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UNITED STATES BANKRUPTCY COURT

FOR THE SOUTHERN DISTRICT OF CALIFORNIA

In re: Bioserv Corporation Debtor / Debtor in possession	CASE NO. 14-08651-MM11 Chapter 11 FIFTH ~~FOURTH~~ AMENDED DISCLOSURE STATEMENT TO DEBTOR'S CHAPTER 11 PLAN OF REORGANIZATION

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I.

INTRODUCTION

GXP CDMO, INC. (known as Bioserv Corporation through February 13, 2017) (the "Debtor")[1] is the Debtor in this Chapter 11 bankruptcy case. On October 31, 2014, the Debtor commenced a bankruptcy case by filing a voluntary petition under Chapter 11 of the United States Bankruptcy Code (the "Code"), 11 U.S.C. section 101, et seq. in the United States Bankruptcy Court for the Southern District of California (the "Court"). Chapter 11 allows the Debtor, and under some circumstances Creditors and other parties in interest, to propose a plan of reorganization. A plan of reorganization may provide for the Debtor to reorganize its affairs and continue to operate, or to liquidate, or a combination of both. Debtor is the "Plan Proponent," or the party proposing the accompanying Plan attached hereto as Exhibit 1.

Albert Hansen is Debtor's Chairman and CEO. He is an experienced small company investor and executive. He has over 30 years of experience in small company investments and investment banking. He is currently CEO and founder of KESA Partners Inc. (together, with its affiliates, "KESA"). KESA is an investment company formed in July 2012, owned by Mr. Hansen and his children, Kirsten, Eric, and Scott, to provide capital and management to small businesses in the pharmaceutical/medical device/biotech sectors. KESA has invested approximately $4 million in seven businesses to date. KESA's largest investment is in the Debtor.

Formerly, as a partner with Signet Healthcare Partners, Mr. Hansen was Chairman and interim CEO of Questcor Pharmaceuticals (eventually sold to Mallinckrodt for $5 billion), Chairman and interim CEO of Cedarburg Pharmaceuticals (sold to Albany Molecular for over $40 million) and Chairman of Molecular Medicine Bioservices ("MMB") sold to SAFC for over $20 million.) Both Cedarburg Pharmaceuticals and MMB were financially troubled contract manufacturers of pharmaceuticals at the time of Mr. Hansen's initial involvement. Both were turned around successfully to become investment and business success stories. Mr. Hansen also

[1] All capitalized terms not otherwise defined in this Disclosure Statement are defined in the Debtor's Plan of Reorganization (the "Plan"). In the event of a conflict between the Plan and this Disclosure Statement, the terms of the Plan control.

was a principal with Darby Overseas Investments Ltd. (subsequently acquired by Franklin Templeton). Mr. Hansen believes that all three funds where he was a principal ranked in the top quartile of investment performance among comparable institutional funds. He also was Director of Corporate Finance at the U.S. Treasury, was an investment banker with Dillon Read and E.F. Hutton, and served as a Special Forces officer in the U.S. Army. He holds an M.B.A. (with distinction) from the Wharton School of the University of Pennsylvania and an A.B. from Princeton University.

Pursuant to Section 1125 of the Code, Debtor has prepared and filed this Disclosure Statement along with the Plan for the Court's approval and submission to holders of Claims and Equity Interests. Generally, before an acceptance or rejection of a plan may be solicited, the Court must find that the Disclosure Statement contains "adequate information." "Adequate Information" is defined in Code Section 1125(a)(1) to mean information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records, that would enable a hypothetical reasonable investor typical of the holders of Claims or interests of the relevant Class to make an informed judgment about the plan. In other words, the Disclosure Statement must contain information of a kind and in sufficient detail to enable the parties who are affected by the Plan to intelligently vote for or against the Plan or to object to the Plan.

The Court has reviewed this Disclosure Statement. The Court has determined that this Disclosure Statement contains adequate information and may be sent to you in connection with any solicitation of your vote in favor of the Plan. This Disclosure Statement summarizes what is in the Plan and tells you certain information relating to the Plan and the process the Court follows in determining whether or not to confirm the Plan.

READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO KNOW ABOUT:

(1) WHO CAN VOTE OR OBJECT;

(2) WHAT THE TREATMENT OF YOUR CLAIM IS, (i.e., if your Claim is disputed and what your Claim will receive if the Plan is confirmed) AND HOW THIS

TREATMENT COMPARES TO WHAT YOUR CLAIM WOULD RECEIVE IN LIQUIDATION;

(3) THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING THE BANKRUPTCY;

(4) WHAT THINGS THE COURT WILL LOOK AT TO DECIDE WHETHER OR NOT TO CONFIRM THE PLAN;

(5) WHAT IS THE EFFECT OF CONFIRMATION; AND

(6) WHETHER THE PLAN IS FEASIBLE.

This Disclosure Statement cannot tell you everything about your rights. You should consider consulting your own lawyer to obtain more specific advice on how the Plan will affect you and what is the best course of action for you. Be sure to read the Plan as well as the Disclosure Statement. If there are any inconsistencies between the Plan and Disclosure Statement, the Plan provisions will govern.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN SUBMITTED BY THE DEBTOR, UNLESS SPECIFICALLY STATED TO BE FROM OTHER SOURCES. THE DEBTOR HAS AUTHORIZED NO REPRESENTATIONS CONCERNING THE DEBTOR OR ITS FINANCIAL AFFAIRS OTHER THAN THOSE SET FORTH HEREIN.

YOU MAY NOT RELY UPON THIS DISCLOSURE STATEMENT FOR ANY PURPOSE OTHER THAN TO DECIDE HOW TO VOTE ON THE PLAN. NOTHING CONTAINED IN THE PLAN OR DISCLOSURE STATEMENT SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY THE PLAN PROPONENT OR BE ADMISSIBLE AGAINST THE PLAN PROPONENT IN ANY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY.

EXCEPT AS MAY BE SET FORTH HEREIN, THE COURT HAS NOT APPROVED ANY REPRESENTATIONS CONCERNING THE DEBTOR OR THE VALUE OF ITS ASSETS. THE DEBTOR HAS NOT AUTHORIZED ANY REPRESENTATIONS OR

INDUCEMENT TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN OTHER THAN AS CONTAINED HEREIN AND APPROVED BY THE COURT.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER DATE IS SPECIFIED HEREIN. NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THIS DISCLOSURE STATEMENT AND PLAN SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE THE DISCLOSURE STATEMENT WAS PREPARED.

ALTHOUGH DEBTOR BELIEVES THAT THE CONTENTS OF THIS DISCLOSURE STATEMENT ARE COMPLETE AND ACCURATE TO THE BEST OF ITS KNOWLEDGE, INFORMATION, AND BELIEF, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY. ANY STATEMENTS REGARDING PROJECTED AMOUNTS OF CLAIMS AND DIVIDENDS ARE THE DEBTOR'S ESTIMATES BASED UPON CURRENTLY AVAILABLE INFORMATION AND ARE NOT A REPRESENTATION THAT SUCH AMOUNTS ULTIMATELY WILL PROVE CORRECT.

THE DEBTOR BELIEVES THAT THE TREATMENT OF CREDITORS UNDER THE PLAN WILL RESULT IN A GREATER RECOVERY FOR CREDITORS THAN THAT WHICH CAN BE ACHIEVED UNDER DIRECTION OF A TRUSTEE IN A CASE UNDER CHAPTER 7 OF THE BANKRUPTCY CODE ("A CHAPTER 7 TRUSTEE"). ACCORDINGLY, THE DEBTOR BELIEVES THAT CONFIRMATION OF THE PLAN IS IN THE BEST INTERESTS OF CREDITORS. IN THE EVENT A VOTE IS NECESSARY OR REQUIRED BY THE COURT, THE DEBTOR WILL RECOMMEND THAT CREDITORS VOTE TO ACCEPT THE PLAN.

THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE COURT CONFIRMS THE PLAN,

THEN THE PLAN WILL BE BINDING ON ALL CREDITORS IN THIS CASE. THE PLAN IS INTENDED TO RESOLVE, COMPROMISE, AND SETTLE ALL CLAIMS, DISPUTES, AND CAUSES OF ACTION BETWEEN AND AMONG ALL PARTICIPANTS AND AS TO ALL MATTERS RELATING TO THESE PROCEEDINGS, EXCEPT AS EXPRESSLY PROVIDED IN THE PLAN. THEREFORE, APPROVAL OF THE PLAN SHALL AFFECT THE DISCHARGE AND RELEASE OF THE DEBTOR AND SETTLE ALL CLAIMS OF CREDITORS, EXCEPT AS EXPRESSLY PROVIDED OTHERWISE IN THE PLAN.

IF THE BANKRUPTCY COURT CONFIRMS THE PLAN, CREDITORS' CLAIMS, IF AND TO THE EXTENT ALLOWED, WILL BE PAID IN ACCORDANCE WITH THE TERMS OF, AND AT SUCH TIME(S) SPECIFIED IN, THE PLAN.

II.

CONFIRMATION REQUIREMENTS

REQUIRED VOTE AND VOTING INSTRUCTIONS

PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THE PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW REGARDING CONFIRMATION A PLAN OF REORGANIZATION IS VERY COMPLEX. NOTHING CONTAINED IN THIS HEREIN DISCLOSURE STATEMENT OR ACCOMPANYING PLAN OF REORGANIZATION CONSTITUTES LEGAL ADVICE OR SUBSTITUTES FOR LEGAL ADVICE.

The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues they may wish to consider, as well as certain deadlines for filing Claims. The Debtor CANNOT and DOES NOT represent that the discussion contained below is a complete summary of the law on this topic.

A. In general

Generally, all Creditors are asked to vote to accept or reject the Plan. The Court will examine whether each Class has accepted the Plan by the requisite majority. If all Classes vote to accept the Plan, the Plan will be confirmed if the Court determines the Plan meets certain legal requirements. (See generally, Bankruptcy Code Section 1129(a).) If at least one Class of Creditors,

but fewer than all Classes, has voted to accept the Plan, without considering the vote of any insiders, the Plan Proponent may seek confirmation of the Plan pursuant to the "cramdown" provisions of Code Section 1129(b). Under such circumstances, the Court must also find that each Creditor that has rejected the Plan will receive at least as much under the Plan as it would in a liquidation case under Chapter 7 of the Bankruptcy Code. Here, because the Plan provides for 100% distribution and interest to all non-insider Allowed Claimants, a vote on the Plan is not necessary. These matters are explained in greater detail below.

B. Who May Vote or Object

1. Who May Object to Confirmation of the Plan.

Any party in interest may object to confirmation of the Plan, but as explained below, not everyone is entitled to vote to accept or reject the Plan.

2. Who May Vote to Accept / Reject the Plan

A Creditor or interest holder has a right to vote for or against the Plan if that Creditor or interest holder has a Claim which is both (i) allowed (or allowed for voting purposes), and (ii) classified in an impaired Class. Under Section 1129(a)(10) of the Bankruptcy Code, the votes of insiders are not counted for Plan confirmation purposes.

a. What is An Allowed Claim / Interest

As noted above, a Creditor or interest holder must first have an allowed Claim or interest to have the right to vote. Generally, any proof of claim or interest will be allowed, unless a party in interest objects to the Claim. When an objection to a Claim or interest is filed, the Creditor or interest holder holding the Claim or interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the Claim or interest for voting purposes. THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE WAS MAY 8, 2015. A Creditor or interest holder may have an allowed Claim or interest even if a proof of Claim or interest was not timely filed. A Claim is deemed allowed if (1) it is listed in the Debtor's schedules and such Claim is not listed as disputed, contingent, or unliquidated, and (2) no party in interest has objected to the Claim. An interest is deemed allowed if it is scheduled and no party in interest has objected to the interest. Consult Part IV below to see how the Debtor has characterized your Claim or interest.

b. What is an Impaired Claim / Interest

As noted above, an allowed Claim or interest only has the right to vote if it is in a Class that is impaired under the Plan. A Class is impaired if the Plan alters the legal, equitable, or contractual rights of the members of that Class. For example, a Class comprised of general unsecured Claims is impaired if the Plan fails to pay the members of that Class 100% of what they are owed.

In this case, the Debtor believes that Classes 1, 2, 3, and 4 are unimpaired, and are not entitled to vote. Debtor believes that Classes 5 and 6 are impaired, but because they are exclusively insider classes, their votes are not counted for Plan confirmation purposes. As such, the Debtor believes the Plan may be confirmed by the Court without any vote. Nevertheless, the Debtor may, though presently does not plan to, solicit votes in favor of the Plan from all Classes so that the Plan may be confirmed if the Court determines that certain Classes the Debtor believes are unimpaired in fact are impaired. Parties who dispute the Debtor's characterization of their Claim or interest as being impaired or unimpaired may file an objection to the Plan contending that the Debtor has incorrectly characterized the Class.

3. Who is Not Entitled to Vote

The following four types of Claims are not entitled to vote: (1) Claims that have been disallowed; (2) Claims in unimpaired Classes; (3) Claims entitled to priority pursuant to Code Section 507(a)(2), (a)(3) and (a)(8); and (4) Claims in Classes that do not receive or retain any value under the Plan. Claims in unimpaired Classes are not entitled to vote because such Classes are deemed to have accepted the Plan. Claims entitled to priority pursuant to Code Section 507(a)(2), (a)(3), and (a)(8) are not entitled to vote because such Claims are not placed in Classes and they are required to receive certain treatment specified by the Code. Claims in Classes that do not receive or retain any value under the Plan do not vote because such Classes are deemed to have rejected the Plan. EVEN IF YOUR CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT TO OBJECT TO CONFIRMATION OF THE PLAN.

4. Who Can Vote in More Than One Class

A Creditor whose Claim has been allowed in part as a Secured Claim and in part as an Unsecured Claim is entitled to accept or reject a Plan in both capacities by casting one ballot for the secured part of the Claim and another ballot for the Unsecured Claim.

5. Votes Necessary to Confirm the Plan

If there is at least one impaired Class, the Court cannot confirm the Plan unless (1) at least one impaired Class has accepted the Plan without counting the votes of any insiders within that Class, and (2) all other impaired Classes have voted to accept the Plan or the Plan is eligible to be confirmed by "cramdown" on non-accepting Classes, as discussed later in paragraph 7 of this Part. Since no impaired non-insiders are part of the Debtor's bankruptcy estate, Debtor believes no voting is necessary to confirm this Plan.

6. Votes Necessary for a Class to Accept the Plan

A Class of Claims is considered to have accepted the Plan if more than one-half (1/2) in number and at least two-thirds (2/3) in dollar amount of the Claims which actually voted, voted in favor of the Plan. A Class of interests is considered to have accepted the Plan if at least two-thirds (2/3) in amount of the interest-holders of such Class which actually voted, voted to accept the Plan.

7. Treatment of Non-Accepting Classes: Absolute Priority Rule

As noted above, even if all impaired Classes do not accept the proposed Plan, the Court may nevertheless confirm the Plan if the non-accepting Classes are treated in the manner required by the Code. The process by which non-accepting Classes are forced to be bound by the terms of a Plan is commonly referred to as "cramdown." The Code allows the Plan to be "crammed down" on non-accepting Classes of Claims or interests if it meets all consensual requirements except the voting requirements of Code Section 1129(a)(8) and if the Plan does not "discriminate unfairly" and is "fair and equitable" toward each impaired Class that has not voted to accept the Plan as referred to in Code Section 1129(b) and applicable case law. If the Court determines that (i) an impaired class needs to vote in favor of the Plan in order for the Plan to be approved or (ii) that Class 2,3, or 4 is impaired, the Debtor intends to propose an amendment to the Plan such that Class 1 is impaired. Debtor will then seek a vote in favor of the Plan from Class 1. If Class 1 becomes impaired and

votes in favor of the Plan, the Debtor will ask the Court to approve the Plan through a "cramdown" mechanism (this is referred to as the "Backup Cramdown Plan").

a. Secured Claims

There are three ways to satisfy the fair and equitable standard with respect to a dissenting Class of Secured Claims. The first way is to provide that Class members retain their security interests (whether the collateral is kept or is transferred by the Debtor) to the extent of their Allowed Secured Claims and to give each Secured Creditor in the Class deferred cash payments that aggregate to at least the amount of the Allowed Secured Claim and which have a present value equal to the value of the collateral. This method of satisfying the fair and equitable standard may be complicated by the application of Code Section 1111(b)(2). The meaning of "Allowed Secured Claim" as used in this paragraph will depend whether the secured Class makes a Section 1111(b)(2) election to be treated as fully secured despite the fact that the collateral may be worth less than the amount of the Claim.

The Section 1111(b)(2) election converts the Unsecured Claim for a deficiency into a Claim secured by the collateral of the electing Creditor. If a Creditor so elects, the Debtor must treat the Creditor's entire Claim as a Secured Claim and the Plan must provide for the Creditor to receive, on account of its Claim, payments, either present or deferred, of a principal face amount equal to the amount of the Claim and of a present value equal to the value of the collateral.

A second alternative for complying with the fair and equitable standard with respect to a Class of dissenting Secured Creditors is for the Plan to provide for the realization of the "indubitable equivalent" of their secured Claims. The third alternative for satisfying the fair and equitable standard is to provide in the plan for the sale of the collateral free and clear of liens, with the liens to attach to the Sales Proceeds.

b. Unsecured Claims

There are a few ways of satisfying the fair and equitable standard with respect to a dissenting Class of Unsecured Claims. The first way is for the Plan to provide for distributions to the dissenting Class worth the full amount of their Allowed Claims. The Allowed Claims need not be paid in full on the effective date of the Plan. If the Plan provides for deferred payments, an

appropriate discount factor must be used so that the present value of deferred payments equals the full amount of the Allowed Unsecured Claims of the dissenting Class. The second way to satisfy the fair and equitable test with respect to a dissenting Class of Unsecured Creditors is for the Plan to provide that all Claims that are junior to the dissenting Class (which junior Class of Claims under the Plan would include the Class 6 equity interests in the Debtor) do not receive or retain any property on account of their Claims or interests. Therefore, as an example, if a dissenting Unsecured Creditor Class is to receive property worth only one-half of its allowed Claims, the Plan may still be fair and equitable if all junior Classes are to receive or retain nothing and if no senior Class is to receive more than 100% of its Allowed Claims.

Another way to satisfy the fair and equitable test with respect to a dissenting Class of Unsecured Creditors is for a holder in a junior class to provide "new value" to creditors in exchange for retaining an interest in property that such holder otherwise would not be entitled to retain. Qualifying new value must be (1) new, (2) substantial, (3) money or money's worth, (4) necessary for a successful reorganization, and (5) reasonably equivalent to the value or interest received.

8. Request for Confirmation Despite Non-acceptance By Impaired Class(es)

If the Court determines that there are any impaired Classes, the Plan Proponent will seek confirmation of the Plan (including without limitation by proposing any necessary amendments) by the cramdown provisions of Section 1129(b), provided that all of the applicable requirements of Section 1129(a), other than Section 1129(a)(8), have been met. Plan Proponent would propose the Backup Cramdown Plan described above.

C. Voting Instructions

There are no voting instructions or ballots accompanying this Disclosure Statement because the Debtor does not believe voting is necessary to confirm the Plan. In the event the Court determines that a voting process is necessary, Debtor will re-serve this Disclosure Statement with corresponding voting instructions and ballots.

D. Comparison to Chapter 7

To confirm the Plan, the Court must determine that the Plan provides to each Creditor that does not accept the Plan property of a value, as of the Effective Date, not less than the distribution

that such Creditor would receive or retain if the Debtor were liquidated in a case under Chapter 7 of the Bankruptcy Code. This requirement, set forth in Bankruptcy Code Section 1129(a)(7)(A), is commonly referred to as the "Best Interests" test. The Debtor believes that the total proceeds available to creditors would be less in a Chapter 7 liquidation because of the additional cost burden of a Chapter 7 liquidation. These costs would include administrative priority fees for a Chapter 7 Trustee and for the Trustee's accountant and legal counsel. In addition, the equity in the reorganized debtor currently provided to Class 4, 5 and 6 would be worthless. Therefore, the total consideration provided to those creditors would be significantly less in a Chapter 7 liquidation than in the current Plan. Thus, the Debtor believes that the Plan satisfies the Best Interests Test, and that, if necessary, the Court will so determine.

E. Good Faith

Under Code Section 1126(e), the Court may designate any entity whose acceptance or rejection of the Plan was not in good faith or was not solicited or procured in good faith or in accordance with the Code. Those acceptances or rejections so designated are not then included in the tally of acceptances or rejections of the Plan. If necessary, the Debtor expressly reserves the right to ask the Court to so designate any such acceptances or rejections not obtained or procured in good faith.

F. Confirmation Hearing

The Court will hold a hearing with respect to confirmation of the Plan to determine whether the Plan has been accepted by the requisite number of Creditors and whether the other requirements for confirmation of the Plan have been satisfied. The issues to be determined through the confirmation hearing include (without limitation) issues relating to notice, value of property, and feasibility of the Plan. As Plan Proponent, the Debtor must also prove, among other things, that the Plan does not discriminate unfairly against, and is fair and equitable to, any non- accepting Class(es). The Plan Confirmation Hearing will occur after the Court enters an order approving the Disclosure Statement.

G. Identity of Person to Contact for More Information Regarding the Plan

Any interested party desiring further information about the Plan should contact Albert Hansen, the Debtor's CEO, as follows:

Albert Hansen
CEO, GXP CDMO, Inc.
1000 N. Green Valley Pkwy # 440-393
-Henderson, NV 89074
-(917) 817-1326
al@kesapartners.com

I. Disclaimer

The financial data relied upon in formulating the Plan is based upon the Debtor's books and records as of the close of the periods reported in its financial statements, some of which are attached hereto. The Debtor represents that everything stated in the Disclosure Statement is true to its best knowledge and belief. The Debtor has based certain aspects of the Plan on assumptions relating to its income and sources of cash after confirmation of the Plan, including the outcome of certain adversary proceedings. Those assumptions represent a prediction of future events. Those anticipated or expected future events may or may not occur, and the assumptions may not be relied upon as either a guarantee or as other assurance that the projected results will actually occur. Thus, while the Debtor believes that such assumptions are reasonable, there is no assurance that they will prove to be the case. Because of all the uncertainties inherent in any predictions of future events, all Creditors and other interested parties should be aware of the risk associated with these assumptions and the possibility that the actual experience of the Debtor in the future may differ in material or adverse ways.

III.

DEBTOR'S BACKGROUND AND BUSINESS OPERATIONS

A. Description of the Debtor

Through December 29, 2016, Debtor operated a custom contract pharmaceutical manufacturing and pharmaceutical service provider with over 35,000 square feet of facilities. The Debtor's core operations focused on the following services: Aseptic and non-aseptic bulk formulation; filtration; filling; stoppering; lyophilization; product labeling; finished goods

assembly; product kitting and packaging; and controlled temperature storage and distribution services to support Phase I and II clinical trials for drug products and medical devices. In addition, the Debtor's project management and technology transfer services assisted clients in meeting manufacturing time lines and schedules. The Debtor's operations complied with the strict regulations regarding current Good Manufacturing Practices ("cGMP") of the Food and Drug Administration ("FDA"). The Debtor's operations[2] are subject to unannounced inspection by the FDA at any time.

On December 29, 2016, at the direction of Court-appointed Examiner Richard Kipperman (the "Examiner"), substantially all of the Debtor's assets were sold to a buyer, Sorrento BioServices, Inc. ("Buyer"), in exchange for approximately $3.6 million in cash (the "Sales Proceeds"). In addition to the Sales Proceeds, Debtor retains certain Excluded Assets that were not included in the sale to Buyer. Prominent among these Excluded Assets are Prospective Litigation Proceeds, which are defined in the Plan. With the assistance of the Examiner, Debtor continues to develop and evaluate the Excluded Assets, including the Prospective Litigation Proceeds. Pursuant to the Asset Sale Agreement with Buyer, Debtor changed its name from Bioserv Corporation to GXP CDMO, Inc. on February 13, 2017.

The Debtor was formed in 1988 by Jeanne and Glenn Dunham. In 2007, the Debtor was purchased by NextPharma Ltd. ("NextPharma"), a London-based pharmaceutical contract development and manufacturing organization serving European markets. The Debtor was NextPharma's only operation in North America, far from its London headquarters. The Debtor had strong financial results in 2008, with about $9 million in revenues and about $2 million in Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"). However, after 2008, the Debtor became unprofitable due to a number of factors. The Debtor believes the most important factor was the lack of funding available to small pharmaceutical companies that comprised the bulk of the Debtor's customers during and following the Great Recession. As a result, the

[2] The FDA has conducted inspections of the Debtor's facilities nine times in the past 12 years without any significant issues. FDA inspections are not typical for a manufacturer of clinical (as opposed to commercial) drugs largely due to the limited budget of the FDA. Bioserv's good FDA inspection history inspires confidence by the Debtor's customers that the Debtor complies with rigorous cGMP regulations of the FDA for those who manufacture drug products or medical devices.

demand for the Debtor's contract manufacturing services declined dramatically. In addition, NextPharma, a business about 20 times the size of the Debtor, was focused on challenges faced in its European business caused by the Great Recession and by substantial debt incurred.

KESA acquired the Debtor in November of 2012, when NextPharma appeared about ready to liquidate the Debtor after it failed to find any other buyer for the business except for KESA. After the acquisition and up to the bankruptcy filing, the Debtor incurred aggregate net losses in excess of $2.5 million. Net losses were attributable to lack of customer demand, excessive payroll expense, inefficient operating processes in place at the time of the acquisition, unprofitable contracts, and, most significantly, adverse actions taken by a former joint venture partner, Advantar Corp. ("Advantar").

B. Events Contributing to the Bankruptcy Filing

After KESA acquired the Debtor, the Debtor focused on restructuring its operations to achieve profitability.

In November, 2013, Pensler Capital Corporation ("Pensler") filed litigation against KESA and Albert Hansen in connection with KESA's acquisition of Bioserv's stock in November of 2012. Pensler alleged that it was KESA's partner in acquisition of Bioserv's stock and was entitled to acquire 50% of that stock. The initial litigation was dismissed by the U.S. District Court in New Jersey due to lack of personal jurisdiction. Pensler refiled the case in October 2014 in U.S. District Court in San Diego but subsequently withdrew this litigation. Although the Debtor was not a party to that litigation, the Debtor believes the Pensler lawsuit did harm the Debtor by impairing its ability to raise capital and/or obtain financing.

In June of 2014, the Debtor lost important prospective customer orders that had been expected to comprise the bulk of its manufacturing schedule for the summer.[3] As a result, the Debtor had to reduce its workforce by over two thirds to limit large prospective operating losses.

Most importantly, Advantar falsely alleged that the Debtor could not perform under an Army contract to manufacture a pharmaceutical product that had been jointly awarded to

[3] One contract was lost due to a last minute, unexpected delay in obtaining FDA approval for the customer's product. Another contact was lost when, instead of ordering multiple batches of product, a large customer canceled the contract when anticipated financing fell through.

Advantar (as prime contractor) and the Debtor (as sub-contractor) in August of 2013. Debtor believes that Advantar made this false allegation because Advantar recognized a financial opportunity to take unfair advantage of its financially weakened partner (the Debtor) and deprive the Debtor of its rights to a lucrative government contract. Advantar accused the Debtor of being unable to perform its obligations under the Army subcontract and falsely alleged the Debtor was in immediate danger of involuntary liquidation. (This was despite the fact that the Debtor performed on every other contract from the time of acquisition by KESA Partners in November 2012 up through the sale to Sorrento in December 2016.) Advantar initiated litigation under emergency motions to remove manufacturing equipment from the Debtor's possession. Through these false allegations, Advantar was able to convince the San Diego Superior Court ("SDSC") hearing the litigation to order removal of the production equipment from Debtor's premises. This equipment was necessary to manufacture the pharmaceutical product for the Army. This action by Advantar deprived the Debtor of its contractual right to perform under its subcontract with Advantar. It also deprived the Debtor of significant revenues and profits.

As a result of the Advantar litigation, the Debtor was left with no choice but to seek protection under Chapter 11 of the Code. After the Debtor's Chapter 11 bankruptcy filing, the Debtor removed the Advantar litigation to the Bankruptcy Court, where it eventually was dismissed for lack of prosecution.[4] Debtor's management believes the Debtor sustained substantial damages as a result of Advantar's conduct. On or about June 24, 2016, Debtor filed a complaint against Advantar with the Court, seeking damages for, among other causes of action, breach of contract and breach of a joint venture agreement. Debtor believes it can justify a damage claim from Advantar that exceeds $10 million. Debtor expects this litigation to extend well beyond the Plan Confirmation Date.

On October 31, 2014, the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of California to stay the then-pending lawsuit initiated by Advantar and to allow the Debtor time to complete its restructuring by working with the creditors to address their claims.

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[4] *See* Part III(C) *infra*.

C. Post-Petition Legal Proceedings

On November 7, 2014, the Debtor's landlord, Eastgate Bend Two, A California Limited Partnership, filed an ex parte motion for relief from the automatic stay, seeking to evict the Debtor for allegedly failing to pay November 2014 rent that was due six days earlier–i.e., the day after the Debtor filed for bankruptcy protection. The Debtor opposed the motion and filed its own emergency motion pursuant to Bankruptcy Code section 365(d)(3) for a two-week extension of the time to pay November rent. The Court granted the Debtor's emergency motion, the Debtor paid the November rent, and the landlord's motion for relief from the automatic stay was denied.

The Debtor filed an emergency motion for authorization to obtain a Debtor-In-Possession Loan for $10,000, from its CEO Albert Hansen, which was granted by the Court in a hearing in December of 2014 and formalized in an order entered February 25, 2015.

On December 30, 2014, the Debtor removed to the Bankruptcy Court the pre-petition Advantar lawsuit filed by Advantar, as discussed above. That litigation was dismissed for lack of prosecution on June 11, 2015.

The Debtor filed a motion for authorization to pay pre-petition employee compensation, which was granted by Order entered January 26, 2015.

The Debtor sought and obtained an extension of time to assume or reject the lease with its landlord. The Debtor later successfully moved to assume the lease, which was assumed as of May 29, 2015, pursuant to a Court Order entered June 15, 2015. The Debtor and its landlord disagreed regarding whether, in connection with the Debtor's assumption of the lease, the landlord was entitled to (i) attorneys' fees in the amount of $1,533 in connection with its request to evict the Debtor, and (ii) a late fee in the amount of $4,591.21 in connection with payment of March 2015 rent. The Bankruptcy Court, in an amended order entered on August 3, 2015, determined Debtor owed Landlord the full late fee and $750.00 in attorney's fees, which Debtor paid to Landlord as an administrative expense in August of 2015.

The Debtor unsuccessfully sought retroactive approval for borrowing from KESA in connection with KESA's March 2015 payment of $30,000 to the Debtor to assist with cash flow

to enable the Debtor to pay rent to its landlord. During the Chapter 11 case, KESA has provided the Debtor with over $200,000 of cash, including the $30,000, to assist with operations. This $200,000+ was not part of a borrowing agreement between Debtor and KESA: instead, KESA granted the money to Debtor without conditions to prevent the immediate and total collapse of the Debtor. If the Debtor had collapsed, it believes liquidation proceeds would have been inadequate to cover administrative costs; and all Class 3,4,5 and 6 creditors would have received nothing.

On May 8, 2015, the Debtor moved to reject contracts with its customers, Epigenomics, AG, a German corporation, and its wholly owned, Seattle-based subsidiary Epigenomics, Inc.. Debtor made this motion on the grounds that the contracts were unprofitable and burdensome because, among other reasons, the product covered by the contracts is difficult to manufacture, and Debtor (while still controlled by NextPharma) had agreed to accept the risk of batch failures, which not only resulted in forfeiture of significant revenues, but which also entailed potential risk of liability for the substantial cost of any lost raw material. Initially, the Court denied the motion to reject the contracts without prejudice, because Epigenomics was not provided sufficient notice in light of its foreign status. On July 20, 2015, Debtor re-served and re-filed the motion to reject, on Epigenomics Inc. with the expressed consent of Epigenomics AG. The Court granted Debtor's motion at a hearing on August 27, 2015, in an order entered on September 8, 2015, and in a subsequent order entered on September 30, 2015.

On November 2, 2015, Debtor filed its initial Motion for the Approval of Chapter 11 Disclosure Statement, which it filed with the Court on October 8, 2015. On November 15, 2015 and December 10, 2015, Debtor filed amended disclosure statements with attached exhibits including a proposed plan of reorganization (the “2015 Plan”). In the 2015 Plan, Debtor proposed to issuing preferred stock to unsecured creditors in lieu of cash. The disclosure to the 2015 Plan was opposed by Tenax Therapeutics, Inc. (“Tenax”), a former customer of Debtor’s. Shortly after the appointment of the Examiner (as described below), the Court took the motion to approve the disclosure statement to the 2015 Plan off calendar.

On October 22, 2015, Debtor filed a motion to reject executory contracts with Tenax after declined to pay an amount invoiced to it by Debtor. At a hearing on November 19, 2015, the Court approved rejection of the contracts. At the same hearing, Debtor and Tenax stipulated to the return of equipment and product to Tenax following forty-eight hours' notice. Tenax provided this notice on December 2, 2015, and its carrier removed all the requested product and equipment from Debtor's premises on December 4, 2015. Tenax later filed both pre-petition and administrative claims against Debtor. Debtor disputes the validity of both these claims. Furthermore, the Plan reserves the Reorganized Debtor's right to pursue causes of action and seek damages against Tenax (the "Tenax Claim"). The Tenax Claim is part of the Excluded Assets.

To the extent any executory contracts between Debtor and Tenax contracts are not rejected pursuant to a motion filed by the Debtor, or assigned pursuant to the sale of Debtor's assets to Buyer, they will be rejected pursuant to the Plan, with alleged damages resulting from the rejection to be treated the same as the class of general unsecured creditors.

On November 17, 2015, Tenax filed an emergency application to appoint a Chapter 11 Trustee. Debtor filed an opposition to the application on November 18, 2015, while the OCC supported the application through a supplemental response. On December 21, 2015, the Court declined to appoint a Chapter 11 Trustee but instructed the United States Trustee to appoint an examiner with expanded powers to sell the Debtor. The Examiner's appointment became official on December 22, 2015. With the Court's approval, the Examiner subsequently employed Foley & Lardner LLP as its bankruptcy counsel and Wombat Capital Markets LLC ("Banker") as an investment banker. On February 25, 2016, the Court approved the Examiner's motion to borrow, on behalf of the Debtor, $150,000 from Debtor's Parent.

The Examiner directed the process of selling Debtor's assets through the 2016 calendar year. Banker marketed the Debtor, and Debtor fully cooperated with the Examiner's and the Banker's efforts. On November 17, 2016, the Examiner caused Debtor to enter into a contract with Buyer to sell substantially all its assets in exchange for the Sales Proceeds. The Debtor believed that a much higher enterprise value could have been achieved through a reorganization

plan acceptable to the creditors. Debtor also believed a better offer may have materialized in the future. However, the Examiner determined, in his business judgment, that it was in the best interest of the bankruptcy estate to sell the Debtor's assets pursuant to the Asset Purchase Agreement, as the interest of the unsecured creditors in obtaining a full settlement of their claims outweighed other considerations, including the prospective value of any interests held by the Parent. On November 28, 2016, the Court approved auction bidding procedures submitted by Examiner and also approved Buyer as the Stalking Horse Purchaser. On December 16, 2016, the Court approved the Examiner's motion to sell substantially all Debtor's assets to Buyer, and on December 29, 2016, the sale closed, and Buyer transferred the Sales Proceeds to Debtor, in cash.

The Court approved Debtor's motion to limit notice of certain matters requiring notice to creditors at a hearing on August 27, 2015.

Debtor's counsel submitted two applications for interim compensation: the first was heard on April 2, 2015, and the second was heard on August 27, 2015. At both of these hearings, the Court granted certain fees requested and held back other fees requested for a Final Compensation hearing. A third compensation hearing, for Debtor's counsel, OCC counsel, the Examiner, Examiner's counsel, and Banker, was set for March 2, 2017. The Court subsequently took this hearing off calendar and approved compensation totaling $511,077 for these professionals. A Final Compensation Hearing has not yet been scheduled, though Debtor anticipates this to occur after the Plan Confirmation Date, in accordance with the terms of the Plan.

The Debtor had previously sought to establish an interim compensation procedure for payment of bankruptcy professionals. The Bankruptcy Court declined to establish such a procedure. The Debtor filed motions that subsequently were withdrawn, including the following: (1) a motion to classify the Debtor's bankruptcy case as a small business case and to dispense with appointment of an unsecured creditor's committee; (2) a motion for approval of an insider incentive compensation plan; (3) a motion to make additional borrowings from the Debtor's

Chief Executive Officer, Albert Hansen; and (4) a motion for authorization to employ certain persons that provide services to the Debtor in the ordinary course of the Debtor's business.[5]

Except as noted above, the Debtor, to the best of its knowledge, is not aware of any post-petition legal proceedings pending against the Debtor or commenced by it as of March 7, 2017.

D. Debtor's Current Assets/Liabilities.

The Debtor's assets can be divided into two categories. The first is cash. Following receipt of the Sales Proceeds, and as of the date of this Disclosure Statement, Debtor has a total of $3.67 million in cash as of March 1, 2017. Of this amount, about $3.27 million is being held in the Debtor-in-Possession's Wells Fargo checking account, and about $400 thousand is being held in a segregated, restricted account managed by the Examiner. A breakdown of these cash assets is included and attached as Exhibit 3. The second asset category is the Excluded Assets. This includes potential and actual Causes of Action, which may result in the Potential Litigation Proceeds. Debtor is in the process, with the assistance of the Examiner, of evaluating and developing the Causes of Action.

The Debtor estimates its total current liabilities to be between approximately $1.79 million and $2.13 million. The first amount is what Debtor believes is owed, in total, to administrative and pre-petition claimants, not including insider claimants. The second amount is the total that administrative and pre-petition claimants allege they are owed. The difference, about $345 thousand, is disputed and subject to resolution by the Court. The disputed claims are laid out in detail in Exhibits 4 and 5 to this Disclosure Statement.

E. Transactions with Insiders

The Debtor is a C-corporation whose shares are owned 100% by KESA. KESA acquired its shares from NextPharma in November of 2012. From and after KESA's purchase of the Debtor in November of 2012, no distributions (dividends) have been made to the Debtor's shareholders.

[5] This motion was withdrawn as unnecessary because the persons to be employed were not bankruptcy professionals whose employment required Bankruptcy Court approval.

Albert Hansen has made loans to the Debtor. As of the Petition Date, the Debtor owed Mr. Hansen principal and accrued interest totaling $952,867. As of the Petition Date, the Debtor also owed KESA $440,000 on account of management services provided to the Debtor.

Since the date of filing on 10/31/14, Debtor's Parent has made a number of contributions totaling about $550 thousand through December 31, 2016 to meet payroll and rent and to support the operations of the Debtor. Of this number, about $160 thousand were Court-approved loans made by Parent to Debtor, about $50 thousand were miscellaneous expenses paid by Parent on behalf of Debtor, and $340 thousand were for management services made by Parent to Debtor. Without each of these contributions, the Debtor believes its business would have immediately collapsed, leaving the Debtor administratively insolvent, forcing a conversion to Chapter 7, and leaving absolutely nothing available for the creditors of the bankruptcy estate.

The Debtor believes that other than as discussed above, the Debtor has not engaged in transactions with Insiders outside of the ordinary course of business.

F. The Official Unsecured Creditor's Committee

The United States Trustee has the authority to appoint Unsecured Creditors to serve on a Creditor's Committee. The Committee is a party in interest in this bankruptcy proceeding. The United States Trustee appointed the Official Committee of Unsecured Creditors ("Committee") on December 18, 2014 consisting of the following creditors: Modality Solutions, LLC; Star Point Advantage, Inc.; and BB Consulting Services, Inc. The Committee engaged counsel, Gary Slater of Slater & Truxaw, LLP, pursuant to Bankruptcy Court order entered March 18, 2015.

G.-___The Examiner

The Court appointed the Examiner on December 22, 2015, granting him expanded powers to sell the Debtor. The Examiner employed Foley & Lardner, LLP as his counsel and Wombat Capital Markets LLC as investment banker. The Examiner directed the sale of substantially all of Debtor's assets to the Buyer. The sale closed on December 29, 2016. The Examiner continues to work closely with the Debtor, and his ongoing role includes evaluating the Excluded Assets, assisting with implementation of a successful Plan of Reorganization, and managing a segregated bank account that may be used for the payment of disputed claims, if any,

and for the payment of any additional costs owed under the Asset Purchase Agreement, if any. Under the terms of the Asset Purchase Agreement, these additional costs are limited to a maximum of $300,000, and if Buyer alleges any additional costs, it must do so no later than March 29, 2017. As of the filing of this Disclosure Statement, Debtor is not aware of Buyer alleging any additional costs under the Asset Purchase Agreement.

IV.

THE PLAN OF REORGANIZATION

A. General Overview of the Plan

As required by the Code, the Plan classifies Claims in various Classes according to their right to priority. The Plan states whether each Class of Claims is impaired or unimpaired. The Plan provides the treatment each Class will receive.

The Plan provides for distributing a combination of cash and Common Stock to creditors in full exchange for their Allowed Claims. The Plan provides for paying all non-insider claimants and creditors 100% of the principal amount of their Allowed Claims, in Cash, on the Effective Date[6], which is five business days after the Plan Confirmation Date. The Plan further provides that Class 4 Claimants shall receive common stock in consideration for unpaid interest. No later than six months after the Effective Date, the Reorganized Debtor shall issue common stock equal to 5% of Reorganized Debtor's outstanding shares pro forma for all share issuance on the Effective Date (the "Effective Date Shares") to Class 4 Claimants, or general, unsecured claimants, in Pro Rata. In the event the Reorganized Debtor recovers $5 million or more in Prospective Litigation Proceeds, it shall again issue, to Class 4 Claimants in Pro Rata, additional common stock equal to 5% of the Effective Date Shares. The Plan's distribution of Effective Date Shares to Class 4 Claimants is in consideration for unpaid interest, and, together with the Cash, provides for full settlement of the Class 4 Allowed Claims.

The Plan provides for insider claimants and creditors to receive 30% of their Allowed Claims, in cash and as soon as possible after Plan Confirmation, but not earlier than ten days after Effective Date, if the cash balance remaining in the Cash Reserves is greater than $500,000.

[6] Or in the case of Disputed Claimants, either on the Effective Date or on the date specified by the Court in a Final Order, whichever comes later.

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If there is insufficient cash in the Cash Reserves, insider claimants and creditors shall be issued notes in lieu of cash.

No later than six months after the Effective Date, the Reorganized Debtor shall issue common stock equal to 39% of the Effective Date Shares to Class 5 Claimants, or administrative and pre-petition insider claimants, in Pro Rata. As a result, shares held by Class 6 Claimants shall be reduced from 100% to 56% of the Effective Date Shares.

B. Unclassified Claims

Certain types of Claims are not placed into voting Classes; instead they are unclassified. They are not considered impaired and do not vote on the Plan because they are automatically entitled to specific treatment provided for them in the Bankruptcy Code. As such, the Debtor has not placed the following Claims in separate Classes:

1. Administrative Expense Claims

(a) Nature and Amount.

Administrative Expense Claims are Claims for professional fees and Claims for expenses of administering the Debtor's Chapter 11 case which are allowed under Code Section 507(a)(2). Except to the extent that the Claimant has agreed to a less favorable treatment of such Claim, each holder of an Allowed Administrative Expense Claim shall be paid in cash the allowed amount of such Claim on the later of the Effective Date or the entry of a Final Order of the Bankruptcy Court allowing such Claim; provided, however, that Administrative Expense Claims that represent expenses, debts, or liabilities incurred by the Debtor in the ordinary course of its financial affairs from and after the Petition Date shall be assumed and paid by the Reorganized Debtor in accordance with the terms and conditions of any agreements relating thereto in the ordinary course of the administration of the financial affairs of the Reorganized Debtor. Exhibit 4, attached to this Disclosure Statement, lays out administrative claims in greater detail.

With the exception of professional fees and costs, the Debtor's management does not anticipate that it will incur significant administrative expenses beyond those expenses incurred in the ordinary course of its financial affairs. Debtor will have paid a total of $511,077.00 in

administrative costs and fees as of the Effective Date. Of this amount, the Debtor will have paid $56,639.72 to the Examiner, $68,157.96 to the Examiner's counsel, $150,000 to the Banker, $109,434.02 to the Committee's counsel, and $126,845.30 to the Debtor's counsel. These costs and fees constitute amounts owed through and including December 31, 2016. The Debtor estimates approximately $50,000.00 more will be incurred by these professional persons between 12/31/2016 and the Effective Date.

Tenax asserted an administrative claim of $115,305.82 on February 8, 2016. Debtor disputes the amount of this claim in its entirety and intends to object to it. By and through the Plan of Reorganization, Debtor also expressly objects to the Tenax administrative claim in its entirety[7]. Nevertheless, the Plan provides for holding back 100% of the amount alleged by Tenax in reserve until the dispute between Debtor and Tenax is resolved and a final amount owed, if any, is determined and approved by the Court. This held-back amount will be part of the Cash Reserves managed by the Examiner in a separate bank account until a Final Order is entered[8]. Debtor also believes it may have a valuable counter-claim against Tenax that it retained as part of the Excluded Assets. Debtor continues to evaluate this claim and will seek the advice of the Examiner.

The Tax Collector has also alleged an administrative expense claim against Debtor consisting of assessed taxes of $40,161 for 2015 (including penalties and interest of $10,190) and $29,430 for 2016 (including penalties and interest of $4,113). Debtor has appealed the amount for 2015 and 2016 to the San Diego County's Tax Appeal Board, which is now scheduled to hear the appeal in April 2017. Debtor is challenging this assessment based on the sale of the Debtor to KESA Partners in November 2012 and the sale to Buyer in December 2016. Debtor contends that both sales implied a fair market value of the assessed property of less than $500,000 versus the Tax Collector's theoretical assessment of about $2.4 million. Debtor believes the Tax Collector's assessment is based on cost rather than the "fair market value"

[7] Debtor objects to a number of claims by and through the Plan of Reorganization. The law in the Ninth Circuit is that a confirmation order will have a res judicata effect on claims and objections not specifically reserved by a plan of reorganization. As such, Debtor makes specific reference to those claims it objects to by and through the Plan. Debtor also reserves the right to object to claims outside of the scope of the Plan.

[8] The Examiner already manages a segregated account containing $405,207.00, which is enough to cover any possible payments owed by Debtor under the Asset Purchase Agreement.

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standard required by CA law. If Debtor is unable to resolve this dispute before the Tax Appeal Board, it will file an objection with the Court. Furthermore, Debtor expressly objects to the Tax Assessor's claim, in part, by and through the Plan of Reorganization. The Tax Assessor's claim of $69,591 (total for the 2015 and 2016 tax years) therefore also qualifies as a Disputed Administrative Claim, and not an "ordinary course of business" administrative expense, under the Plan.

(b) Court Approval of Fees Required; Bar Date

The Court must rule on all professional fees before the fees will be due and payable by the Debtor. For all fees except the Clerk's Office fees and U.S. Trustee's fees, the professional in question must file and serve a properly noticed fee application and the Court must rule on the application. Only the amount of fees allowed by the Court will be due and payable by the Debtor and therefore required to be paid pursuant to the Plan. The Court authorized payment of approximately $511,077 of Administrative Expense Claims in March 2017. Debtor believes the Sales Proceeds provide it with sufficient cash to pay all the Administrative Expense Claims, even in the event the disputed Administrative Expense Claims are allowed in full.

The Plan generally provides that any request for payment of an Administrative Expense Claim must be made as a noticed motion filed and served in accordance with Federal Rule of Bankruptcy Procedure 9014 and applicable Local Bankruptcy Rules on or before the Administrative Expense Claim Bar Date, which is 45 days after the Effective Date. However, no request for payment is required to be filed and served with respect to any:

(a) Administrative Expense Claim that has been allowed prior to the Administrative Expense Claim Bar Date;

(b) Administrative Expense Claim that represent expenses, debts, or liabilities incurred by the Debtor in the ordinary course of its financial affairs from and after the Petition Date;

(d) Claim of a Governmental Unit not required to be filed pursuant to section 503(b)(1)(D) of the Bankruptcy Code; or

(e) Claim for U.S. Trustee Fees.

Any Holder of an Administrative Expense Claim who is required to, but does not, file and serve a motion for payment of such Administrative Expense Claim on or prior to the Administrative Expense Claim Bar Date shall be forever barred, estopped and enjoined from asserting such Administrative Expense Claim against the Debtor or the Reorganized Debtor or their property, and such Administrative Expense Claim shall be deemed discharged as of the Effective Date.

2. Priority Tax Claims

Priority Tax Claims include the allowed Claims of governmental units that are entitled to priority under Code Section 507(a)(8). The Plan provides, that each holder of such an Allowed Priority Tax Claim, like the holder of any other Administrative Expense Claim shall receive 100% of the Allowed Claim or on the later of the Effective Date or the entry of a Final Order of the Bankruptcy Court allowing such Claim.

Here, the only priority tax claim asserted against the Debtor is that from the San Diego County Assessor Tax Collector (the "Tax Collector""). The Tax Collector has asserted a priority tax claim of $44,281 (including about $15,149 in penalties and interest at 18% per annum) that covers delinquent taxes and penalties assessed from tax year 2014. Debtor believes the assessed property value of $2.463 million was more than $2 million in excess of the fair market value of the assessed property. Debtor initially challenged this assessment but withdrew its challenge in April 2016 due to limited resources of the Debtor.

C. Classification and Treatment of Claims and Interests

The following is a description of all Classes of Claims other than the unclassified Claims.

(1) Class 1.

(a) Classification. Class 1 consists of the Secured Claim of Dr. William Garner, which is based upon a finance lease with respect to a Model 900 Laboratory TOC Analyzer. Dr. Garner purchased the Secured Claim from Navitas Leasing Corp.

(b) Treatment. The Class 1 Claim is fully secured. Post-petition payment arrearages and defaults (if any) shall be fully cured, and the Debtor's rights and

obligations reinstated, by payment in full, in cash, on the Effective Date. Pre-petition arrearages and defaults shall be fully cured, and the Debtor's rights and obligations reinstated, by payment in full, in cash, on the Effective Date. Except as otherwise provided in the Plan, the Class 1 Claim shall be paid according to the contract between the Debtor and the Class 1 Claimant. Class 1 is unimpaired.

(2) Class 2.

(a) Classification. Class 2 consists of the Secured Claim of Time Payment Corp., which is based upon a finance lease with respect to an Ohaus Explorer Pro 1100 balance and certain other equipment.

(b) Treatment. The Class 2 Claim is fully secured and has been kept current by a guarantor. Post-petition payment arrearages and defaults (if any exist) shall be fully cured, and the Debtor's rights and obligations reinstated, by payment in full, in cash, on the Effective Date. Pre-petition arrearages and defaults (if any exist) shall be fully cured, and the Debtor's rights and obligations reinstated, payment in full, in cash, on the Effective Date. Except as otherwise provided in the Plan, the Class 2 Claim shall be paid according to the contract between the Debtor and the Class 2 Claimant. Class 2 is unimpaired.

(3) Class 3.

(a) Classification. Class 3 consists of all Priority Non-Tax Claims to the extent of the priority recognized pursuant to Bankruptcy Code section 507(a)(4) (priority wage, salary, and commission claims).

(b) Treatment. Except to the extent that a holder of a particular Class 3 Claim agrees to different, less favorable treatment of its Claim, the holder of an Allowed Class 3 Claim shall be paid in cash 100% of the allowed amount of such Claim, in cash, on the Effective Date, plus accrued interest. Accrued interest will be calculated at the Interest Rate from the Petition Date to the Effective Date. Many of these claims have been purchased by Parent. Parent has agreed to the following: any Class 3 claims purchased by Parent will be subordinated and treated as a Class 5 claim immediately prior to the Effective Date. To the extent that the allowed amount of any other Class 3 Claim exceeds the priority limitation of Bankruptcy Code

section 507(a)(4), the holder of such Claim shall have an Allowed Class 4 Claim to the extent of the excess. Class 3 is unimpaired.

~~(4) Class 4~~

(4~~a~~) Class 4.

(a) Classification. Class 4 consists of all Unsecured Claims that are: (i) asserted against the Debtor and not otherwise entitled to priority, and; (ii) not otherwise classified.

(b) Treatment. Except to the extent that the holder of a particular Class 4 Allowed Claim has agreed or does agree to different, less favorable treatment of its Allowed Claim, the holder of a Class 4 Allowed Claim shall receive payment, in cash, on the Effective Date , or, for Disputed Unsecured Claims that have become Allowed Unsecured Claims, on the Effective Date or on the date specified by the Court in a Final Order, whichever is later. This cash payment shall be equivalent to the full principal amount of the Allowed Claim. No later than six months after the Effective Date, Class 4 Claimants shall also be issued, in Pro Rata, 5% of the Effective Date Shares (the "Class 4 Initial Shares"). Furthermore, in the event Reorganized Debtor recovers $5 million or more in Prospective Litigation Proceeds, Class 4 Claimants shall be issued, in Pro Rata, an additional 5% of Effective Date Shares (the "Class 4 Contingent Shares", together with the Class 4 Initial Shares, the "Class 4 Shares"). These Class 4 Shares shall be issued in lieu of interest on the Allowed Claims. The combination of issuing Class 4 Shares in lieu of interest and the cash payment on 100% of the principal amounts of the Allowed Claims constitutes a full settlement of Class 4 Allowed Claims Class 4 is unimpaired.

The Cash Reserves will be used to pay the full principal amounts of the Allowed Amounts of the Disputed Unsecured Claims. By and through the Plan of Reorganization, Debtor expressly objects to all the Disputed Unsecured Claims, in part, and Debtor expressly objects to those Disputed Unsecured Claims alleged by Tenax and Advantar in their entireties. Disputed Unsecured Claims are more fully laid out in the table included with Exhibit 5, attached hereto. Also included with attached Exhibit 5 is a full list of the likely Class 4 Claimants and the likely

amounts of their Claims as reflected in the Debtor's Schedules and, if the Creditor has filed a claim, as reflected in the Creditor's Proof Claim.

(5) Class 5.

(a) Classification. Class 5 consists of all unsecured Claims held by the Parent as of January 15, 2017, including any Claims acquired by the Parent after the Petition Date.

(b) Treatment. The principal amount of these claims will be reduced to 30% of the Claims, for a total reduction of 70%. These claims will be paid as soon as possible provided that the cash balance remaining after payment of these claims (the cash balance to include the Cash Reserves) exceeds $500,000. If there is not sufficient cash, notes will be issued in lieu of cash. Furthermore, Class 5 Claimants shall be issued, in Pro Rata, 39% of the Effective Date Shares. These Effective Date Shares shall be issued no later than six months following the Effective Date. Class 5 is impaired.

(6) Class 6.

(a) Classification. Class 6 consists of all Equity Interests in the Debtor or the Petition Date. All such non-preferred, common Equity Interests are held by Parent.

(b) Treatment. Equity Interests shall receive the remaining Sales Proceeds, if any, after Allowed Claims from Classes 1 through 5 are paid. The total percentage of Effective Date Shares owned by Class 6 will be reduced from 100% to 56%. This reduction will occur in unison with the issuance of Common Stock to Class 4 and Class 5 Claimants. Class 6 is impaired.

D. Means for Effectuating the Plan / Feasibility of the Plan

The Plan generally provides that the Reorganized Debtor will use the Sales Proceeds to: pay fully the allowed Administrative Expense Claims, Priority Tax Claims, Secured Claims, Unsecured Claims, and subordinated insider claims, with Interest as specified, on the Effective Date or upon the entry of a Final Order, whichever is later. The Plan further provides that the

Debtor will issue Common Stock in Reorganized Debtor to general, unsecured claimants from Class 4 and insider Claimants from Class 5.

Debtor believes that the Common Stock issued to holders of Allowed Class 4 Claims shall be exempt from registration under Section 5 of the Securities Act (or any State or local law requiring registration for offer or sale of a security) pursuant to Section 1145 of the Bankruptcy Code. The Plan provides for Class 4 Claimants to receive a combination of cash and stock in full settlement of their Allowed Claims. The stock is being issued in consideration for unpaid interest on Allowed Class 4 Claims. As such, Debtor believes that by confirming the Plan, the Court has both the jurisdiction and the authority to exempt Class 4 securities from registration with the Securities and Exchange Commission ("SEC") and state regulatory bodies under Section 1145 of the Bankruptcy Code.

However, Debtor does not and cannot provide legal advice to individual creditors with regard to federal securities or state blue sky regulations that may or may not apply to Common Stock issued under the Plan. These creditors should consult and rely on the opinion of their respective legal counsel, and not on the opinion of the Debtor as stated in this Disclosure Statement, with regard to any federal security or state blue sky regulatory issue that may arise under the Plan.

The Debtor believes that the Sales Proceeds provide for sufficient cash to implement the Plan. There is sufficient cash to pay off all Allowed Claims, even if the Court rules that the full amounts alleged in the Disputed Claims are Allowed Claims[9]. The Plan provides for the Examiner to hold Cash Reserves equal or greater to 100% of the Disputed Claims in a segregated account until such time that the Court resolves and enters Final Orders for all Disputed Claims. Exhibit 3, attached, describes both Debtor's current cash position and the proposed uses of the cash under the Plan.

E. Risk Factors

[9] The Debtor does not believe the Disputed Claim amounts should be converted into Allowed Claims. Debtor intends to object to the Disputed Claims, and the Plan expressly objects to each of these Disputed Claims. The Plan also reserves the right of Reorganized Debtor to continue pursuing these objections, and all rights associated with them, post-confirmation. Nonetheless, in the event Debtor/Reorganized Debtor does not prevail on any of the objections raised, it will still have sufficient cash to pay off Disputed Claimants, both administrative and pre-petition, in full.

The assumptions made in this Disclosure Statement concerning the Plan are based upon the best information available to the Debtor at this time. The Debtor reserves the right to revise the information contained herein as more accurate information becomes available. In addition, the listing of a particular Claim for a specific amount in this Disclosure Statement is not an admission by the Debtor as to either liability or amount, and all rights are reserves with respect to objection to any and all Claims in accordance with the Plan.

F. Miscellaneous Provisions of the Plan

Some additional provisions of the Plan, but not all additional provisions, are discussed below. Creditors are urged to review the Plan itself because this Disclosure Statement discusses only some of the Plan's provisions.

G. Assumption or Rejection of Unexpired Leases and Executory Contracts

Pursuant to Section 365 of the Bankruptcy Code, the Debtor and Reorganized Debtor shall assume any and all executory contracts and unexpired leases to which the Debtor may be a party except for any executory contract or unexpired lease that (i) was assumed prior to the Effective Date; (ii) is the subject of a motion to reject filed prior to the Effective Date; (iii) was assigned as part of Debtor's asset sale to Buyer, or ; (iv) is stated to be rejected through the Plan. Without limiting the generality of the forgoing, to the extent not rejected before the Effective Date, the Debtor and Reorganized Debtor reject those certain contracts between the Debtor and Epigenomics and between Debtor and Tenax Therapeutics, Inc. Entry of the Confirmation Order shall constitute Bankruptcy Court approval of assumption / rejection of the executory contracts and unexpired leases to be assumed / rejected. Damages arising from the rejection of any contracts or leases are treated as having arisen immediately prior to the Petition Date. Under the Plan, such Claims are classified as Class 4 Claims.

EACH PERSON OR ENTITY THAT IS A PARTY TO AN EXECUTORY CONTRACT OR UNEXPIRED LEASE REJECTED PURSUANT TO THE PLAN, AND ONLY SUCH PERSON OR ENTITY, SHALL BE ENTITLED TO FILE, NOT LATER THAN THIRTY (30) DAYS AFTER THE EFFECTIVE DATE, A PROOF OF CLAIM FOR DAMAGES ALLEGED TO ARISE FROM THE REJECTION OR TERMINATION

OF THE CONTRACT OR LEASE TO WHICH SUCH ENTITY IS A PARTY; PROVIDED, HOWEVER, THAT TO THE EXTENT THE BANKRUPTCY COURT ESTABLISHED AN EARLIER DEADLINE FOR ONE OR MORE SPECIFIED PARTIES TO ONE OR MORE REJECTED LEASES OR CONTRACTS TO FILE A PROOF OF CLAIM ON ACCOUNT OF REJECTION OR TERMINATION OF SUCH CONTRACTS OR LEASES, SUCH EARLIER DEADLINE TO FILE A PROOF OF CLAIM SHALL APPLY.

2. Objections to Administrative Expense Claims and Other Claims.

Any objection to a motion for payment of an Administrative Expense Claim must be filed and served on the respective counsel for the Reorganized Debtor and the requesting party Creditor in accordance with applicable Federal Rules of Bankruptcy Procedure and Local Bankruptcy Rules, which generally means 14 days after service of the motion (17 days if the motion is served electronically or by U.S. Mail).

The deadline for any party in interest to file objections to Claims other than Administrative Expense Claims shall be the Claims Objection Date (which will be the first business day after 60 days after the Effective Date of the Plan), unless the Bankruptcy Court, upon request, extends such period. Such extension may be granted on an ex parte basis without notice to the affected Creditor.

Under the Plan, the Examiner will segregate and hold all payments otherwise due any holder of an Administrative Expense Claim or other Claim subject to objection, and such Administrative Expense Claim or other Claim will be paid or satisfied when a Final Order is entered by the Court allowing an amount of such Administrative Expense Claim or other Claim.

3. Litigation

The Debtor / Reorganized Debtor shall retain all Causes of Action that it has or holds against any party, whether arising pre- or post-petition, and all such Causes of Action shall vest in the Reorganized Debtor on the Effective Date. Confirmation of the Plan shall not constitute settlement, compromise, waiver, or release of any Cause of Action unless the Plan or Confirmation Order specifically and unambiguously so provides. These Causes of Action shall

include, but are not limited to, those described in the Excluded Assets and those that may result in the recovery of Prospective Litigation Proceeds. The nondisclosure or nondiscussion of any particular Cause of Action is not and shall not be construed as a settlement, compromise, waiver, or release of such Cause of Action, and no doctrine of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), laches, or other preclusion doctrine shall apply to such Cause of Action as a consequence of the Plan, confirmation of the Plan, the vesting of such Cause of Action in the Reorganized Debtor, any order of the Bankruptcy Court, or the Chapter 11 Case. No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against them as an indication that the Debtor or the Reorganized Debtor, as applicable, will not pursue such Cause of Action. Recovery on account of any Cause of Action is not being relied upon to make any payments due under the Plan, although any recovery may be used for such purpose.

The Debtor anticipates that it will object to the Disputed Claims unless agreements are reached with the claimants. The Debtor reserves the right to object to any and all Claims on any and all appropriate grounds.

4. Resolution of Disputes

Disputes regarding the validity or amount of Claims shall be resolved pursuant to the procedures established by the Court, the Plan, the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, and other applicable law, and such resolution shall not be a condition precedent to confirmation or consummation of the Plan.

5. Settlement of Claims and Disputes

The Debtor / Reorganized Debtor may compromise, liquidate, or otherwise settle any undetermined Claim or Cause of Action pursuant to Federal Rule of Bankruptcy Procedure 9019.

6. Payment of Fees Owed to the U.S. Trustee and Clerk's Office

Pre-confirmation fees pursuant to 28 U.S.C. § 1930 shall be paid in full on or before the Confirmation Date; to the extent, if any, that such fees are not so paid, such fees shall be paid in full on or before the Effective Date. The Reorganized Debtor shall pay post-confirmation fees pursuant to 28 U.S.C. § 1930 to the extent required by law.

7. Retention of Jurisdiction

Under the Plan, the Court will retain jurisdiction over the Reorganization Case after the Confirmation Date to the fullest extent permitted under Section 1334 of Title 28 United States Code, including, without limitation, for the following purposes:

a. To determine any requests for subordination pursuant to the Plan and Bankruptcy Code Section 510, whether as part of an objection to Claim or otherwise;

b. To determine any motion (if a motion becomes necessary) for the sale of the business or any assets of the Debtor / Reorganized Debtor, or to compel reconveyance of a lien against or interest in such property upon payment, in full, of a claim secured under the Plan;

c. To determine any and all proceedings related to allowance of Claims or objections to the allowance of Claims, including objections to the classification of any Claim and determination of any deficiency claim following any event of default under this Plan, and including, on an appropriate motion pursuant to Federal Rule of Bankruptcy Procedure 3008, reconsidering Claims that have been allowed or disallowed prior to the Confirmation Date;

d. To determine any and all applications of Professional Persons and any other fees and expenses authorized to be paid or reimbursed in accordance with the Bankruptcy Code or the Plan;

e. To determine any and all pending applications for the assumption or rejection of executory contracts, or for the assumption and assignment of unexpired leases to which the Debtor is a party or with respect to which the Debtor may be liable, and to hear and determine and, if necessary, liquidate any and all Claims arising therefrom;

f. To hear and determine any and all actions initiated by the Debtor / Reorganized Debtor to collect, realize upon, reduce to judgment or otherwise liquidate any Causes of Action of the Debtor / Reorganized Debtor;

g. To determine any and all applications, motions, adversary proceedings and contested or litigated matters whether pending before the Bankruptcy Court on the Confirmation Date or filed or instituted after the Confirmation Date, including, without

limitation, proceedings under the Bankruptcy Code or other applicable law seeking to avoid and recover any transfer of an interest of the Debtor in property or of obligations incurred by the Debtor, or to exercise any rights pursuant to Bankruptcy Code Sections 506, 544-551, and 553;

h. To modify the Plan or the disclosure statement, or to remedy any defect or omission or reconcile any inconsistency in any order of the Bankruptcy Court (including the Confirmation Order), the Plan, or the disclosure statement in such manner as may be necessary to carry out the purposes and effects of the Plan;

i. To determine disputes regarding title of the property claimed to be property of the Debtor / Reorganized Debtor;

j. To ensure that the distributions to holders of Claims are accomplished in accordance with the provisions of the Plan;

k. To liquidate or estimate any undetermined Claim or Equity Interest;

l. To enter such orders as may be necessary to consummate and effectuate the operative provisions of the Plan, including actions to enjoin enforcement of Claims inconsistent with the terms of the Plan;

m. To hear and determine disputes concerning any event of default or alleged event of default under this Plan, as well as disputes concerning remedies upon any event of default, including but not limited to determination of the commercial reasonableness of the disposition of any collateral that is the subject of any liens granted under this Plan;

n. To hear any other matter not inconsistent with Chapter 11 of the Bankruptcy Code;

o. To enter a final decree closing the Reorganization Case;

p. To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked or vacated; and

q. To determine such other matters as may arise in connection with the Plan, the disclosure statement, or the Confirmation Order. Notwithstanding the foregoing, the Debtor/Reorganized Debtor reserves the right to pursue Causes of Action in any court of

competent jurisdiction so long as this pursuit does not unreasonably encroach upon the jurisdiction of the Bankruptcy Court under the Code or under the Plan, and does not unreasonably encroach upon the Bankruptcy Court's discretion to hear such Causes of Action under the Code or under the Plan. These Causes of Action may include, but are not limited to actions in which one or more party has requested a jury trial.

8. Default Under the Plan

The Plan provides that if an event of default occurs and is not cured within thirty (30) days after service of written notice of default on the Reorganized Debtor and on the Reorganized Debtor's counsel, any Creditor or other party in interest with standing to enforce its rights (including the United States Trustee) may, without further order of the Court, immediately pursue its rights and remedies under applicable non-bankruptcy law including, but not limited to, instituting levy or foreclosure proceedings, judicial or non-judicial, in accordance with applicable non-bankruptcy law.

Notwithstanding the foregoing, the Reorganized Debtor or another party in interest may seek an order of the Bankruptcy Court staying any Creditor from pursuing its default rights and remedies based on appropriate grounds. Except as otherwise specified in the Plan, such grounds may include, among others: (1) that no uncured default has occurred; and (2) that the Creditor is adequately protected and the Reorganized Debtor is likely to be able to cure any default within a reasonable period of time taking into account the Debtor's right to seek modification of the Plan in accordance with applicable bankruptcy law. The party or parties requesting a stay shall bear the burden of proof with respect thereto.

The order confirming the Plan also may be revoked under very limited circumstances. The Court may revoke the order if the order of confirmation was procured by fraud and if a party in interest brings an adversary proceeding to revoke confirmation within 180 days after the entry of the order of confirmation.

~~G~~H. Tax Consequences of the Plan

ANY PERSON CONCERNED WITH THE TAX CONSEQUENCES OF THE PLAN SHOULD CONSULT WITH HIS/HER OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS TO DETERMINE HOW THE PLAN MAY AFFECT HIS/HER TAX LIABILITY.

The following disclosure of possible tax consequences is intended solely for the purpose of alerting readers about possible tax issues the Plan may present to the Debtor. The Debtor CANNOT and DOES NOT represent that the tax consequences contained below are the only tax consequences of the Plan because the Tax Code embodies many complicated rules which make it difficult to completely and accurately state all of the tax implications of any action or transaction.

The following are the consequences that the Plan will have on the Debtor's tax liability. There is a net operating loss ("NOL") available for the benefit of the bankruptcy estate. The Debtor had a substantial gain on the sale of assets on December 29, 2016. The Debtor estimates this gain at approximately $2 million. Based on preliminary review, the Debtor believes that the NOL of about $2.8 million is sufficient to offset the gain on the sale of assets.

It is not necessary or practicable to present a detailed explanation of the federal income tax aspects of the Plan or the related bankruptcy tax matters involved in this Chapter 11 case. The Debtor generally is unaware of any adverse tax consequences of the Plan to the Creditors. Creditors may realize taxable income with respect to some or all of their Claims when paid, unless income on account of such payment already has been recognized. The tax consequences resulting from the Plan to each individual Creditor should not vary significantly from the past tax consequences realized by each individual Creditor. To the extent that the tax consequences do vary for individual Creditors, each one is urged to seek advice from his/her/its own counsel or tax advisor with respect to the federal income tax consequences resulting from confirmation of the Plan.

The Debtor is unaware of any adverse tax consequences of the Plan to holders of equity interests in the Debtor except for the loss of the NOL, which will be used to offset the gain on sale of the assets. Each interest holder each is urged to seek advice from his/her/its own counsel

or tax advisor with respect to the federal income tax consequences resulting from confirmation of the Plan.

V.

LIQUIDATION ANALYSIS

A. Introduction

For Creditors to make an informed decision about whether to accept or reject the Plan, the Debtor provides the following liquidation analysis.

B. Disclaimer

The data contained in the financial analyses accompanying this document are estimates only, based upon the best data currently available. The Debtor reserves the right to revise the data as more accurate information becomes available.

C. Liquidation Analysis

1. General

If any Creditor in an impaired Class votes to reject the Plan, the Court must determine that each such Creditor will receive or retain under the Plan property of a value, as of the Effective Date of the Plan, that is not less than the amount that such Creditor would receive or retain if the Debtor were liquidated in a case under Chapter 7 of the Bankruptcy Code. This is commonly referred to as the "best interests test." The Debtor believes that the Plan complies with the best interests test.

2. Timing of Payment

In a Chapter 7 liquidation, a Chapter 7 trustee would be charged with liquidating the Debtor's assets, determining all claims, and distributing net liquidation proceeds. The trustee would likely retain counsel, and it may retain accounting professionals, and both the Chapter 7 Trustee and these professionals would incur administrative priority costs and fees that would be paid prior to any creditors receiving payment. Although these administrative expenses will vary depending upon the trustee appointed, in every case, a Chapter 7 liquidation would raise the total administrative expense incurred, make less of the Sales Proceeds available for distribution to creditors, and delay the timing of distribution, because the Trustee and his/her professionals

would need to be paid first. In a best-case scenario, a Chapter 7 liquidation would result in creditors receiving the same amount they would receive under the Plan, but over a longer timeframe. Depending on the administrative priority expenses incurred by the Chapter 7 Trustee and his or/her counsel, creditors could, and Debtor contends likely would, receive less cash than they are scheduled to receive under the Plan. In addition, any equity in the Reorganized Debtor provided under the Plan would be worthless in a Chapter 7 liquidation. Under no conceivable circumstance could creditors receive more cash or better treatment under a Chapter 7 liquidation. Therefore, the Plan satisfies the Bankruptcy Code's best interest test.

VI.

EFFECT OF CONFIRMATION OF PLAN

A. Discharge / Injunction

Pursuant to and to the fullest extent permitted by the Bankruptcy Code, except as otherwise specifically provided in the Plan or the Confirmation Order, the treatment of Claims and Equity Interests under the Plan shall be in full and final satisfaction, settlement, release, discharge, and termination, as of the Effective Date, of all Claims of any nature whatsoever, whether known or unknown, against, and Equity Interests in, the Debtor, any property of the Debtor's bankruptcy estate, the Reorganized Debtor, or any property of the Reorganized Debtor, including without limitation all Claims of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (i) a Proof of Claim or Equity Interest based upon such Claim, debt, right, or Equity Interest is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (ii) a Claim or Equity Interest based upon such Claim, liability, obligation or Equity Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (iii) the holder of such a Claim, liability, obligation, or Equity Interest has accepted the Plan. Except as otherwise provided herein, any default by the Debtor with respect to any Claim that existed immediately prior to or on account of the filing of the Reorganization Case shall be deemed cured on the Effective Date.

All Creditors and parties in interest will be prohibited and permanently enjoined from taking any action to enforce or collect Claims that have been discharged pursuant to the Plan.

B. Assets Free and Clear of Claims

The Plan is binding on Creditors and provides that except as provided in the Plan, the Reorganized Debtor will hold the assets dealt with by the Plan free and clear of claims addressed in the Plan. Creditors, thus, are bound by the Plan and cannot disregard the Plan and/or take action against property dealt with by the Plan, except as provided in the Plan.

C. Revesting of Property in the Debtor

Confirmation of the Plan revests all of the property of the estate in the Reorganized Debtor.

D. Modification of the Plan

The Debtor may modify the Plan at any time before confirmation. This includes, but is not limited to, a modification to that described above as the Backup Cramdown Plan. However, the Court may require a new disclosure statement on the Plan if such modification is sought. The Debtor may also seek to modify the Plan at any time after confirmation so long as the Plan has not been substantially consummated, and if the Court authorizes the proposed modifications after notice and a hearing.

E. Post-Confirmation Status Reports and Final Decree

The Reorganized Debtor shall file status reports with the Bankruptcy Court on a quarterly basis after entry of the Confirmation Order, describing the progress toward consummation of the Plan. The status reports shall be served on, among others, counsel for the United States Trustee. When the Plan is fully administered in all material respects, the Reorganized Debtor shall file an application for a final decree and a proposed final decree closing this Reorganization Case. A final decree may be issued notwithstanding that future payments remain due under the Plan.

VII.

CONCLUSION AND RECOMMENDATION

The Debtor believes that the text of this Disclosure Statement, its exhibits, and the Plan itself as incorporated herein demonstrate that the Plan will provide the greatest amount of funds in the shortest amount of time for the payment of the legitimate Claims of Creditors. The Plan generally provides for a distribution of cash and stock to settle, in full, all non-insider Allowed

Claims. This includes a cash payment for the full principal amount on Allowed Claims on the Effective Date. As such, the Plan does not need to be raised for a vote under the Code. Debtor recommends the Court confirm and implement the Plan as soon as is reasonably possible.

Dated: March 207, 2017

GXP CDMO, Inc. (formerly Bioserv Corporation)
Debtor-in-Possession and Plan Proponent

By: /s/ Albert Hansen
Albert Hansen, CEO