankruptcy Court authorization to File the amendment. After the Effective Date, upon the satisfaction of Allowed Claims, the Reorganized Debtors or the Wind-Down Committee shall periodically file (and serve on the affected parties) a Notice of Satisfaction. The Debtors shall not file further amendments to their schedules of assets and liabilities after the Confirmation Date.

8.3. No Distributions Pending Allowance.

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

8.4. Resolution of Disputed Claims.

On and after the Effective Date, the Reorganized Debtors, through the Wind-Down Committee, shall have the authority to compromise, settle, otherwise resolve, or withdraw any objections to Disputed Claims without approval of the Bankruptcy Court.

ARTICLE IX.

EFFECT OF CONFIRMATION & INDEMNIFICATION, RELEASE, INJUNCTIVE AND RELATED PROVISIONS

9.1. Binding Effect.

From and after the Confirmation Date, but subject to the occurrence of the Effective Date, the Plan shall be binding and inure to the benefit of the Debtors, all present and former Holders of Claims and Equity Interests, and their respective assigns, including the Reorganized Debtors.

9.2. Vesting of Assets.

Upon the Effective Date, any assets of the Debtors and Estates shall vest in the Reorganized Debtors, in each case free and clear of all Claims, liens, encumbrances, charges, and other interests, except as otherwise provided herein or in the Confirmation Order. Pursuant to section 1123(b)(3) of the Bankruptcy Code and the terms of the Plan, the Reorganized Debtors and the Wind-Down Committee shall retain and shall have the exclusive right, in their discretion, to enforce against any Person any and all Causes of Action that constitute assets of the Reorganized Debtors.

9.3. Term of Pre-Confirmation Injunctions or Stays.

Unless otherwise provided in the Plan, the Confirmation Order, or a separate order from the Bankruptcy Court, all injunctions or stays arising under or entered during the Chapter 11 Cases in accordance with sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, (i) shall remain in full force and effect until the later of the Effective Date and the date indicated in such applicable order, and (ii) with respect to all proceeds of the Sale Transactions and Excluded Assets (as defined in the Purchase Agreement), shall remain in effect until, and for purposes of enjoining any action interfering with, the final distribution of such proceeds pursuant to the terms of the Plan.

9.4. Injunction Against Interference with Plan.

Upon the entry of the Confirmation Order, all Holders of Claims and Equity Interests and other parties in interest, along with their respective present or former affiliates, employees, agents, officers, directors, or principals, shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

9.5. Injunction.

Except as otherwise expressly provided in the Plan or the Confirmation Order, as of the Confirmation Date, but subject to the occurrence of the Effective Date, all Persons who have held, hold or may hold liens, Claims, liabilities or encumbrances against or Equity Interests in, any or all of the Debtors or the Estates, along with their respective present or former employees, agents, officers, directors, or principals, are permanently enjoined, with respect to any such liens, Claims, liabilities or encumbrances or Equity Interests, as of the Confirmation Date but subject to the occurrence of the Effective Date, from: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtors, the Reorganized Debtors, the Estates or any of their property, or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing Persons or any property of any such transferee or successor; (ii) enforcing, levying, attaching (including any pre-judgment attachment), collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order against the Debtors, the Reorganized Debtors, or the Estates or any of their property, or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing Persons, or any property of any such transferee or successor; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtors, the Reorganized Debtors, or the Estates or any of their property, or any direct or indirect transferee of any property of, or successor in interest to, any of the foregoing Persons, or any property of such transferee or successor; (iv) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan to the full extent permitted by applicable law; (v) asserting any right of set-off (except to the extent timely asserted prior to the Confirmation Date), or subrogation of any kind against any obligation due from the Debtors, the Reorganized Debtors, the Estates or any of their property, or any direct or indirect transferee of any property of, or successor in interest to, any of the foregoing Persons, or any property of such transferee or successor; (vi) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan; provided, further, that the Releasing Parties are, with respect to Claims or Equity Interests held by such parties, permanently enjoined after the Confirmation Date from taking any actions referred to in clauses (i) through (vi) above against the Released Parties or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the Released Parties or any property of any such transferee or successor; provided, however, that nothing contained herein shall preclude any Person from exercising its rights, or obtaining benefits, directly and expressly provided to such entity pursuant to and consistent with the terms of the Plan, the Plan Supplement and the contracts, instruments, releases, agreements and documents delivered in connection with the Plan or the Sale Transaction; provided further, that nothing contained herein shall be construed as enjoining VRS Chatsworth, LLC, or any of its successors or assigns, solely with respect to any and all claims arising out of or related to guaranty obligations (the "Guaranty Obligations") that may exist between VRS Chatsworth, LLC, or any of its successors or assigns on the one hand, and Plethico Pharmaceuticals Limited, or any of its respective successors or assigns on the other hand, with respect to those certain leases of real property located in Chatsworth, California (the "Prairie Street Lease", as amended, and the "Owensmouth Avenue Lease", as amended, respectively, and

together, the "Chatsworth Leases," which were assumed by Purchaser through the Sale Transaction).

All Persons releasing Claims pursuant to Article IX of the Plan shall be permanently enjoined, from and after the Confirmation Date, from taking any actions referred to in clauses (i) through (vi) of the immediately preceding paragraph against any party with respect to any Claim released pursuant to Article IX of the Plan.

9.6. Releases.

The Debtors are seeking approval in the Plan of the releases set forth below. The releases set forth below and in Article IX of the Plan are justified because of the substantial contribution the Released Parties made to the success of these Chapter 11 Cases, including, but not limited to, entering into the Settlement Agreement, which avoid costly and protracted litigation with the Debtors' lenders, resolved the Trustee Motion and allowed the Debtors to use cash collateral during these cases, and provided other benefits, participating and engaging in a sale process that resulted in an extraordinary transaction price, which, upon closing, resulted in funds sufficient to pay Allowed General Unsecured Claims in full, with a return to equity. All of this was accomplished in less than six months.

(a) ***Releases by the Debtors.*** ***Except as otherwise provided in the Plan or the Confirmation Order, as of the Effective Date, the Debtors and Reorganized Debtors, in their individual capacities and as debtors in possession, shall be deemed to forever release and waive all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise, which are based in whole or in part on any act, omission, transaction, event or other occurrence taking place through and including the Effective Date in any way relating to the Debtors, the Reorganized Debtors, the Chapter 11 Cases, the Plan or this Disclosure Statement, and that could have been asserted by or on behalf of the Debtors, or the Reorganized Debtors, whether directly, indirectly, derivatively or in any representative or any other capacity against the Released Parties in their respective capacities as such, provided, however, that in no event shall anything in Article IX of the Plan be construed as a release of any Person's fraud, willful misconduct or gross negligence, or a release or waiver of the Debtors' or Reorganized Debtors' right or ability to assert or raise certain claims against any Released Party as defense to a claim or suit brought against them or their assets by any Released Party.***

(b) ***Releases by Holders of Claims and Equity Interests.*** ***Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, to the fullest extent permissible under applicable law as determined by the Bankruptcy Court, as such law may be extended or interpreted subsequent to the Effective Date, all Holders of Claims and Equity Interests and the Committee, in consideration for the obligations of the Debtors and the Reorganized Debtors under the Plan, and other contracts, instruments, releases, agreements or documents executed and delivered in connection with the Plan, and each entity (other than the Debtors) that has held, holds or may hold a Claim, as applicable, will be deemed to have consented to the Plan for all purposes and the restructuring embodied***

in the Plan and will be deemed to forever release, and waive all claims, demands, debts, rights, causes of action or liabilities (other than the right to enforce the obligations of any party under the Plan and the contracts, instruments, releases, agreements and documents delivered under or in connection with the Plan) or the Sale Transaction, including, without limitation, any Claims for any such loss holder may suffer, have suffered or be alleged to suffer as a result of the Debtors commencing the Chapter 11 Cases or as a result of the Plan being consummated, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act or omission, transaction, event or other occurrence from the beginning of time through and including the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, the Plan or the Disclosure Statement against the Released Parties in their respective capacities as such. Notwithstanding the foregoing, in no event shall anything in Article IX of the Plan be construed as (i) a release of any Person's (other than a Debtor's) fraud, willful misconduct or gross negligence, or (ii) modifying the scope of and recipients under any releases provided by Cerberus in connection with the Chapter 11 Cases, and any releases by Cerberus shall be to the extent, and only the extent, set forth in the Cerberus Release and shall not be expanded or altered by anything contained in the Plan; provided further that nothing in this section 9.6(b) shall be deemed to release Plethico Pharmaceuticals Limited, or any of its respective successors or assigns, with respect to any Guaranty Obligations under the Chatsworth Leases.

(c) ***Notwithstanding anything otherwise to the contrary, no provision of the Plan or of the Confirmation Order, including any release or exculpation provision, shall modify, release or otherwise limit the liability of any Person not specifically released hereunder, including any Person that is a co-obligor or joint tortfeasor of a Released Party, that otherwise is liable under theories of vicarious or other derivative liability***.

Notwithstanding anything to the contrary in the Plan, all parties in interest, including, without limitation, Plethico, Plethico US, Plethico India, and any Holders of Equity Interests that are deemed cancelled pursuant to the Plan, retain and reserve the right to object to any Fee Claims.

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

9.7. Exculpation and Limitation of Liability.

None of the Debtors, the Reorganized Debtors, the Creditors' Committee, or any of their respective current or former members, partners, officers, directors, employees, advisors, professionals, affiliates, or agents and advisors of any of the foregoing (including any attorneys,

financial advisors, investment bankers and other professionals retained by such Persons, but solely in their capacities as such) shall have or incur any liability to any Holder of any Claim or Equity Interest for any act or omission in connection with, related to, or arising out of the Chapter 11 Cases, the negotiation and execution of the Purchase Agreement, the sale of substantially all of the Debtors' assets, the negotiation and execution of the Plan, the Disclosure Statement, pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan, and the property to be distributed under the Plan, including all documents ancillary thereto, all decisions, actions, inactions and alleged negligence or misconduct relating thereto and all prepetition activities leading to the promulgation and confirmation of the Plan except fraud, willful misconduct or gross negligence as determined by a Final Order. Nothing in Article IX of the Plan shall: (i) be construed as a release of any entity's fraud, gross negligence or willful misconduct with respect to matters set forth in Article IX of the Plan; (ii) limit the liability of attorneys for the Debtors, the Reorganized Debtors, or the Creditors' Committee, to their respective clients pursuant to DR 6-102 of the Code of Professional Responsibility; or (iii) be construed as a release or waiver of the Debtors' or Reorganized Debtors' right or ability to assert or raise certain claims against any party as a defense to a claim or suit brought against them by such party.

9.8. Injunction Related to Releases and Exculpation.

The Confirmation Order shall permanently enjoin the commencement or prosecution by any Person, whether directly, derivatively or otherwise, of any Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action or liabilities released pursuant to the Plan, including the Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action or liabilities released in Article IX of the Plan.

9.9. Releases of Liens and Encumbrances.

(a) To the Debtors' knowledge, no liens or encumbrances remain on the Debtors' assets as of the Closing Date. However, to the extent any liens or encumbrance remain on the Debtors' assets after the Closing Date: (w) any Claim that is purportedly secured or (y) any judgment, personal property, or *ad valorem* tax, or other tax of any kind or character, mechanic's or similar lien Claim, in each case regardless of whether such Claim is an Allowed Claim, shall, regardless of whether such Claim has been scheduled or proof of such Claim has been Filed:

(i) shall automatically, and without further action by the Debtors or the Reorganized Debtors, be deemed released immediately upon the occurrence of the Effective Date, and without further action by the Debtors or Reorganized Debtors, be deemed released;

(ii) the holder of any such lien or encumbrance shall execute such documents and instruments as the Reorganized Debtors or the Liquidation Trustee, as the case may be, require to evidence such Claim Holder's release of such property or lien or encumbrance, and if such Holder refuses to execute appropriate documents or instruments, the Debtors, the Reorganized Debtors, or the Wind-Down Committee may, in their

discretion, file a copy of the Confirmation Order in the appropriate recording office, which shall serve to release any Claim Holder's rights in such property;

(iii) on the Effective Date, except as expressly provided in the Plan, all right, title, and interest in Estate property subject to a lien or an encumbrance immediately prior to the Effective Date shall revert to the Estates.

9.10. Satisfaction of Subordination Rights.

All Claims against the Debtors and all rights and Claims between or among Holders of Claims relating in any manner whatsoever to Claims against the Debtors, based upon any claimed subordination rights (if any), shall be deemed satisfied by the Distributions under the Plan, and such subordination rights shall be deemed waived, released, and terminated as of the Effective Date.

ARTICLE X.

CONDITIONS PRECEDENT TO THE EFFECTIVE DATE

10.1. Conditions to Confirmation.

The following are conditions precedent to confirmation of the Plan that may be satisfied or waived in accordance with Article X of the Plan:

(a) the Bankruptcy Court shall have approved the Disclosure Statement with respect to the Plan in an order in form and substance reasonably acceptable to the Debtors;

(b) the Confirmation Order and Plan Documents shall be in form and substance reasonably acceptable to the Debtors;

(c) in each case subject to the occurrence of the Effective Date, to the extent necessary or appropriate, the Plan Documents to be entered into by the Reorganized Debtors shall have been entered and delivered, all actions, documents, and agreements necessary to implement the Plan shall have been effected or executed and the Debtors shall have received all material authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions, or documents that are reasonably necessary to implement the Plan and that are required by law, regulation, or order.

10.2. Effectiveness.

The Plan shall not become effective unless and until: (i) the Confirmation Order shall have become final and non-appealable, and (ii) the Plan Documents shall have been executed and become effective.

ARTICLE XI.

CONFIRMATION OF THE PLAN

11.1. Confirmation Hearing.

Section 1128 of the Bankruptcy Code requires the Bankruptcy Court, after notice, to conduct a hearing with respect to whether the Plan and the Debtors have fulfilled the confirmation requirements of section 1129 of the Bankruptcy Code. The Confirmation Hearing has been scheduled for **May 8, 2015 at 9:30 a.m. (prevailing Eastern Time)** before the Honorable Brendan Linehan Shannon, Chief United States Bankruptcy Judge, United States Bankruptcy Court, 824 N. Market Street, 6th Floor, Wilmington, Delaware 19801. Objections, if any, to confirmation of the Plan must be served and Filed so that they are received on or before **May 1, 2015, at 4:00 p.m. (prevailing Eastern Time)**, in the manner set forth in the Disclosure Statement Order. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice.

11.2. Confirmation.

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. As noted above, among the requirements for confirmation are that the plan (i) is accepted by the requisite Holders of Claims and Equity Interests or, if not so accepted, is "fair and equitable" and "does not discriminate unfairly" as to the non-accepting Class of Claims or Equity Interests, (ii) is in the "best interests" of each Holder of a Claim or Equity Interest that does not vote to accept the Plan in each impaired Class under the Plan, (iii) is feasible, and (iv) complies with the applicable provisions of the Bankruptcy Code.

11.3. Approval of the Plan.

As a condition to confirmation, section 1129 of the Bankruptcy Code requires the plan be found by the Bankruptcy Court to be in the best interests of each Holder of a Claim or interest in such class. See "Best Interests Test" below.

11.4. Best Interests Test.

In order to confirm a plan, a bankruptcy court must independently determine that the plan is in the best interests of each Holder of a Claim or interest in any such impaired class who has not voted to accept the plan. Accordingly, if an impaired class does not unanimously accept the plan, the best interests test requires the bankruptcy court to find that the plan provides to each member of such impaired class a recovery on account of the class member's Claim or interest that has a value, as of the effective date, at least equal to the value of the distribution that each such member would receive if the debtor was liquidated under chapter 7 ("Chapter 7") of the Bankruptcy Code on such date.

11.5. Feasibility.

Under section 1129(a)(11) of the Bankruptcy Code, the Debtors must demonstrate that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors (unless such liquidation or reorganization is proposed in the Plan). The Plan clearly complies with this requirement because on the Effective Date, the Debtors' assets will become assets of the Reorganized Debtors and the Wind-Down Committee will prosecute Claims and make distributions to Holders of Allowed Claims and Equity Interests pursuant to the terms of the Plan and, provided that the Plan is confirmed and consummated, the Estates will no longer exist to be subject to future reorganization or liquidation.

11.6. Compliance with the Applicable Provisions of the Bankruptcy Code.

Section 1129(a)(1) of the Bankruptcy Code requires that the Plan comply with the applicable provisions of the Bankruptcy Code. The Debtors have considered each of these issues in the development of the Plan and believe that the Plan complies with all applicable provisions of the Bankruptcy Code.

ARTICLE XII.

ALTERNATIVE TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe the Plan affords Holders of Claims and Equity Interests the potential for the greatest realization on the Debtors' remaining assets and, therefore, is in the best interests of such Holders. If the Plan is not confirmed, the only viable alternatives are dismissal of the Chapter 11 Cases or conversion to Chapter 7 of the Bankruptcy Code. Neither of these alternatives is preferable to confirmation and consummation of the Plan.

If the Chapter 11 Cases were dismissed, Holders of Claims would revert to a "race to the courthouse," the result being that claimants would not receive a fair and equitable distribution as contemplated by the Plan. The Plan provides a greater recovery to Holders of Claims than would be achieved in a case under Chapter 7 of the Bankruptcy Code. Therefore, a Chapter 7 case is not an attractive or superior alternative to the Plan. Thus, the Plan represents the best available alternative for maximizing returns to creditors.

ARTICLE XIII.

RISK FACTORS & CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

13.1. Allowed Claims May Exceed Estimates.

The projected Distributions set forth in this Disclosure Statement are based upon the Debtors' good faith estimate of the amount of Wind-Down Expenses that will be incurred and total amount of Claims that will ultimately be allowed. The actual amount of such expenses could be greater than expected for a variety of reasons, including greater than anticipated administrative and litigation costs associated with resolving disputed Claims. Additionally, the actual amount of Allowed Claims in any Class could be greater than anticipated, which will impact the distributions to be made to Holders of Claims.

The Debtors reserve the right to object to the amount or classification of any Claim. Thus, the estimates set forth in this Disclosure Statement cannot be relied upon by any creditor whose Claim is subject to a successful objection. Any such creditor may not receive the estimated Distributions set forth in the Plan.

13.2. Plan May Not Be Accepted or Confirmed.

While the Debtors believe the Plan is confirmable under the standards set forth in section 1129 of the Bankruptcy Court, there can be no guarantee that the Bankruptcy Court will agree.

13.3. Certain Federal Income Tax Consequences of the Plan.

A detailed discussion of the potential federal income tax consequences of the plan can be found in the Analysis of Certain Federal Income Tax Consequences of the Plan annexed hereto as Exhibit 5.

ARTICLE XIV.

RETENTION OF JURISDICTION

14.1. Retention of Jurisdiction.

The Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to, the Chapter 11 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 purposes set forth in Article XI of the Plan.

ARTICLE XV.

MISCELLANEOUS PROVISIONS

15.1. Contracts and Leases.

As of the date of the filing of this Disclosure Statement, the Debtors do not believe that they are parties to any Contracts or Leases. In the event that the Debtors are parties to any Contracts or Leases, all such Contracts and Leases shall be deemed to be rejected as of the Confirmation Date, and counterparties to any Contract or Lease that was not assigned to the

Buyer that believe they have a Claim out of the rejection of a Contract or Lease under Section 12.14 of the Plan must File a Claim for damages arising from the rejection of the Contract or Lease within thirty (30) days of the Confirmation Date. All such Claims not Filed within such timeframe will be forever barred from assertion against the Debtors and their Estates, and the Reorganized Debtors.

15.2. Insurance.

With the exception of the Debtors' policy or policies relating to directors' and officers' liability (the "D & O Policies"), all of the Debtors' insurance policies were assigned to the Buyer through the Sale Transaction. The Debtors shall maintain the D & O Policies until the earlier of the two years following the Effective Date or the date when a Final Decree is entered with respect to all of the Chapter 11 Cases.

15.3. Dissolution of Creditors' Committee.

The functions of the Creditors' Committee shall terminate on the later of: (i) the Effective Date; (ii) the conclusion of any appeals with respect to the Confirmation Order (but such functions shall relate solely to services performed related to such appeal and work with respect to final fee applications); and (iii) entry of Final Order(s) on all Fee Claims, and the Creditors' Committee shall be deemed dissolved as of such date. Following the Effective Date, the attorneys to the Creditors' Committee shall be entitled to assert any claims for compensation for services rendered or reimbursement for expenses with respect to (i) through (iii) herein.

15.4. Notices.

All notices, requests, and demands to or upon the Debtors or the Reorganized Debtors to be effective shall be in writing (including by facsimile transmission) and, unless otherwise expressly provided for herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

The Debtors and Their Counsel	
YOUNG CONAWAY STARGATT & TAYLOR, LLP Michael R. Nestor Maris J. Kandestin Rodney Square 1000 North King Street Wilmington, Delaware 19801 Telephone: (302) 571-6600 *Counsel for the Debtors and Debtors in Possession*	Attn: Jeffrey C. Perea c/o Conway MacKenzie, Inc. 333 South Hope Street, Suite 3625 Los Angeles, California 90071 Telephone: (213) 416-6200 *Chief Financial Officer of the Debtors*

[Remainder of page intentionally left blank.]

ARTICLE XVI.

RECOMMENDATION AND CONCLUSION

THE DEBTORS BELIEVE THAT CONFIRMATION AND CONSUMMATION OF THE PLAN IS IN THE BEST INTERESTS OF CREDITORS AND HOLDERS OF EQUITY INTERESTS AND THAT THE PLAN SHOULD BE CONFIRMED. THE DEBTORS ALSO BELIEVE THAT CONFIRMATION OF THE PLAN IS PREFERABLE TO ALL OTHER ALTERNATIVES BECAUSE IT WILL PROVIDE RECOVERIES TO CREDITORS IN EXCESS OF THOSE WHICH WOULD OTHERWISE BE AVAILABLE IF THE CHAPTER 11 CASES WERE DISMISSED OR CONVERTED TO CASE UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

Dated: April 2, 2015
Wilmington, Delaware

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

By: Jeffrey Perea
Name: Jeffrey C. Perea
Title: Chief Financial Officer