

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

IN RE:)	CHAPTER 11
)	
SED INTERNATIONAL HOLDINGS, INC.,)	Jointly Administered Under
et al.,)	CASE NO. 16- 53376-wlh
)	
)	
Debtors.)	
)	

**DISCLOSURE STATEMENT TO ACCOMPANY
DEBTORS' PLAN OF LIQUIDATION**

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DEBTORS AND DEBTORS-IN-POSSESSION**

Dated: March 19, 2018

ARTICLE I INTRODUCTION

This disclosure statement (the “**Disclosure Statement**”)¹ has been prepared by SED International Holdings, Inc. and SED International, Inc., debtors and debtors-in-possession in the above-styled, jointly administered Chapter 11 cases (collectively, the “**Debtors**”), to provide information to all of their known creditors and equity interest holders about the Debtors’ Plan of Liquidation (the “**Plan**”) filed in these Chapter 11 Cases. The purpose of the Disclosure Statement is to provide information of a kind and in detail sufficient to enable those creditors of the Debtors who are eligible to vote on the Plan (as further identified below) to make an informed judgment regarding whether to accept or reject the Plan.

The Debtors believe that the Plan provides their creditors with the greatest possible value that can be realized on their Allowed Claims, and that the Plan is in the best interests of all of its creditors and equity interest holders. If the Plan is not confirmed by the Bankruptcy Court, the Debtors may be forced to convert these Chapter 11 cases to cases under Chapter 7 of the Bankruptcy Code. The Debtors believe that, in the event the cases were converted to Chapter 7 of the Bankruptcy Code, their creditors would receive smaller distributions, if any, than are provided for in the Plan. **Consequently, the Debtors urge all of creditors who are eligible to vote on the Plan to vote to accept the Plan.**

¹ Unless otherwise defined herein, capitalized terms used herein shall have the same meaning ascribed to them in the Plan.

1.1 Disclaimer

ALL CREDITORS AND EQUITY INTEREST HOLDERS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETIES. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETIES BY REFERENCE TO THE PLAN, THE EXHIBITS AND THE DISCLOSURE STATEMENT AS A WHOLE.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, EVENTS IN THE DEBTORS' CHAPTER 11 CASES, AND FINANCIAL INFORMATION. ALTHOUGH THE DEBTORS BELIEVE THAT THE PLAN AND RELATED DOCUMENT SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS. THE HISTORICAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN OBTAINED FROM PUBLICLY FILED DOCUMENTS OR THIRD PARTY SOURCES. ACCORDINGLY, THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY INACCURACY OR OMISSION. THE FINANCIAL DATA SET FORTH HEREIN, EXCEPT AS OTHERWISE SPECIFICALLY NOTED, HAS NOT BEEN SUBJECTED TO AN INDEPENDENT AUDIT.

NEITHER THE DEBTORS NOR THE BANKRUPTCY COURT HAS AUTHORIZED THE COMMUNICATION OR REPRESENTATION BY ANY PERSON OR ENTITY (INCLUDING ANY OF THE DEBTORS' AGENTS, OFFICERS, DIRECTORS, EMPLOYEES, ACCOUNTANTS, FINANCIAL ADVISORS, ATTORNEYS OR AFFILIATES) CONCERNING THE DEBTORS, THEIR OPERATIONS, FUTURE REVENUE, PROFITABILITY, VALUE OR OTHERWISE, OTHER THAN AS SET FORTH IN THE DISCLOSURE STATEMENT. THE DEBTORS MAKE NO SUCH REPRESENTATIONS OTHER THAN THAT THE INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT IS BELIEVED TO BE CORRECT AT THE TIME OF THE FILING OF THE DISCLOSURE STATEMENT. ANY INFORMATION, REPRESENTATION OR INDUCEMENT MADE TO SECURE OR OBTAIN ACCEPTANCES OR REJECTIONS OF THE PLAN THAT ARE OTHER THAN, OR ARE INCONSISTENT WITH, THE INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY ANY PERSON IN ARRIVING AT A DECISION TO VOTE FOR OR AGAINST THE PLAN. ANY SUCH ADDITIONAL INFORMATION, REPRESENTATIONS AND INDUCEMENTS SHOULD BE IMMEDIATELY BROUGHT TO THE ATTENTION OF THE DEBTORS' MANAGEMENT OR ATTORNEYS.

EXCEPT FOR HISTORICAL INFORMATION, ALL THE STATEMENTS, EXPECTATIONS, AND ASSUMPTIONS, INCLUDING EXPECTATIONS AND ASSUMPTIONS CONTAINED IN THIS DISCLOSURE STATEMENT, ARE FORWARD LOOKING STATEMENTS THAT INVOLVE A NUMBER OF RISKS AND UNCERTAINTIES. ALTHOUGH THE DEBTORS HAVE USED THEIR BEST EFFORTS TO BE ACCURATE IN MAKING THESE FORWARD-LOOKING STATEMENTS, IT IS POSSIBLE THAT THE ASSUMPTIONS MADE BY THE DEBTORS MAY NOT MATERIALIZE. IN ADDITION, OTHER IMPORTANT FACTORS COULD AFFECT THE PROSPECT OF RECOVERY TO CREDITORS, INCLUDING, BUT NOT LIMITED TO, ANY CONTINGENCIES NECESSARY TO FULLY FUND THE PLAN AND THE AMOUNTS OF ALLOWED CLAIMS.

1.2 Information in this Disclosure Statement

This Disclosure Statement sets forth certain information regarding the Debtors’ pre-petition and post-petition activity. This Disclosure Statement also describes the Plan, alternatives to the Plan, effects of confirmation of the Plan, estimated amounts available for distribution to Creditors, and the manner in which distributions will be made under the Plan. In addition, the Disclosure Statement discusses the confirmation process and voting procedures that Holders of Claims in impaired Classes must follow for their votes to be counted.

When and if confirmed by the Bankruptcy Court, the Plan will bind the Debtors and all Holders of Claims against and Equity Interests in the Debtors, whether or not they are entitled to vote or did vote on the Plan and whether or not they receive or retain any Distributions under the Plan. Thus, all Creditors are encouraged to read this Disclosure Statement, the Plan and any exhibits to the Plan or Disclosure Statement carefully.

1.3 Summary of Distributions Under the Plan

The chart below summarizes the treatment of and estimated percentage distributions to the Allowed Claims of each Class under the Plan. Notwithstanding anything else in this Disclosure Statement or the Plan to the contrary, if an objection to a Claim has been timely filed, or a Claim otherwise becomes a Disputed Claim, no Distribution shall be made to the Holder of such Claim until and unless such Claim becomes an Allowed Claim or as otherwise ordered by a Final Order of the Bankruptcy Court. For a further discussion of the treatment of Claims and Equity Interests, see Article IV below.

Class No.	Claim/Interest	Treatment of Claim/Interest	Estimated Amount and Projected Recovery	Voting Rights
N/A	Administrative Expense Claims	Each holder of an Allowed Administrative Expense Claim will be paid in full and in Cash, without interest, (a) on or before 30	Estimated Amount: under \$175,000.00	Unimpaired and not entitled to vote

Class No.	Claim/Interest	Treatment of Claim/Interest	Estimated Amount and Projected Recovery	Voting Rights
		days after the Effective Date or as soon as reasonably practicable thereafter, (b) as otherwise required by Section 1129(a)(9)(A), or (c) as the Holder and the Liquidating Agent may otherwise agree.	Estimated Recovery: 100% of Allowed Amount	
N/A	Priority Tax Claims	Each holder of an Allowed Priority Tax Claim, will be paid in full and in Cash on or before 30 days after the Effective Date or as soon as reasonably practicable thereafter.	Estimated Amount: \$0.00 - \$92,000.00 Estimated Recovery: 100% of Allowed Amount	Unimpaired and not entitled to vote
1	Priority Claims	Each holder of an Allowed Priority Claim, will be paid in full and in Cash, without interest, (a) on or before 30 days after the Effective Date or as soon as reasonably practicable thereafter, or (b) as the Holder and the Liquidating Agent may otherwise agree.	Estimated Amount: \$0.00 - \$400.00. Estimated Recovery: 100% of Allowed Amount	Unimpaired and not entitled to vote
2	Secured Claims	Each holder of an Allowed Secured Claim shall be satisfied, at the Liquidating Agent's option, on or before 30 days after the Effective Date or as soon as reasonably practicable thereafter, as follows (i) by the transfer of the collateral securing an Allowed Secured Claim, (ii) by the sale of the collateral	Estimated Amount: \$0.00 - \$19,500.00 Estimated Recovery: 100% of Allowed Secured Claim	Unimpaired and not entitled to vote

Class No.	Claim/Interest	Treatment of Claim/Interest	Estimated Amount and Projected Recovery	Voting Rights
		securing such Allowed Secured Claim and the payment of the net sale proceeds in an amount equal to the value of such Holder's interest in the collateral, or (iii) by payment of Cash in an amount equal to the value of such holder's interest in the collateral.		
3	Unsecured Claims	Commencing on or before 30 days after the Effective Date, or as soon as reasonably practicable thereafter, and on each Distribution Date thereafter, the Liquidating Agent shall make a Pro Rata Distribution to the Holders of Allowed Unsecured Claims from the Distribution Proceeds (less the Retained Proceeds) that remain after the payment and satisfaction of Allowed Claims in Classes 1, 2 and 4.	Estimated Amount: \$9.8 million to \$11.8 million. Estimated Recovery: 7.5% to 9.0% (plus any additional amounts which may be received from proceeds of Causes of Action)	Impaired and entitled to vote
4	Convenience Class Claims (Unsecured Claims of \$5,000.00 or less)	On or before 30 days after the Effective Date, or as soon as reasonably practicable thereafter, each Holder of an Allowed Convenience Class Claim shall receive a one-time Distribution from the Liquidation Proceeds in an amount equal to five percent (5%) of such Holder's Allowed Claim in	Estimated Amount: \$60,000.00 Estimated Recovery: 5 %	Impaired and entitled to vote

Class No.	Claim/Interest	Treatment of Claim/Interest	Estimated Amount and Projected Recovery	Voting Rights
		full and final satisfaction of such Allowed Claim.		
5	Allowed Equity Interests	Holders of Allowed Equity Interests shall not receive or retain any property or receive any Distributions under the Plan, and all Equity Interests will be cancelled on the Effective Date or as soon as reasonably practicable thereafter.	Estimated Recovery: \$0.00	Deemed to reject and not entitled to vote

The estimated amounts and projected recoveries for each Class of Claims outlined in the above chart are estimates only. Moreover, the projected Administrative Expense Claims include an estimate for unpaid professional fees incurred by the Debtors' Estates through the Effective Date plus a success bonus to Debtors' Chief Administrative Officer in the estimated amount of \$75,000, but do not include estimated professional fees to be incurred by the Liquidating Agent after the Effective Date. It is assumed that any operating expenses will be paid in the normal course of business prior to the Effective Date

1.4 Notice of Substantive Consolidation

PLEASE TAKE NOTICE THAT THE PLAN PROVIDES FOR SUBSTANTIVE CONSOLIDATION OF EACH OF THE DEBTORS' ASSETS AND LIABILITIES INTO A SINGLE ESTATE. THE PLAN PROVIDES THAT THE ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE APPROVAL, PURSUANT TO SECTION 105(a) OF THE BANKRUPTCY CODE, OF THE SUBSTANTIVE CONSOLIDATION OF SED INTERNATIONAL HOLDINGS, INC. AND SED INTERNATIONAL, INC., AND THEIR BANKRUPTCY ESTATES FOR ALL PURPOSES RELATED TO CLAIMS AND DISTRIBUTION OF ASSETS UNDER THE PLAN. AS A RESULT, ON AND AFTER THE EFFECTIVE DATE OF THE PLAN (I) ALL ASSETS AND LIABILITIES OF EACH OF THE DEBTORS AND THE ESTATES SHALL BE TREATED AS THOUGH THEY WERE MERGED WITH AND INTO THE CONSOLIDATED DEBTORS; (II) NO DISTRIBUTIONS SHALL BE MADE UNDER THE PLAN ON ACCOUNT OF ANY CLAIM HELD BY EITHER OF THE DEBTORS AGAINST ANY OTHER DEBTOR PARTY; (III) ALL GUARANTEES OF EITHER DEBTOR OF THE OBLIGATIONS OF ANY OTHER DEBTOR SHALL BE ELIMINATED; AND (IV) EACH AND EVERY CLAIM AND PROOF OF CLAIM

AGAINST EITHER OF THE DEBTORS SHALL BE DEEMED ONE CLAIM OR PROOF OF CLAIM AGAINST EACH OF THE DEBTORS AND A SINGLE OBLIGATION OF THE CONSOLIDATED DEBTORS ON AND AFTER THE EFFECTIVE DATE. ADDITIONALLY, THE SUBSTANTIVE CONSOLIDATION EFFECTED PURSUANT TO THE PLAN SHALL NOT CREATE DEFENSES TO ANY AVOIDANCE ACTION OR CAUSE OF ACTION OR REQUIREMENTS FOR ANY THIRD PARTY TO ESTABLISH MUTUALITY IN ORDER TO ASSERT A RIGHT OF SETOFF. FOR THE REASONS SET FORTH IN GREATER DETAIL BELOW, THE PLAN PROPONENTS BELIEVE THAT THE REQUIREMENTS FOR SUBSTANTIVE CONSOLIDATION ARE MET IN THESE BANKRUPTCY CASES AND THAT SUBSTANTIVE CONSOLIDATION IS NECESSARY TO ENSURE EQUITABLE TREATMENT OF CREDITORS.

1.5 Filing of the Plan

Simultaneously with the filing of this Disclosure Statement, the Debtors have filed their Plan, which, in general, provides for the liquidation of the Debtors' assets and the distribution of the proceeds of such liquidation to their Creditors holding Allowed Claims. The Debtors, as proponents of the Plan, distribute this Disclosure Statement together with the Plan in order to solicit votes to accept or reject the Plan. This introductory section is qualified in its entirety by the detailed explanations that follow and the provisions of the Plan. In the event of conflict between anything stated in this Disclosure Statement and the Plan, the terms of the Plan will control.

1.6 Solicitation of Acceptances

Pursuant to a Court Order dated _____, 2018, Creditors holding Claims in Classes 3 and 4 may vote accept or reject the Plan no later than _____, 2018 (the "**Voting Deadline**"). A ballot with which to indicate and file an acceptance or rejection of the Plan has been provided to Holders of Claims in such Classes. If you hold a Claim in Class 3 or 4 you must complete and return your completed ballot on or before the Voting Deadline in order for your vote to count. Only votes of holders of Allowed Claims will be counted. Any ballot that is executed by the holder of any Allowed Claim that does not indicate acceptance or rejection of the Plan shall be deemed to have accepted the Plan. Any other ballot not filed in accordance with the filing instructions on the ballot pertaining to the Plan shall not be counted for voting purposes.

THE DEBTORS HEREBY SOLICIT APPROVAL OF THE PLAN BY THEIR CREDITORS HOLDING ALLOWED CLAIMS IN CLASSES 3 AND 4. THE DEBTORS BELIEVE THE PLAN PROVIDES THE OPTIMUM RETURN TO CREDITORS AND THAT LIQUIDATION UNDER CHAPTER 7 OF THE BANKRUPTCY CODE WOULD RESULT IN A REDUCED DISTRIBUTION TO UNSECURED CREDITORS. THE DEBTORS URGE EACH CREDITOR IN AN IMPAIRED CLASS TO VOTE IN FAVOR OF THE PLAN BY MARKING THE "ACCEPTS" BOX ON THE ENCLOSED BALLOT AND FILING IT WITH THE COURT ON OR BEFORE THE VOTING DEADLINE.

ARTICLE II HISTORY OF THE DEBTORS AND EVENTS LEADING UP TO CHAPTER 11

2.1 History of the Debtors

Each of the Debtors are Georgia corporations. Southern Electronics Corp., the predecessor to the Debtor SED International Holdings, Inc., was formed in the Atlanta, Georgia metropolitan area in 1980. Initially, Southern Electronics Corp. distributed consumer electronic products to dealers in the southeastern United States. It became a publicly traded company in 1986. Around the same time, Southern Electronics Distributors, Inc. was formed as a wholly owned operating subsidiary of Southern Electronics Corp. Southern Electronics Distributors, Inc. is the predecessor of the Debtor SED International, Inc.

In the late 1980's, the enterprise began distributing computer hardware and related products and cellular phones, as well as consumer electronics. In the mid-90's, the enterprise began supplying the Latin American Market, assisted by a series of strategic acquisitions. In 1997, Southern Electronics Corp. changed its name to SED International Holdings, Inc. ("**Holdings**"), and its subsidiary, Southern Electronics Distributors, Inc., changed its name to SED International, Inc. ("**International**"), together with "Holdings, "**SED**").

By the late 90', SED had annual revenue of almost a billion dollars. At one point, the enterprise had facilities in Georgia, California, Texas, Florida, Colombia and Argentina, over 450 employees and at least two South American subsidiaries. Nevertheless, SED struggled with profitability and eventually amassed over \$76 million in net operating losses.

In the 2000's and the 2010's, SED undertook a number of internal restructurings in an effort to pay down debt, reduce expenses, and return to profitability. Yet SED continued to struggle. By 2013, SED's annual sales had fallen to around \$517 million and its workforce has shrunk to 327 employees. In 2014, SED sold its Argentina subsidiary and Holdings' shares were de-registered with the Securities Exchange Commission. For the six months ending December 31, 2014, SED's revenue had shrunk to approximately \$69.5 million, of which approximately \$17,926,440.00 was generated from its US operations. For the year 2015, revenue from SED's US operations had shrunk to only \$11,885,034 as it continued to sell assets to pay down debt.

By 2016, SED had shut down its U.S. operations, liquidated substantially all of its U.S. based assets, and operated solely through International's wholly owned Colombian subsidiary, SED International de Colombia, S.A.S. ("**SED-Colombia**").

2.2 Bankruptcy Filings

On February 24, 2016, Hill, Kertscher & Wharton, LLC filed an involuntary petition for relief under Chapter 7 of the Bankruptcy Code against Holdings in the United States Bankruptcy Court for the Northern District of Georgia (the "**Bankruptcy Court**"). On March 31, 2016 and April 6, 2016, respectively, Alan Rothman and Brother International Corp. joined in the involuntary petition. Each of the three petitioners alleged that they were creditors of Holdings.

On May 6, 2016, Holdings filed an answer to the involuntary petition. By a consent order entered by the Bankruptcy Court on September 14, 2016, Holdings withdrew its answer and consented to the entry of an order for relief and the conversion of the Chapter 7 case of Holdings to one under Chapter 11 of the Bankruptcy Code.

On September 9, 2017, International filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. Under the Section 301(b) of the Bankruptcy Code, the commencement of a voluntary Chapter 11 case by International constituted an order for relief. On September 16, 2016, the Bankruptcy Court entered an order jointly-administering the Chapter 11 Cases of Holdings and International under Case No. 16-53376-wlh. For purposes of the Plan, September 9, 2017 is considered the “**Petition Date**” for International, and February 24, 2016 is considered the Petition Date for Holdings. Upon entry of an order relief in their respective Bankruptcy Cases, each of the Debtors became a “debtor-in-possession” under the Bankruptcy Code and have acted in that capacity since those dates.

2.3 Significant Events in Chapter 11

(a) Retention of Professionals

The Debtors have retained a number of professional service firms in connection with these Chapter 11 cases pursuant to orders of the Bankruptcy Court. Upon the commencement of the cases, the Debtors retained the law firm of Scroggins & Williamson, P.C. to serve as bankruptcy counsel for each of the Debtors and the financial management and turnaround consultancy firm of Finley, Colmer and Company to provide interim management services to the Debtors. Both Scroggins & Williamson, P.C. and Finley, Colmer and Company have extensive experience in representing debtors in complex Chapter 11 cases. Peter W. Colmer, a principal of Finley, Colmer and Company, was appointed as Chief Administrative Officer of each of the Debtors.

In December of 2016, the Debtors retained the Colombian investment banking firm of Heritage & FB Consultant Group S.A.S. to assist the Debtors in selling the shares of SED-Colombia. In June of 2017, the Debtors retained the accounting firm of CPA Group, LLC to assist the Debtors in evaluating the availability and potential use of certain tax attributes, including, net operating losses, that might be available to the Debtors. In August of 2017, the Debtors retained the accounting firm of Diluzio & Henssler, Inc. to prepare and file various state and federal delinquent tax returns on behalf of the Debtors.

(b) Schedules and Statement of Financial Affairs

In October of 2016, each of the Debtors filed their schedules and statements of financial affairs as required by Bankruptcy Rule 1007 (the “**Schedules**”). These Schedules provide information concerning the Debtors’ financial condition on or about their Petition Dates. These documents are available at the Office of the Clerk of the U.S. Bankruptcy Court for the Northern

District of Georgia and are online at <https://ecf.ganb.uscourts.gov> (please note that a PACER account is required to view and download documents), or at www.americanlegal.com/beaulieu. In general, the Debtors' Schedules indicated that as of their respective Petition Dates (a) Holdings had assets with a value of approximately \$718.00 (excluding intellectual property, other intangible assets, and Holdings' equity interests in International) and liabilities of approximately \$687,838.79, and (b) International had assets with a value of approximately \$10,837.50 (excluding intellectual property, other intangible assets, and International's equity interests in SED-Colombia) and liabilities of approximately \$14,533,369.55.

(c) **Sale of SED-Colombia**

On or about December 6, 2016, the Debtors entered into a share purchase agreement (the "**Initial Ark Agreement**") with Ark Investments to sell all of the shares of SED-Colombia to Ark Investments, LLC ("**Ark Investments**") for the gross purchase price of Six Hundred Thousand Dollars (\$600,000.00). On December 7, 2016, the Debtors filed a motion for authority to sell the Shares to either (a) Ark Investments pursuant to the terms of the Initial Ark Agreement, or (b) the winning bidder at an Auction to be held pursuant to an order of the Court. Also, on December 7, 2016, the Debtors filed a motion to establish certain procedures for the sale of the shares, including holding an auction on February 21, 2017 if qualified competing bids were submitted for the shares by February 17, 2017. On December 16, 2016, the Bankruptcy Court entered an order approving the proposed sale procedures and scheduling a hearing to take place on February 23, 2017 to approve the sale of the shares to either Ark Investments or the prevailing bidder at the auction. The terms of the sale procedures provided flexibility for the Debtors to modify the sale procedures, including modifying or cancelling the auction, if deemed to be in the best interest of creditors and the Debtors' estates.

On or about February 17, 2017, the Debtors received a competing offer for the shares from Purplish Flower Riverside, Inc. ("**Purplish Flower**") for a gross sale price of \$1.2 million, or twice the purchase price set forth in the Initial Ark Agreement.² A condition of the Purplish Flower offer was that the Debtors would cancel the auction and file a motion with the Court to approve the sale the Shares to Purplish Flower as a private sale. Other terms and conditions of the Purplish Flower's offer were set forth in a proposed share purchase agreement, dated February 17, 2017 (the "**Purplish Flower Agreement**") by and among Purplish Flower and the Debtors. The Debtors then filed a motion with the Court seeking an order approving the Debtors' modification

² For various reasons explained at the Hearing, the net amount to be realized from the Purplish Flower offer would be approximately \$130,000 less than the gross amount of the offer. Among other things, if an entity other than Ark Investments had acquired SED-Colombia, the CEO of SED-Colombia contended that he would have been entitled to a separation payment of \$100,000 and Ark Investments would have been entitled to an expense reimbursement of \$30,000.

of the sale procedures, including cancelling the auction, and approving the sale of the shares to Purplish Flower pursuant to the terms of the Purplish Flower Agreement. Upon the request of the Debtors for expedited consideration of their motion to modify the sale procedures, the Bankruptcy Court scheduled a hearing on that motion to be heard on February 23. On February 22, 2017, Ark Investments filed an objection to the Debtors' motion to modify the sale procedures in which Ark Investments asserted that it would raise its purchase offer for the shares to an amount that would exceed the net value to the Debtors' estate that would be otherwise realized from the Purplish Flower Agreement.

At the February 23, 2017 hearing, counsel for Purplish Flower and Ark Investments each indicated that their clients were willing to increase the amounts of their respective offers and make other modifications to the proposed purchase agreements to make them more attractive to the Debtors. At that point, the judge left the courtroom in order for the Debtors to conduct an auction between the two bidders. Upon resumption of the Hearing, counsel for the Debtors represented to the Bankruptcy Court that Ark Investments had submitted the highest and best offer for the Shares, at a gross purchase price of One Million Three Hundred Ninety-Five Thousand Dollars (\$1,395,000.00).

On February 24, 2017, the Court entered an Order (the "**Sale Order**") approving the sale of all shares of SED-Colombia to Ark Investments at the gross purchase price of One Million Three Hundred Ninety-Five Thousand Dollars (\$1,395,000.00) pursuant to the terms and conditions of an Amended and Restated Share Purchase Agreement that was attached as an exhibit to the Sale Order. **This represented a net increase to the Debtors' Estates of over \$750,000 from the purchase price specified in the Initial Ark Agreement.** On March 1, 2017, the sale of the shares of SED-Colombia closed pursuant to the terms of the Sale Order and the Amended and Restated Share Purchase Agreement.

(d) Bar Date

By Order entered May 25, 2017, the Bankruptcy Court established July 21, 2017 as the Bar Date by which all creditors, including governmental entities, holding claims arising prior to the Petition Dates (including administrative expense claims under 11 U.S.C. § 503(b)(9) for goods delivered within 20 days prior to the Petition Dates) were required to file proofs of claim or be barred from (i) asserting any claim against the Debtors, and (ii) voting on, or receiving distributions under, the Plan. Creditors whose claims were listed in the Schedules and not identified as "contingent," "disputed" or "unliquidated" were not required to file proofs of claim.

(e) Proofs of Claim

As of the Bar Date, eleven persons and entities filed proofs of claim asserting claims against Holdings in the aggregate amount of approximately \$374,992.84, and twenty-four persons and

entities filed proofs of claim asserting claims against International in the aggregate amount of approximately \$9,452,857.76. As noted above, however, creditors whose claims were listed in the Schedules and not identified as being “contingent,” “disputed” or “unliquidated” were not required to file proofs of claim. As of the date of this Disclosure Statement, the Debtors have not attempted to analyze the various filed and scheduled claims in order to determine which claims they believe should be allowed in their full amounts and which claims they believe should be disallowed or reduced. The Debtors or the Liquidating Agent intend to conduct such an analysis, and file objections to claims as appropriate, after the Confirmation Hearing.

(f) NOL Analysis

As indicated above, as of the Petition Date, the Debtors had accumulated approximately \$76 million of net operating losses (the “NOLs”). Following the sale of SED-Colombia, the Debtors were contacted by an entity which indicated a possible interest in entering into a transaction with the Debtors pursuant to a Chapter 11 Plan which could potentially preserve some or all of the value of the NOLs and provide additional funds to distribute to the Debtors’ creditors. Before making even a preliminary proposal, however, that entity required that the Debtors prepare and provide to it a thorough analysis of whether the NOLs could be preserved in any such transaction. Following a preliminary review of the applicable legal issues and relevant facts, the Debtors have concluded that the likelihood of them entering into a transaction that could successfully preserve the value of the NOLs under the specific facts of these Chapter 11 cases appears to be extremely low, or even nonexistent. Accordingly, the Debtors have elected not to spend any more of their limited funds to conduct a more thorough analysis of the viability of preserving the NOLs or to attempt to pursue such a transaction.

(g) Income, Expenses and Current Financial Position of the Debtors

As noted earlier, as of their respective Petition Dates, neither of the Debtors had any U.S. operations or employees. Accordingly, other than the proceeds from the sale of the shares of SED-Colombia, the Debtors received relatively little revenue during the course of these Chapter 11 cases. As stated on the Debtors’ monthly operating reports filed for the period ending January 31, 2018 (a) Holdings had received a total of \$718.10 since the Petition Date and expended a total of \$180.00, and (b) International had received a total of \$1,481,795.25 since the Petition Date (mainly consisting of proceeds from the sale of SED-Columbia and collections on various accounts receivable and from litigation) had expended a total of \$329,053.43 (mainly for professional fees, rent, contract labor, insurance and US Trustee quarterly fees).

As of January 31, 2018, Holdings held cash in the amount of \$523.05, and International held cash in the amount of \$1,152,741.82. The Debtors may also have interests in various Causes of Action, including Avoidance Actions, that are discussed elsewhere in this Disclosure Statement. The Debtors cannot currently place a value on their interests in such Causes of Action.

ARTICLE III CLASSIFICATION OF CLAIMS AND INTERESTS

3.1 Introduction

The following is a summary of the Plan. This overview is qualified in its entirety by the actual provisions of the Plan. In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims are not classified under the Plan. All other Claims and Interests in the Case are classified as shown below. The Plan provides that holders of Allowed Claims in certain classes will be entitled to one or more Distribution of cash from the consolidated Debtors after the Effective Date. Notwithstanding any provision of the Plan, a Claim in a particular Class is entitled to receive Distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class, and only to the extent such Claim has not been paid, released, or otherwise satisfied prior to the Effective Date.

3.2 Classifications

The Plan divides all classified Claims and Interests into the following Classes, which shall be mutually exclusive.

- Class 1: Class 1 consists of all Priority Claims.
- Class 2: Class 2 consists of all Secured Claims.
- Class 3: Class 3 consists of all Unsecured Claims not included in Class 4.
- Class 4: Class 4 consists of all Convenience Class Claims.
- Class 5: Class 5 consists of all Equity Interests in the Debtors.

ARTICLE IV DESCRIPTION OF CLAIMS AND TREATMENT UNDER THE PLAN

Claims and Interests, as well as their treatment and an analysis of whether they are classified or unclassified and impaired or unimpaired, are described as follows:

4.1 Unclassified Claims

(a) Nonclassification

In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Expenses and Priority Tax Claims have not been classified in the Plan. The treatment accorded to Administrative Expenses and Priority Tax Claims is set forth in Article II of the Plan.

(b) Administrative Expenses

On or before 30 days after the Effective Date or as soon thereafter as reasonably practicable in the Liquidating Agent's sole discretion, or within five business days following the date of entry of a Final Order allowing a particular Administrative Expense Claim, each Holder of an Allowed Administrative Expense Claim shall be paid by the Liquidating Agent in full, in cash in an amount

equal to the Allowed Amount of its Administrative Expense Claim, in accordance with Section 1129(a)(9)(A) of the Bankruptcy Code. Notwithstanding the foregoing, each Holder of an Allowed Administrative Expense Claim may be paid (a) on such other terms as may be agreed upon by the Holder of such Allowed Administrative Expense Claim and the Liquidating Agent or (b) as otherwise ordered by a Final Order of the Bankruptcy Court.

(c) Fees and Charges

All fees and charges assessed against the Estate under Chapter 123 of Title 28, United States Code, 28 U.S.C. §§1911-1930, which are incurred but unpaid for all periods through the Effective Date, will be paid on the Effective Date by the Debtors or the Liquidating Agent.

(d) Applications for Allowance of Administrative Expenses

All Holders of Administrative Expense Claims (other than Claims pursuant to 11 U.S.C. § 503(b)(9)) that do not file an application or other Bankruptcy Court-approved pleading on or before the date which is thirty (30) days after the Effective Date (unless such date is extended by the Court) will be forever barred from asserting such Administrative Expense Claims against the Debtors, their Estates, or the Liquidating Agent. Claims arising under 11 U.S.C. 503(b)(9) were required to have been filed by the Bar Date of July 21, 2017.

(e) Priority Tax Claims

The Liquidating Agent will pay all Allowed Priority Tax Claims in Cash in full on or before 30 days after the Effective Date or as soon thereafter as is reasonably practicable. To the extent that any Allowed Priority Tax Claim is Allowed after the Effective Date, it will be paid in full in Cash within five days of entry of a Final Order allowing such Priority Tax Claim or as soon thereafter as is reasonably practicable.

4.2 Unimpaired Classes of Claims and Interests

The following classes of Claims are unimpaired under the Plan; therefore, under 11 U.S.C. § 1126(f), they will be conclusively presumed to have accepted the Plan.

(a) Class 1 - Priority Claims

Class 1 consists of all Priority Claims. On or before 30 days after the Effective Date or as soon thereafter as reasonably practicable in the Liquidating Agent's sole discretion, each holder of an Allowed Priority Claim shall be paid in full, in Cash or upon such other terms as may be agreed to between the Liquidating Agent and a Holder of an Allowed Priority Claim. Class 1 is unimpaired by the Plan. Holders of Claims in Class 1 are deemed to have accepted the Plan and are therefore not entitled to vote to accept or reject the Plan.

(b) Class 2 - Secured Claims

Class 2 consists of all Secured Claims. On or before 30 days after the Effective Date or as soon thereafter as reasonably practicable in the Liquidating Agent's sole discretion, each Allowed Secured Claim shall be satisfied, at the Liquidating Agent's option, as follows (i) by the transfer, assignment and conveyance by the Liquidating Agent of the collateral securing such Allowed Secured Claim to the holder of such Allowed Secured Claim in full and final satisfaction of such Allowed Secured Claim, (ii) by the sale of the collateral securing such Allowed Secured Claim, following Designated Notice, and the payment by the Liquidating Agent to the Holder of such Allowed Secured Claim the net sale proceeds in an amount equal to the value of such Holder's interest in the collateral in full and final satisfaction of such Allowed Secured Claim, or (iii) by payment of Cash to the Holder of such Allowed Secured Claim in an amount equal to the value of such holder's interest in the collateral securing the Allowed Secured Claim. Class 2 is unimpaired under the Plan. Holders of Claims in Class 2 are deemed to have accepted the Plan and are therefore not entitled to vote to accept or reject the Plan.

4.3 Impaired Classes of Claims

The following classes of Claims and Equity Interests are impaired under the Plan. Holders of Claims in Classes 3 and 4 are entitled to vote to accept or reject the Plan. Equity Interests in Class 5 are deemed not to have accepted the Plan.

(a) Class 3- Unsecured Claims

Class 3 consists of all Unsecured Claims. On or before 30 days after the Effective Date or as soon thereafter as is reasonably practicable in the Liquidating Agent's sole discretion, the Liquidating Agent shall make a pro-rata Distribution to the Holders of Allowed Unsecured Claims of any Liquidation Proceeds (less any Retained Proceeds) that remain after the payment and satisfaction of Allowed Claims in Classes 1, 2 and 4. On each Distribution Date or as soon thereafter as is reasonably practicable, the Liquidating Agent shall continue to make pro-rata Distributions to the Holders of Allowed Class 3 Claims of any available Liquidation Proceeds (less any Retained Proceeds) that remain (after the payment and satisfaction of any remaining unpaid Allowed Claims in Classes 1, 2 and 4), until the earlier of the date on which all Liquidation Proceeds have been distributed or all Allowed Unsecured Claims have been paid in full. Class 3 is Impaired by the Plan. Each Holder of an Allowed Class 3 Unsecured Claim is entitled to vote to accept or reject the Plan.

(b) Class 4 - Convenience Class Claims

Class 4 consists of all Claims that would otherwise be Unsecured Claims equal to or less than five thousand dollars (\$5,000.00) and all Unsecured Claims that exceed five thousand dollars (\$5,000.00) whose Holders have elected voluntarily to reduce their Claims to [five thousand dollars (\$5,000.00)], waive and release any excess amount or remaining Claims against the Debtors, their Estates, and the Liquidating Agent and participate in Class 4. On or before thirty days following the Effective Date or as soon thereafter as is reasonably practicable in the

Liquidating Agent's sole discretion, the Liquidating Agent shall make a one-time Distribution to each Holder of an Allowed Convenience Class Claim in an amount equal to five percent (5%) of such Holder's Allowed Convenience Class Claim in full and final satisfaction of such Allowed Claim. In the event Class 4 votes to reject the Plan, Class 4 will be eliminated and Holders of Claims that would otherwise be included in Class 4 will be treated as Holders of Unsecured Claims in Class 3. Class 4 is Impaired by the Plan. Each Holder of an Allowed Convenience Class Claim is entitled to vote to accept or reject the Plan.

(c) Class 5- Equity Interests

Class 5 consists of all Equity Interests in the Debtors. All Equity Interests shall be cancelled on the Effective Date; provided, however, that if any Assets remain following Distributions to Holders of all Allowed Claims in Classes 1 through 4, any remaining Assets shall be distributed Pro Rata to the Holders of Equity Interests as of the Effective Date. Holders of Equity Interests in Class 5 do not receive any Distributions or retain any property under the Plan on account of their Equity Interests. Accordingly, under the provisions of Section 1126(g) of the Bankruptcy Code, Class 5 is deemed not to have accepted the Plan and Holders of Equity Interests are not entitled to vote on the Plan.

**ARTICLE V
MEANS FOR EXECUTION OF THE PLAN**

5.1 Substantive Consolidation

As noted above, entry of the Confirmation Order shall constitute the approval, pursuant to Section 105(a) of the Bankruptcy Code, of the substantive consolidation as of the Effective Date of SED International Holdings, Inc. and SED International, Inc. and their Estates for all purposes related to Claims and distribution of assets under the Plan. Substantive consolidation is an equitable remedy that has the effect of creating "one common pool of assets, liabilities and a single body of creditors, while extinguishing the intercorporate liabilities of the consolidated estates." *White v. Creditors Serv. Corp. (In re Credit Serv. Corp.)*, 195 B.R. 680, 689 (Bankr. S.D. Ohio 1996); *In re Bonham*, 229 F.3d 750, 764 (9th Cir. 2000). Its primary purpose is to promote the equitable treatment of all creditors. *Eastgroup Props. v. Southern Motel Assoc., Ltd.*, 935 F.2d 245, 248 (11th Cir. 1991). The Debtors strongly believe that substantive consolidation of the Debtors and their respective bankruptcy estates as proposed under the Plan will reflect the economic reality of the Debtors' true operational and financial structure. Further, substantive consolidation will be fair and equitable for creditors because it avoids the burden and expense of requiring the Debtors to untangle the web of their respective businesses and operations. The applicable legal standard for substantive consolidation has been well defined by the courts.

To establish a *prima facie* case for substantive consolidation, a party must demonstrate that (i) there is a substantial identity between the entities to be consolidated; and (ii) consolidation is necessary to avoid some harm or to realize some benefit. *Eastgroup Props. v. Southern Motel Assocs. Ltd.*, 935 F.2d 245, 249 (11th Cir. 1991). Factors considered by courts to determine whether substantive consolidation is appropriate include:

- (i) presence or absence of consolidated financial statements;
- (ii) unity of interests and ownership between the various corporate entities;
- (iii) existence of parent and inter-corporate guarantees on loans;
- (iv) degree of difficulty in segregating and ascertaining individual assets and liabilities;
- (v) existence of transfers of assets without formal observance of corporate formalities;
- (vi) commingling of assets and business functions; and
- (vii) profitability of consolidation at a single physical location.

Id. See also Holywell Corp. v. Bank of New York, 59 B.R. 340, 347 (S.D. Fla. 1986). Once a *prima facie* case for substantive consolidation is made, a presumption arises that creditors have not relied solely upon the credit of individual debtor entities. The burden then shifts to an objecting creditor to show that: (i) it has relied on the separate credit of one of the entities to be consolidated; and (ii) it will be prejudiced by substantive consolidation. *Eastgroup*, 935 F.2d at 249. Even if the objecting creditor meets this burden, the Court may still order substantive consolidation if the benefits of such relief heavily outweigh the harm. *Id.*

The Debtors believe that substantive consolidation of the Debtors' separate Estates is warranted and appropriate in these cases because (i) there is a strong unity of interest and ownership between these Debtors because they were all controlled by the same group of officers, directors and members; (ii) the Debtors filed consolidated tax returns; (iii) as of the Petition Date, neither of the Debtors had any actual operations or employees, all operations at that time were conducted through a non-Debtor subsidiary which was sold during the Chapter 11 Cases; (iv) in reviewing the Proofs of Claim filed in these Cases, it appears that some of the Claims were or could be asserted against more than one of the Debtors; and (v) a failure to consolidate the cases might unfairly favor one group of similarly situated creditors over others.

Based on the foregoing, the Debtors believe that the facts of this case establish a *prima facie* case for substantive consolidation under the *Eastgroup* test. Indeed, the Debtors believe that substantive consolidation is the only way to deal fairly with creditors of these Debtors. For these reasons, substantive consolidation is both desirable and necessary. Substantive consolidation will also facilitate and expedite the administration of the Debtors' Estates by eliminating duplicative or inconsistent efforts on the part of the various estates with respect to claims administration and asset recovery.

5.2 Vesting of Assets into the Consolidated Debtors

On the Effective Date, the Assets of the Debtors and their Estates, including their interests in any Causes of Action, shall be vested or re-vested in the consolidated Debtors.

5.3 Appointment of Liquidating Agent

On the Effective Date, the Liquidating Agent shall be appointed to take control of the Assets, including the Causes of Action. As of the date of this Disclosure Statement, the Liquidating Agent is presumed to be Peter W. Colmer, who currently serves as Chief Administrative Officer of the Debtors. The Debtors will propose that Mr. Colmer's appointment as Liquidating Agent be approved by the Bankruptcy Court at the Confirmation Hearing.

5.4 Rights, Powers and Duties of the Liquidating Agent

The Liquidating Agent shall have the rights, powers and duties as set forth in the Plan and shall be a representative of the Estates as contemplated by Section 1123(b)(3)(B) of the Bankruptcy Code. In general, the Liquidating Agent is tasked with conducting the final liquidation of the Assets, pursuing any viable Causes of Action, including Avoidance Actions, reviewing and objecting to Claims as appropriate, winding up the Debtors' affairs, and distributing the Liquidation Proceeds to holders of Allowed Claims in accordance with the terms and condition of the Plan. Nothing in the Plan shall be construed to restrict or limit the ability or standing of the Liquidating Agent to assert any Causes of Action owned by the Debtors or the Estates. In connection with such Causes of Action, any attorney-client privilege, work-product privilege or protection, or other privilege or immunity attaching to any documents or communications thereto (whether written or oral) will continue to exist for the benefit of the Debtors and will vest in the Liquidating Agent and its representatives, and will also be preserved for and as to the Debtors. The Liquidating Agent will not be obligated to obtain a bond but may do so, in its sole discretion, in which case the expense incurred by such bonding will be paid by the Estates.

5.5 Administration of Claims

Subsequent to the Effective Date, the Liquidating Agent shall review the filed proofs of claim and audit these Claims with regard to (i) the supporting documents evidencing the Claims; (ii) the appropriateness of the characterization of each Claim; (iii) the amount of the Claim as set forth in the proof of claim; (iv) the extent to which the Debtors originally Scheduled the Claim as contingent, disputed or unliquidated; and (v) whether the proof of claim is otherwise valid, permissible, due and payable under the Bankruptcy Code and applicable state law. The Liquidating Agent may initiate, file and prosecute any and all actions deemed necessary and appropriate to dispute, disallow, object to or otherwise quantify the Claims against the Debtors and/or their Estate(s). The Liquidating Agent, shall take such actions as may be necessary regarding the administration, reconciliation and settlement of Claims until such time as the Liquidating Agent determines that further pursuit of litigation or actions relating to Claims is no longer cost effective and will be of no further benefit to the Creditors. **THE FAILURE TO OBJECT TO ANY CLAIM PRIOR TO THE COMMENCEMENT OF THE HEARING ON**

CONFIRMATION OF THE PLAN SHALL NOT BE DEEMED TO BE A WAIVER OF THE RIGHT TO OBJECT THEREAFTER TO SUCH CLAIM IN WHOLE OR IN PART FOR THE PURPOSE OF DISTRIBUTION.

**ARTICLE VI
PRESERVATION OF CAUSES OF ACTION**

6.1 Preservation of Causes of Action

All Causes of Action not expressly released or waived in the Plan or the Confirmation Order shall survive confirmation of the Plan. Potential Causes of Action which are being preserved under the Plan include, without limitation, any claims and causes of action, including any Avoidance Actions, against any Person or Entity that may have received payments or transfers from either of the Debtors prior to the Petition Date, including any payments or transfers that were listed in either of the Debtors' Statements of Financial Affairs in response to questions 3, 4, or 30.

6.2 Rights to All Causes of Action Vest in the Consolidated Debtors

Except as otherwise expressly provided in the Plan, any Causes of Action accruing to or held by the Debtors or their Estates prior to the Effective Date of the Plan, including, without limitation, any Avoidance Actions, shall vest or re-vest in, and become property of, the consolidated Debtors on the Effective Date. The Liquidating Trustee will have the right to pursue, settle or otherwise resolve any such Causes of Action as a representative of the Debtors and their Estates under such terms as he may deem appropriate, subject only to any approval as may be required by the Bankruptcy Court. The right of the Liquidating Agent to pursue any Cause of Action against any Person or Entity shall not be barred or limited by any equitable doctrine, including res judicata, judicial estoppel or equitable estoppel, that might otherwise be applicable due to the confirmation of the Plan.

**ARTICLE VII
PROCEDURES FOR RESOLVING DISPUTED CLAIMS**

7.1 Proofs of Claim Replace Scheduled Claims

If a Proof of Claim is filed by any Person or Entity asserting a Claim for the same obligation which had previously been listed for such Person or Entity by the Debtors on the Schedules, then the Scheduled Claim shall be deemed a Disallowed Claim without the need for the Debtors, the Liquidating Agent or any party in interest to file an objection to such Scheduled Claim. The Claim asserted in the Proof of Claim shall be deemed to replace such Scheduled Claim and shall ultimately become an Allowed Claim, a Disputed Claim or a Disallowed Claim pursuant to the procedures set forth in this Plan.

7.2 Objections to Claims

Prior to the Effective Date, any party in interest in these Cases may object to any Scheduled Claim or any Proof of Claim filed in the Cases. On and after the Effective Date, however, only

the Liquidating Agent shall have the right to object to any Claim. Any such objection must be filed by the Liquidating Agent within sixty (60) days after the Effective Date (the “**Claim Objection Deadline**”); provided, however that the Liquidating Agent shall have the right to seek extensions of the Claim Objection Deadline following Designated Notice. If a party in interest files a written objection with the Court with respect to any proposed extension of time and serves a copy of said objection upon the Liquidating Agent and his counsel within ten (10) days from the service of Designated Notice of the proposed extension, then the Court shall schedule a hearing with respect to said objection and the date of the Claims Objection Deadline shall be deemed extended through the conclusion of such hearing. If no objection is timely filed and served, the proposed extension is granted without further authorization. The failure to object to any Claim prior to the commencement of the hearing on Confirmation of the Plan shall not be deemed to be a waiver of the right to object thereafter to such Claim in whole or in part for the purpose of distribution.

7.3 Designation of Disputed Claims

Any Claim as to which an objection has been filed, or an adversary proceeding has been commenced against the Holder of such Claim, will constitute a Disputed Claim until it becomes either an Allowed Claim or a Disallowed Claim. In addition, at any time before the Claim Objection Deadline, the Liquidating Agent may designate any Claim to be a Disputed Claim if the Liquidating Agent has a good faith belief that he may file an objection to such Claim or commence an adversary proceeding against the Holder of such Claim by the Claims Objection Deadline; provided, however, that if the Liquidating Trustee does not file such an objection or commence such an adversary proceeding by the Claim Objection Deadline, then the Claim so designated as a Disputed Claim shall constitute an Allowed Claim unless otherwise disallowed by the provisions of this Plan or as ordered by the Bankruptcy Court.

7.4 No Distributions on Disputed Claims

Notwithstanding any other provisions of this Plan, no payments or distribution shall be made on account of a Disputed Claim until and unless such Claim becomes an Allowed Claim. In lieu of distributions under the Plan to holders of Disputed Claims, a Disputed Claims Reserve shall be maintained by the Liquidating Agent for payment of any Disputed Claim which becomes an Allowed Claim. Distributions on account of any Disputed Claim that has become an Allowed Claim shall be made within the time periods provided in this Plan, or as soon as is reasonably practicable following allowance of the Claim.

7.5 Settlements of Claims of Ten Thousand Dollars or Less

Subsequent to the Effective Date, the Liquidating Agent shall have the authority to settle and resolve a Disputed Claim that was originally asserted in an amount equal to or less than Ten Thousand Dollars (\$10,000.00) upon such terms and conditions as the Liquidating Agent deems appropriate and in the best interests of the Holders of Allowed Claims. Any such compromise and settlement shall be deemed final and binding upon all parties in interest in the Cases. The Liquidating Agent shall not have any obligation to provide notice to or file and serve pleadings

upon any such parties in interest, and shall not have any requirement to obtain Court approval, in connection with compromising these Claims.

7.6 Settlements of Claims of More than Ten Thousand Dollars

With respect to any Disputed Claim that was originally asserted in an amount that exceeds Ten Thousand Dollars (\$10,000.00), the Liquidating Agent shall have the authority to compromise and settle any such Claim on such terms as the Liquidating Agent deems appropriate and in the best interests of the Holders of Allowed Claims, subject to providing Designated Notice of any such proposed compromise and a reasonable opportunity to object thereto. If a party in interest files a written objection with the Court in the Cases with respect to any proposed compromise of any Disputed Claim, and serves a copy of said objection upon the Liquidating Agent and its counsel, within ten (10) days from the service of Designated Notice of the proposed compromise, then the Court shall schedule a hearing with respect to objection and/or the proposed compromise. If no objection is timely filed and served, the Liquidating Agent may compromise and settle any Disputed Claim without further authorization. The Liquidating Agent may file motions which seek to compromise more than one Claim.

ARTICLE VIII EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.1 Any Remaining Executory Contracts and Unexpired Leases Deemed Rejected

Any executory contract or unexpired lease to which the Debtors were a party that has not been assumed or rejected by the Debtors pursuant to a Final Order of the Court as of the Effective Date (unless a motion to assume or reject such executory contract or unexpired lease is pending as of the Effective Date) shall be deemed rejected by the Debtors on the Effective Date. Notwithstanding anything to the contrary in the Plan or this Disclosure Statement, all insurance policies in force as of the Effective Date shall remain in effect following the Effective Date unless and until rejected or terminated by separate motion or terminated in accordance with their terms.

8.2 Rejection Damage Claims

Claims arising from the rejection of any Executory Contracts or Unexpired Leases shall be filed within thirty (30) days following the rejection and shall be treated as Class 3 Claims to the extent Allowed. Any person seeking to assert such a Claim who fails to file a proof of claim within this thirty (30) day period shall be deemed to have waived said Claim, and it shall be forever barred from asserting a Claim based on such rejection.

ARTICLE IX DISTRIBUTION TO HOLDERS OF CLAIMS

9.1 Timing of Distributions

As soon as reasonably practicable following the Effective Date, as determined by the Liquidating Agent, or as otherwise provided in the Plan or ordered by the Bankruptcy Court, the

Liquidating Agent shall make Distributions from the Liquidation Proceeds to Holders of Allowed Claims in Classes 1 through 4, as and to the extent provided for herein or as ordered by the Court. The Liquidating Agent shall make any further Distributions out of the Liquidation Proceeds on any subsequent Distribution Dates as contemplated by and to the extent set forth in the Plan. The Liquidating Agent shall continue to make Distributions out of the Liquidation Proceeds up to and including the Consummation Date, on which date it will make the final Distribution under this Plan.

9.2 Addresses for Distributions

All Cash payments required to be made under the Plan will be sent to Holders of Allowed Claims at the addresses listed in the Debtors' Schedules or stated in any Proof of Claim filed by a Holder of an Allowed Claim or to such other address as the Holder shall provide in writing to the Liquidating Agent.

9.3 No Interest on Claims

Except as provided in a Final Order entered in this Case, no holder of any Unsecured Claim (except Priority Tax Claims) shall be entitled to interest accruing on or after the Petition Date on such Claim.

9.4 Other Provisions

Other provisions related to Distributions are set forth in the Plan, including the treatment of unclaimed Distributions, which shall eventually revert back to the Debtors to be either distributed to Holders of other Allowed Claims or donated to charity. Moreover, the Liquidating Agent is authorized to withhold until the final Distribution Date any interim Distributions to Holders of Allowed Claims that would result in cash payments to those Creditors of Twenty-Five Dollars (\$25.00) or less.

ARTICLE X CONDITIONS PRECEDENT TO EFFECTIVENESS OF PLAN

The Effective Date will not occur and the Plan will not be consummated until: (a) the Bankruptcy Court has entered the Confirmation Order on the Docket which is satisfactory in form and substance to the Debtors and the Liquidating Agent; (b) all actions, documents, and agreements necessary to implement the Plan will have been effected or executed and delivered, as required under the Plan; and (c) the Confirmation Order has become a Final Order, provided that the Debtors and the Liquidating Agent may agree to waive any one or more of these conditions other than the requirement that the Confirmation Order be a Final Order.

ARTICLE XI
VOTING ON THE PLAN AND THE CONFIRMATION PROCESS

11.1 Classes Entitled to Vote

Only a Holder of an Allowed Claim or Allowed Equity Interest classified in an Impaired Class is entitled to vote on the Plan. Under Section 1124 of the Bankruptcy Code, a Class of Claims or Equity Interests is “impaired” by the Plan if the legal, equitable or contractual rights attaching to the Claims or Equity Interests of that Class are modified. Modification for purposes of determining impairment, however, does not include the curing of defaults and the reinstating of maturity.

In order to have an Allowed Claim, a Claimant must have (1) timely filed a Proof of Claim or (2) been listed in the Schedules as having a Claim that is not contingent, unliquidated or disputed. If such a Claim was scheduled as contingent, unliquidated or disputed, and if Claimant does not file proof of such Claim on or before the Bar Date, or if such Claim is the subject of an objection or the Claimant was the subject of an adversary proceeding, Claimant does not have an Allowed Claim, cannot vote (unless such Claim was temporarily allowed for voting purposes by the Bankruptcy Court), and will not participate in any Distributions under the Plan until such time as the Claim becomes an Allowed Claim.

The Claims against and Equity Interests in the Debtors are divided by the Plan into Classes 1 through 5. The Claims in each of Classes 1 and 2 are unimpaired. Consequently, the Holders of such Claims and are conclusively presumed to have accepted the Plan and will not be entitled to vote on the Plan. The Claims in each of Classes 3 and 4 are impaired and may vote on the Plan. Holders of Equity Interests in Class 5 will not receive or retain any property or equity interest under the Plan on account of such Equity Interests, and, therefore, pursuant to Section 1126(g) of the Bankruptcy Code, Class 5 is deemed not to have accepted the Plan. Accordingly, Holders of Equity Interests in Class 5 are not being solicited for the votes.

11.2 Voting Instructions

Each Holder of an Allowed Claim or Equity Interest in a voting Class may cast its vote to accept or reject the Plan by completing, dating, signing and returning the Ballot accompanying this Disclosure Statement to:

Clerk, United States Bankruptcy Court
Northern District of Georgia
75 Ted Turner Drive
Suite 1340
Atlanta, GA 30303

With a copy to:

J. Hayden Kepner, Jr.
Scroggins & Williamson, P.C.
4401 Northside Parkway
Suite 450
Atlanta, Georgia 30327

Any Ballot received which does not indicate either an acceptance or rejection of the Plan shall be deemed to constitute an acceptance of the Plan. Ballots submitted by facsimile will not be accepted. A Ballot shall not constitute a Proof of Claim or Proof of Interest or an amendment to a Proof of Claim or Proof of Interest.

If a Creditor has a Claim in more than one Class under the Plan, that Creditor should receive a separate Ballot for each such claim. If Creditor needs additional Ballots, or believes it has a Claim that is in Class 3 or 4 and did not receive a Ballot, please contact the Debtors' counsel, J. Hayden Kepner, Jr., at the address set forth above, sufficiently in advance of the Voting Deadline to obtain the Ballot and return the Ballot before the Voting Deadline.

11.3 Requirements of Confirmation

The Bankruptcy Court will confirm the Plan only if it determines that all of the requirements of the Bankruptcy Code have been met. The Bankruptcy Code requires, among other things, that (i) the Plan be accepted by at least one impaired Class, (ii) the Bankruptcy Court make a determination that the Plan is in the "best interests" of all Holders of Claims and Interests (that is, dissenting Creditors and Interest Holders will receive at least as much under the Plan as they would receive in a liquidation under Chapter 7 of the Bankruptcy Code), (iii) the Bankruptcy Court make a determination that the Plan is feasible, and (iv) the Plan has classified Claims and Interests in a permissible manner. In order to confirm the Plan, the Bankruptcy Court must find that all of these and certain other requirements have been met. Thus, even if the requisite vote is achieved for each impaired Class, the Bankruptcy Court must make independent findings regarding the Plan's conformity with these requirements of the Bankruptcy Code before it may confirm the Plan. Additionally, if the requisite vote will not be achieved for each impaired Class, the Bankruptcy Court must also make independent findings regarding the Plan's conformity with the requirements of Section 1129(b) of the Bankruptcy Code. The various statutory requirements are discussed below.

11.4 Acceptance by at Least One Impaired Class

In order for the Plan to be confirmed, the Plan must be accepted by at least one impaired Class that is entitled to vote on the Plan. A Class of Impaired Claims will have accepted the Plan if at least two-thirds in amount and more than one-half in number of the Claims actually voting in the Class have accepted it.

11.5 Best Interests Test

The Plan cannot be confirmed unless the Bankruptcy Court determines that the Plan is in the “best interests” of the Debtors’ Creditors and Interest Holders. The Plan will be deemed to have satisfied the “best interests” test if the Plan provides to each dissenting or nonvoting member of each impaired Class a recovery that has a value that is at least equal to the distribution that such member would receive if the assets of the Debtors were liquidated on the Effective Date in a hypothetical case under Chapter 7 of the Bankruptcy Code by a Chapter 7 trustee. If all members of an impaired Class of Claims or Equity Interest Holders vote to accept the Plan, the “best interests” test does not apply with respect to that Class.

In applying the “best interests” test, the Bankruptcy Court would ascertain the hypothetical recoveries in a Chapter 7 liquidation to the Debtors’ Creditors and Interest Holders. These hypothetical Chapter 7 liquidation recoveries would then be compared with the distributions offered to each impaired Class of Claims or Interests under the Plan in order to determine if the Plan satisfies the “best interests” test.

In applying the “best interests” test, it is likely that Claims and Interests in the Chapter 7 case would not be classified in the same manner that such Claims and Interests are classified under the Plan. In the absence of a contrary determination by the Bankruptcy Court, all pre-bankruptcy Unsecured Claims which have the same rights upon liquidation would be treated as one Class for the purposes of determining the potential distribution of the liquidation proceeds resulting from the Debtors’ Chapter 7 cases. The distributions from the liquidation proceeds would be calculated ratably according to the amount of the Claim held by each Creditor. The Debtors believe that the most likely outcome of liquidation proceedings under Chapter 7 would be the application of the rule of absolute priority of distributions. Under that rule, no junior Creditor receives any distribution until the Allowed Claims of all senior Creditors are paid in full, and no Equity Interest Holder receives any distribution until the Allowed Claims of all Creditors are paid in full.

As discussed in more detail in Article XVI of this Disclosure Statement, the Debtors’ analysis indicates that confirmation of the Plan will provide each Creditor and Interest Holder holding a Claim or Interest in an impaired Class with a recovery that is at least equal to the recovery that such Creditor or Interest Holder would receive pursuant to a liquidation and distribution of the Assets under Chapter 7 of the Bankruptcy Code.

11.6 Feasibility of the Plan

In order for the Plan to be confirmed, the Bankruptcy Court must determine that the Plan is feasible; that is, as a practical matter, that the Debtors will be able to meet their obligations under the Plan on a timely basis and according to its terms. The Debtors believe that the Plan is feasible.

11.7 Classification of Claims

The Debtors believe that the Plan meets the classification requirements of the Bankruptcy Code, which require that a Plan of Reorganization place each Claim or Interest in a Class with other Claims or Interests that are “substantially similar.”

11.8 Additional Requirements of Section 1129(b) of the Bankruptcy Code

In the event the Plan does not satisfy the requirements of Section 1129(a) of the Bankruptcy Code, the Debtors will seek confirmation of the Plan pursuant to the so-called “cramdown” provisions of Section 1129(b) of the Bankruptcy Code. Pursuant to Section 1129(b), the Bankruptcy Court must determine whether the Plan is fair and equitable and does not discriminate unfairly against each impaired Class of Claims or Interests that has not accepted the Plan. The Plan will not discriminate unfairly if no Class receives more than it is legally entitled to receive for its Claims. “Fair and equitable” has different meanings for Secured Claims, Unsecured Claims and Equity Interests.

With respect to a Secured Claim, “fair and equitable” means either (i) the impaired Secured Creditor retains its liens to the extent of its Allowed Secured Claim and receives deferred Cash payments at least equal to the allowed amount of its Claim with a present value as of the Effective Date of the Plan at least equal to the value of its interest in the property securing its liens, (ii) if property subject to the lien of the impaired Secured Creditor is sold free and clear of its lien, the impaired Secured Creditor receives a lien attaching to the proceeds of the sale, or (iii) the impaired Secured Creditor realizes the “indubitable equivalent” of its Claim under the Plan. Under certain circumstances, a Secured Creditor is entitled under Section 1111(b) of the Bankruptcy Code to elect to have its entire Claim, including any deficiency, treated as a Secured Claim.

With respect to an Unsecured Claim, “fair and equitable” means either (i) the impaired Unsecured Creditor receives property of a value equal to the amount of its Allowed Claim, or (ii) the Holders of Claims or Interests that are junior to the Claims of the dissenting Class will not receive any property under the Plan.

With respect to a Class of Equity Interests, “fair and equitable” means either (i) each Holder of an Interest of such Class receives or retains on account of such Interest property with a value equal to the greater of the allowed amount of any fixed liquidation preference to which such Holder is entitled, any fixed redemption price to which such Holder is entitled or the value of such Interest, or (ii) the Holder of any Interest that is junior to the Interests of such Class will not receive or retain any property on account of such junior Interest.

The Debtors believe the Plan meets the fair and equitable test with respect to each Holder of an impaired Claim or Interest.

11.9 Objections to Confirmation

As will be set forth in the Order Conditionally Approving Disclosure Statement and Notice of Confirmation Hearing, any objections to confirmation of the Plan must be in writing, must set forth the objector’s standing to assert any such objection, and must be filed with the Bankruptcy Court and served on counsel for the Debtors. The Order Approving Disclosure Statement and Notice of Confirmation of Hearing will contain all relevant procedures relating to the submission of objections to confirmation and should be reviewed in its entirety by any party who has an objection to confirmation.

11.10 Confirmation of Plan Without Acceptance of All Impaired Classes

Even if one or more impaired Classes do not vote to accept the Plan, the Bankruptcy Court may, pursuant to Section 1129(b) of the Bankruptcy Code, confirm the Plan without the acceptance of all impaired Classes. Confirmation under Section 1129(b) requires that the Plan be fair and equitable with respect to each impaired Class of Claims that has not accepted the Plan. The Plan proponents reserve their right to seek Confirmation of the Plan under Section 1129(b) if one or more Classes of Impaired Claims does not accept or is deemed not to have accepted the Plan.

11.11 Hearing on Confirmation of the Plan

Section 1128 of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plan. At that time, the Debtors will present the results of the vote by each impaired Class of Creditors entitled to vote in favor of or in opposition to the Plan. The Bankruptcy Court will consider whether the requirements for confirmation of the Plan under the Bankruptcy Code have been satisfied, as well as any objections to the Plan that are timely filed. Any Creditor may object to the confirmation of the Plan, regardless of whether it is entitled to vote on the Plan.

ARTICLE XII MODIFICATIONS AND AMENDMENTS

The Debtors reserve the right to alter, amend or modify the Plan as contemplated by Section 1127 of the Bankruptcy Code. The Plan may be modified, before or after Confirmation, without notice or hearing, or on such notice and hearing as the Court deems appropriate, if the Court finds that the proposed modification does not materially and adversely affect the rights of any parties in interest that have not had notice and an opportunity to be heard with regard to the proposed modification. Without limiting the foregoing, the Plan otherwise may be modified after notice and hearing. In the event of any modification at or before Confirmation, any votes in favor of the Plan shall be deemed to be votes in favor of the Plan as modified, unless the Court finds that the proposed modification materially and adversely affects the rights of the parties in interest that cast said votes.

ARTICLE XIII TAX CONSEQUENCES

Tax consequences resulting from confirmation of the Plan can vary greatly among the various Classes of Creditors and Holders of Interests, or within each Class. Significant tax consequences may occur as a result of confirmation of the Plan under the United States Internal Revenue Code and pursuant to state, local, and foreign tax statutes. Because of the various tax issues involved, the differences in the nature of the Claims of various Creditors, the taxpayer status and methods of accounting and prior actions taken by Creditors with respect to their Claims, as well as the possibility that events subsequent to the date hereof could change the tax consequences, this discussion is intended to be general in nature only. No specific tax consequences to any Creditor or Holder of an Interest are represented, implied or warranted. Each Holder of a Claim

or Interest should seek professional tax advice, including the evaluation of recently enacted or pending legislation, because recent changes in taxation may be complex and lack authoritative interpretation.

THE PROPONENTS ASSUME NO RESPONSIBILITY FOR THE TAX EFFECT THAT CONSUMMATION OF THE PLAN WILL HAVE ON ANY GIVEN HOLDER OF A CLAIM OR INTEREST. HOLDERS OF CLAIMS OR INTERESTS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN TO THEIR INDIVIDUAL SITUATION.

The receipt by a Creditor or Interest Holder of cash or property in full or partial payment of its Claim or Interest may be a taxable event. To the extent that a portion of the cash or the fair market value of any property received is attributable to accrued and unpaid interest on a Claim being paid, a Creditor may recognize interest income. A Creditor or Interest Holder may also recognize gain or loss equal to the difference between the sum of the amount of cash received and the adjusted basis in the Claim or Interest for which the Holder receives amounts under the Plan. Such gain or loss may be treated as ordinary or capital depending upon whether the Claim or Interest is a capital asset.

ARTICLE XIV RETENTION OF JURISDICTION

The Bankruptcy Court shall retain jurisdiction, notwithstanding entry of the Confirmation Order and notwithstanding the occurrence of the Effective Date of the Plan, for the following purposes:

- (a) to enforce all causes of action which exist on behalf of the Debtors pursuant to the provisions of this Plan or applicable law;
- (b) to enter orders and injunctions and restraints to enforce the provisions of the Plan;
- (c) to determine claims asserted under Section 507(a)(2) of the Bankruptcy Code, including claims for compensation and reimbursement of expenses accruing prior to the Confirmation Date;
- (d) to determine any Disputed Claims or disputes concerning the validity of or the market value of any collateral underlying any Secured Claim;
- (e) to enter orders regarding interpretation of the Plan, or any document created in connection with the Plan, or any disputes with respect thereto;
- (f) to conduct hearings and to enter orders modifying the Plan as provided herein or in the Bankruptcy Code;

(g) to determine any and all applications, claims, adversary proceedings, and contested or litigated matters pending on the Confirmation Date;

(h) to determine any applications for rejection or assumption of executory contracts or leases, and to determine Claims resulting from rejection of executory contracts and leases;

(i) to allow or disallow, and estimate, liquidate, or determine any Claims against the Debtors arising on or before the Effective Date, including tax claims, but excluding any Claims deemed Allowed by this Plan, and to enter or enforce any order requiring the filing of any such Claim before a particular date; and

(j) to enter orders required for the administration of the Plan, including, but not limited to:

- (i) resolution of disputes pertaining to the amounts of payments under the Plan to Claimants;
- (ii) conducting post-confirmation valuation hearings as required by the Plan or authorized by the Bankruptcy Code; and
- (iii) exercising jurisdiction over any other matter provided for or consistent with the provisions of Chapter 11 of the Bankruptcy Code.

ARTICLE XV INJUNCTION

Pursuant to sections 105, 1123, 1129 and 1141 of the Bankruptcy Code, in order to preserve and implement the various transactions contemplated by and provided for in the Plan, as of the Effective Date through the Consummation Date, except as otherwise expressly provided in the Plan or in the Confirmation Order, all Persons or Entities that have held, currently hold or may hold a Claim, Debt, or Liability that is discharged or terminated pursuant to the terms of the Plan are and shall be enjoined and barred to the fullest extent permitted by law from taking any of the following actions on account of any such discharged or terminated Claims, Debts, or Liabilities, other than actions brought to enforce any rights or obligations under the Plan or the Plan Documents: (a) commencing or continuing in any manner any action or other proceeding against the Liquidating Agent, the Debtors, the Estates, Liquidating Agent, or the Assets; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Liquidating Agent, the Debtors, the Estates, or the Assets; (c) creating, perfecting or enforcing any Lien or encumbrance against the Debtors, the Estates, or the Assets; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtors or the Estates; (e) 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 or the Confirmation Order; or (f) interfering with or in any manner whatsoever disturbing the rights and remedies of the Debtors, the Estates or the Liquidating Agent under the Plan and the Plan Documents and the other documents executed in connection therewith. The Debtors and the Liquidating Agent Debtor shall have the right to independently seek enforcement of this general injunction provision. This

general injunction provision is an integral part of the Plan and is essential to its implementation. Notwithstanding anything to the contrary contained herein, the provisions of Article VII, Section 7.01 of the Plan shall not release, or be deemed a release of, any of the Causes of Action which are not expressly released in the Plan.

ARTICLE XVI LIMITATION OF LIABILITY

16.1 Exculpation from Liability.

The Liquidating Agent, the Debtors, and their current officers, directors, employees and professionals (collectively, the “**Exculpated Parties**”) shall neither have nor incur any liability whatsoever to any Person or Entity for any act taken or omitted to be taken in good faith in connection with or related to the formulation, preparation, dissemination, or confirmation of the Plan, the Disclosure Statement, any Plan Document, or any contract, instrument, release, or other agreement or document created or entered into, or any other act taken or omitted to be taken, in connection with the Plan or these Chapter 11 cases, in each case for the period on and after the Petition Date and through the Effective Date; provided, however, that this exculpation from liability provision shall not be applicable to any liability found by a court of competent jurisdiction to have resulted from fraud or the willful misconduct or gross negligence of any such party. The rights granted under Article VII, Section 7.02 of the Plan are cumulative with (and not restrictive of) any and all rights, remedies, and benefits that the Exculpated Parties have or obtain pursuant to any provision of the Bankruptcy Code or other applicable law. In furtherance of the foregoing, the Exculpated Parties shall have the fullest protection afforded under Section 1125(e) of the Bankruptcy Code and all applicable law from liability for violation of any applicable law, rule or regulation governing the solicitation of acceptance or rejection of a plan or the offer, issuance, sale or purchase of securities. This exculpation from liability provision is an integral part of the Plan and is essential to its implementation. Notwithstanding anything to the contrary contained herein, the provisions of Article VII, Section 7.02 of the Plan shall not release, or be deemed a release of, any of the Causes of Action.

16.2 Release.

On the Effective Date, the Exculpated Parties shall be unconditionally and are hereby deemed to be unconditionally released from any and all claims, obligations, suits, judgments, damages, losses, rights, remedies, causes of action, charges, costs, debts, indebtedness, or liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon any act or omission, transaction, event or other occurrence taking place between the Petition Date and the Effective Date, which is in any way relating to the Debtors, the Cases, any Assets of the Debtors, the business or operations of the Debtors, any Plan Documents, the Plan, or any of the transactions contemplated thereby; provided, however, that this release provision shall not be applicable to any liability found by a court of competent jurisdiction to have resulted from fraud or the willful misconduct or gross negligence of any such party. The Confirmation Order shall enjoin the prosecution by any Person or Entity, whether directly, derivatively or otherwise, of any such claim, obligation, suit, judgment, damage, loss, right, remedy, cause of action, charge, cost, debt, indebtedness, or liability which arose or accrued during such period

or was or could have been asserted against any of the Exculpated Parties, except as otherwise provided in the Plan or in the Confirmation Order. Each of the Exculpated Parties shall have the right to independently seek enforcement of this release provision. This release provision is an integral part of the Plan and is essential to its implementation. Notwithstanding anything to the contrary contained herein, the provisions of Article VII, Section 7.03 of the Plan shall not release, or be deemed a release of, any of the Causes of Action.

16.3 Barton Doctrine.

The “Barton Doctrine”, *e.g.* *Barton v. Barbour*, 104 U.S. 126, 26 L.Ed. 672 (1881) (Supreme Court held that a trustee cannot be sued without leave of the bankruptcy court), which prohibits a party from suing either a trustee, the officers of a debtor in possession, or their attorneys, in a non-appointing court for acts done in their official capacity, shall pertain to the provisions of Article VII of the Plan, and shall stand as one of the bases for enforcement of the provisions therein. *See, e.g., Carter v. Rodgers*, 220 F.3d 1249, 1252 (11th Cir. 2000) (“[j]oining the other circuits that have considered this issue, we hold that a debtor must obtain leave of the bankruptcy court before initiating an action in district court when that action is against the trustee or other bankruptcy-court-appointed officer, for acts done in the actor’s official capacity”); *Patco Energy Express v. Lambros*, 2009 U.S. App. LEXIS 25771 (11th Cir. 2009) (“[w]here a plaintiff neglects to obtain leave from the appointing court, a suit filed [against a bankruptcy trustee] in another court must be dismissed for lack of subject matter jurisdiction”); *In the Matter of Linton*, 136 F.3d 544, 545 (7th Cir. 1998); *In re DeLorean Motor Co.*, 991 F.2d 1236, 1240-41 (6th Cir. 1993) (“[i]t is well settled that leave of the appointing forum must be obtained by any party wishing to institute an action in a nonappointing forum against a trustee, for acts done in the trustee’s official capacity and within the trustee’s authority as an officer of the court counsel for trustee, court appointed officers who represent the estate, are the functional equivalent of a trustee”); *In re Balboa Improvements, Ltd.*, 99 B.R. 966, 970 (9th Cir. BAP 1989) (holding that permission to sue debtor’s attorney for alleged misconduct in the administration of an estate must be obtained from the bankruptcy court).

16.4 Continuation of Automatic Stay.

The automatic stay arising out of Section 362(a) of the Bankruptcy Code shall continue in full force and effect until the Consummation Date, and the Debtors, the Estates, and the Liquidating Agent shall be entitled to all of the protections afforded thereby. The Bankruptcy Court shall have the power to grant such additional and supplemental stays as may be necessary or appropriate to protect and preserve the Assets of the Debtors or to permit the just and orderly administration of the Assets by the Liquidating Agent.

ARTICLE XVII LIQUIDATION ALTERNATIVE UNDER CHAPTER 7

The Debtors have analyzed whether a liquidation of their remaining assets by a Chapter 7 Trustee who is unfamiliar with the Debtors, the Assets and the Claims would result in a higher return to the Holders of Allowed Claims than the liquidation that the Debtors have proposed in the Plan. Given that the Plan proposes a liquidation of the Assets, the potential prosecution of one or

more Causes of Action, the reconciliation of Claims, and the distribution of the Liquidating Proceeds by an experience professional who is already familiar with the Assets, potential Causes of Action and the Claims, the Debtors have concluded that a liquidation under Chapter 7 would likely result in a net return to creditors that is lower than the net return to Holders of Allowed claims that can realistically be realized through the Plan.

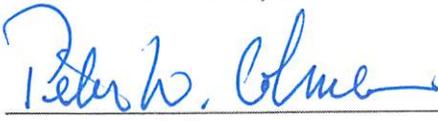
If these Cases are converted to cases under Chapter 7, a Chapter 7 Trustee would be appointed or elected to liquidate the remaining assets of the Debtors for distribution to Holders of Allowed Claims. A Chapter 7 Trustee would likely retain new attorneys, accountants and other professionals who are unfamiliar with the Assets, the Causes of Action and the Claims. Therefore, a Chapter 7 Trustee and its professionals would presumably incur substantial fees and expenses just getting up to speed, the payment of which would be entitled to a priority over unsecured creditors. For these and other reasons, the Debtors believe that the proposed liquidation of the Assets and distribution of the Liquidation Proceeds under the Plan provides for a greater and more certain return to Holders of Allowed Claims than would a liquidation under Chapter 7 of the Bankruptcy Code.

ARTICLE XVIII CONCLUSION

The Debtors urge all Holders of Claims to accept the Plan because they believe the Plan will provide each such Holder more than it would receive pursuant to any alternative plan of liquidation or under Chapter 7 of the Bankruptcy Code. Accordingly, the Debtors urge all Creditors in Classes eligible to vote on the Plan to submit Ballots in favor of the Plan.

This 19th day of March, 2018.

SED INTERNATIONAL HOLDINGS, INC. and
SED INTERNATIONAL, INC.

By: 
Peter W. Colmer
Chief Administrative Officer

/s/ J. Hayden Kepner, Jr.

J. ROBERT WILLIAMSON

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*Counsel for SED International Holdings, Inc. and
SED International, Inc.*

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

IN RE:)	CHAPTER 11
)	
SED INTERNATIONAL HOLDINGS, INC., et al.,)	Jointly Administered Under
)	CASE NO. 16-53376-wlh
)	
Debtors.)	

DEBTORS' PLAN OF LIQUIDATION

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**ATTORNEYS FOR SED INTERNATIONAL HOLDINGS, INC., AND SED
INTERNATIONAL, INC.**

DEBTORS AND DEBTORS-IN-POSSESSION

Dated: March 19, 2018

**NO MATERIALS OTHER THAN THE DISCLOSURE STATEMENT AND RELATED
MATERIALS APPROVED BY THE BANKRUPTCY COURT HAVE BEEN
AUTHORIZED FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THIS
PLAN.**

PURSUANT TO SECTION 1125 OF TITLE 11 OF THE UNITED STATES CODE, NOTHING CONTAINED IN THIS PLAN SHOULD BE CONSTRUED AS CONSTITUTING A SOLICITATION OF ACCEPTANCES OF THIS PLAN UNTIL SUCH TIME AS THE DISCLOSURE STATEMENT (AS DEFINED IN THIS PLAN) HAS BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF GEORGIA, ATLANTA DIVISION, AND DISTRIBUTED, WITH APPROPRIATE BALLOTS, TO ALL HOLDERS OF IMPAIRED CLAIMS AGAINST AND IMPAIRED INTERESTS IN THE DEBTORS ENTITLED TO VOTE ON THIS PLAN. THE PROPONENTS RESERVE THE RIGHT TO FILE AN AMENDED OR AMENDED AND RESTATED PLAN AND DISCLOSURE STATEMENT FROM TIME TO TIME. AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS PLAN AND THE DISCLOSURE STATEMENT WILL NOT BE CONSTRUED AS AN ADMISSION OR STIPULATION, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS.

DEBTORS' PLAN OF LIQUIDATION

SED International Holdings, Inc. and SED International, Inc, debtors and debtors-in-possession in the above-styled, jointly administered Chapter 11 cases (collectively, the “**Debtors**”), hereby propose the following Plan of Liquidation (the “**Plan**”). For a discussion of (a) the Debtors’ history, business, properties and other assets, and results of operations; (b) a summary of significant events which have occurred to date in these cases; (c) a summary of the means of funding the Plan; and (d) the procedures for voting on the Plan and certain related matters, all Holders of Claims should refer to Debtors’ Disclosure Statement to Accompany Debtors’ Plan of Liquidation filed on March 19, 2018 (the “**Disclosure Statement**”). The Debtors are proponents of the Plan within the meaning of Section 1129 of the Bankruptcy Code. All Holders of Claims against and Equity Interests in the Debtors entitled to vote on the Plan are encouraged to read the Plan and the Disclosure Statement in their entirety before voting to accept or reject the Plan.

No materials other than the Disclosure Statement and any exhibits and schedules attached to or referenced in the Disclosure Statement have been approved by the Bankruptcy Court or the Debtors for use in soliciting acceptances or rejections of the Plan.

ARTICLE I DEFINED TERMS

For purposes of this Plan, unless defined elsewhere herein, the following terms shall have the respective meanings ascribed to them below. Capitalized terms shall refer to the terms as defined in this Article. Unless otherwise indicated, the singular shall include the plural, the plural shall include the singular and the masculine shall include the feminine and the feminine shall include the masculine in gender. The term “including” shall mean “including, without limitation.” Any term in the Plan which is not defined below but which is used in the Bankruptcy Code, Title 11 U.S.C., shall have the meaning ascribed to it in the Bankruptcy Code.

1.01 “*Administrative Expense*” means—

(a) any cost or expense of administration of the Estates or the Cases that is allowable under Section 503(b) of the Bankruptcy Code, including, but not limited to, —

(1) any actual and necessary cost or expense of preserving the Estates or operating the business of the Debtors (including any fees and expenses of professionals or other persons allowable under sections 327, 328 or 330 of the Bankruptcy Code) incurred on or after the Petition Date;

(2) any Postpetition Trade Claim; and

(3) any payment required to be made to cure a default under an executory contract or unexpired lease assumed by either of the Debtors under either section 365(a) of the Bankruptcy Code or the provisions of this Plan.

1.02 “*Administrative Expense Claim*” means any Claim for the payment of an Administrative Expense. The terms “Administrative Expense(s)” and “Administrative Expense Claim(s)” may be used interchangeably in this Plan.

1.03 “*Administrative Expense Creditor*” shall mean the holder of an Administrative Expense Claim.

1.04 “*Administrative Expense Claim Bar Date*” means the last day for filing an application or other Bankruptcy Court-approved pleading for allowance and/or payment of an Administrative Expense Claim other than one that arises pursuant to 11 U.S.C. §503(b)(9). The Administrative Expense Claim Bar Date will be thirty (30) days after the Effective Date unless otherwise extended by Final Order of the Bankruptcy Court.

1.05 “*Affiliate*” has the meaning ascribed to such term in Section 101(2) of the Bankruptcy Code.

1.06 “*Allowed Amount*” means the dollar amount in which a Claim is an Allowed Claim.

1.07 “*Allowed Claim*” means a Claim or that portion of a Claim against one or more of the Debtors that is not a Disputed Claim or a Disallowed Claim and (a) as to which a Proof of Claim was filed with the Clerk’s Office on or before the Bar Date, or, by order of the Bankruptcy Court, was not required to be filed, or (b) as to which no Proof of Claim was filed with the Clerk’s Office on or before the Bar Date, but which has been or hereafter is listed by the Debtors in the Schedules as liquidated in amount and not disputed or contingent, and, in the case of subparagraph (a) or (b) above, as to which either (x) no objection to the allowance thereof has been filed within the time allowed for the making of objections as fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court, or (y) any objection made has been determined and the Claim has been allowed by a Final Order (but only to the extent so allowed). The term “Allowed Claim” will also include any undisputed Post-Petition Trade Claim to the extent it has not been paid in full by the Effective Date and any Claim allowed by the Bankruptcy Court (a) in connection with any contract, instrument, or other agreement or document entered into by the Debtors or the Liquidating Agent in connection with the Plan; (b) in a Final Order; or (c) pursuant to the terms of the Plan. “Allowed,” when used as an adjective herein (such as Allowed Administrative Expense Claim, Allowed Priority Tax Claim, Allowed Priority Claim, Allowed Secured Claim, and Allowed Unsecured Claim) has a corresponding meaning. Notwithstanding any other provision of the Plan, the term “Allowed Claim” shall not include any Claim held by a creditor against which the Debtors have asserted a Cause of Action that has the effect of precluding a Distribution with respect to such Claim. An Allowed Claim shall not include any interest accrued after the Petition Date (on any Claim other than as provided in the Bankruptcy Code) or any penalty. To the extent that a Holder of an Allowed Claim receives a payment on such Claim from a source other than the Liquidating Agent, the amount of such Allowed Claim shall be reduced by the amount of such payment.

1.08 “*Allowed Class ... Claim*” means an Allowed Claim in the particular Class(es) or categories described.

1.09 “*Assets*” or “*Property*” shall mean all property of the Estates as defined in Section 541 of the Bankruptcy Code, including without limitation all rights, title, and interest in and to any Avoidance Actions or other Causes of Action that the Debtors, the Estates or the Liquidating Agent (acting in such capacity) may have as of the Effective Date or anytime thereafter.

1.10 “*Avoidance Actions*” shall mean any actions, causes of action, Claims, demands, suits, or rights, created or arising in favor of the Debtors, the Estates or the Liquidating Agent (acting in such capacity) under the Bankruptcy Code, including all Claims, rights and causes of action arising under Section 510 or under any of Sections 542 through 553 of the Bankruptcy Code, in each case regardless of whether such actions, causes of action, Claims, demands, suits or rights are commenced prior to or after the Effective Date.

1.11 “*Ballot*” means the ballot accompanying the Disclosure Statement upon which Holders of Claims or Interests In Impaired Classes entitled to vote on the Plan will indicate their acceptance or rejection of the Plan in accordance with the Voting Instructions.

1.12 “*Ballot Date*” shall mean the date set by the Bankruptcy Court for receipt of Ballots indicating acceptance or rejection of this Plan.

1.13 “*Bankruptcy Cases,*” or “*Cases*” shall mean the Debtors’ jointly administered Chapter 11 cases currently pending before the Bankruptcy Court under Case No. 16-53376-wlh, and including as such may be substantively consolidated under the Plan.

1.14 “*Bankruptcy Code*” or “*Code*” means Title 11 of the United States Code (11 U.S.C. §§101 *et seq.*), as in effect on the Petition Date, together with all amendments and modifications to the Code that were subsequently made applicable to the Cases.

1.15 “*Bankruptcy Counsel*” means Scroggins & Williamson, P.C., in its Bankruptcy Court-approved capacity as Chapter 11 bankruptcy counsel to the Debtors.

1.16 “*Bankruptcy Court*” or “*Court*” means the United States Bankruptcy Court for the Northern District of Georgia, Atlanta Division, or, as the context requires, any other court of competent jurisdiction exercising jurisdiction over these Cases.

1.17 “*Bankruptcy Rules*” means the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court (N.D. Ga. L.B.R.), as in effect on the Petition Date, together with all amendments and modifications to the Bankruptcy Rules that were subsequently made applicable to the Cases.

1.18 “*Bar Date*” means 5:00 p.m. (Eastern) on July 21, 2017, the last date for the filing of Proofs of Claim and requests for payment of Administrative Expenses arising under 11 U.S.C. §503(b)(9) against either of the Debtors.

1.19 “Business Day” means any day other than a Saturday, Sunday, or “legal holiday” (as “legal holiday” is defined in Bankruptcy Rule 9006(a)) that commercial banks are open for business in Atlanta, Georgia.

1.20 “Cash” means legal tender of the United States of America. When used in the Plan with respect to a distribution under the Plan, the term “Cash” means lawful currency of the United States of America, a certified check, a Cashier’s check, a wire transfer of immediately available funds from any source, or a check from the Debtors drawn on a domestic bank.

1.21 “Causes of Action” means any and all of the Estates’ and the Debtors’ rights and interests in any actions, Claims, demands, rights, defenses, counterclaims, suits, causes of action, liabilities, obligations, debts, judgments, remedies, damages, recoupments, cross-claims, counterclaims, third-party claims, indemnity claims, contribution claims, and any other claims, whether known or unknown, foreseen or unforeseen, direct or indirect/derivative, choate or inchoate in law, equity or otherwise, including all Avoidance Actions and rights to recover transfers voidable or recoverable under Sections 502, 542, 543, 544, 545, 547, 548, 549, 550, 551, and/or 553 of the Bankruptcy Code, and any and all other Claims or rights of any value whatsoever, at law or in equity, against any Person, Entity or other third party, including any and all Claims against any members, officers, directors, managers, employees, Equity Interest Holders or Creditors of the Debtors. A Cause of Action will not under any circumstances be waived as a result of the failure of the Debtors to describe such Cause of Action with specificity in the Plan or the Disclosure Statement. For the avoidance of doubt, Causes of Action shall include, but not be limited to, any actions to recover or avoid any payments and other transfers by the Debtors identified in the Schedules.

1.22 “Claim” has the meaning ascribed to such term in Section 101(5) of the Bankruptcy Code. Notwithstanding anything to the contrary contained in the Plan, when used in the Plan, the term “Claim” will be given the broadest possible meaning permitted by applicable law and will include all manner and type of claim, whenever and wherever such claim may arise.

1.23 “Claims Litigation” shall mean any and all litigation or proceedings arising out of objections to Claims asserted against the Estate(s), or affirmative counterclaims or requests for setoff or recoupment that are raised with regard to Claims asserted against the Estate(s).

1.24 “Class” means a category of Claims or Equity Interests classified together as described in Article III of the Plan, pursuant to Section 1122(a) of the Bankruptcy Code.

1.25 “Clerk” means the Clerk of the Bankruptcy Court.

1.26 “Confirmation” or **“Confirmation of the Plan”** means the approval of the Plan by the Bankruptcy Court at the Confirmation Hearing.

1.27 “Confirmation Date” means the date on which the Confirmation Order is entered on the Docket pursuant to Bankruptcy Rule 5003(a).

1.28 “Confirmation Hearing” means the hearing(s) held by the Bankruptcy Court pursuant to Section 1128(a) of the Bankruptcy Code to consider confirmation of the Plan pursuant to Section 1129 of the Bankruptcy Code, as such hearing may be continued from time to time.

1.29 “Confirmation Order” means the final order entered by the Bankruptcy Court in the Cases confirming the Plan pursuant to Section 1129 and other applicable sections of the Bankruptcy Code, which order will be in form and substance reasonably satisfactory to the Debtors, and will include any amendments, supplements or modifications thereto made with the consent of the Debtors, or as determined by the Bankruptcy Court.

1.30 “Consummation Date” shall mean the date on which the Liquidating Agent make the final Distribution in accordance with the Plan.

1.31 “Contingent” with reference to a Claim, shall mean a Claim that has not accrued and that is dependent on a future event that may or may not occur.

1.32 “Convenience Class Claim” means any Claim that would otherwise be (a) an Unsecured Claim equal to or less than five thousand dollars (\$5,000.00), or (b) an Unsecured Claim that exceeds five thousand dollars (\$5,000.00) and whose Holder has elected to voluntarily to reduce the Allowed Amount of such Claim to five thousand dollars (\$5,000.00), waive and release any excess amount of such Claim and any remaining Claims against the Debtors, their Estates, and the Liquidating Agent, and participate in Class 4.

1.33 “Creditor” or “Claimant” means any Holder of a Claim, including Creditors with Administrative Expense Claims, Priority Tax Claims, Priority Claims, Secured Claims, Unsecured Claims, and any other Claims classified in the Plan.

1.34 “Debt” has the meaning ascribed to such term in Section 101(12) of the Bankruptcy Code.

1.35 “Debtors,” or “Debtors in Possession” means collectively, SED International Holdings, Inc. and SED International, Inc.

1.36 “Designated Notice” means notice and an opportunity for a hearing as defined in Section 102(a) of the Bankruptcy Code, with notice limited to the Liquidating Agent, the United States Trustee, or their respective counsel, and other parties in interest who, after entry of the Confirmation Order, file a request for such notice with the clerk of the Bankruptcy Court and serve a copy of such notice on counsel to the Debtors and counsel to the Liquidating Agent.

1.37 “Disallowed Claim” shall mean: (a) a Claim, or any portion thereof, that has been disallowed by a Final Order of the Bankruptcy Court or otherwise in accordance with the Plan; (b) a Claim that has been listed in the Schedules in the amount of zero dollars or an unknown amount or as contingent, disputed or unliquidated, and as to which no Proof of Claim has been timely filed with the Clerk (or as otherwise directed by Final Order) or deemed timely filed with the Bankruptcy Court pursuant to the Bankruptcy Code, any Final Order of the Bankruptcy Court or other applicable law; or (c) a Claim that has not been listed in the Schedules and as to which no

Proof of Claim has been timely filed or deemed timely filed with the Bankruptcy Court pursuant to the Bankruptcy Code, any Final Order of the Bankruptcy Court or other applicable law.

1.38 “Disclosure Statement” means the Disclosure Statement to accompany the Plan, including all attached exhibits, appendices, and schedules, as submitted and filed by the Debtors pursuant to Section 1125 of the Bankruptcy Code in respect of the Cases and approved by the Bankruptcy Court as containing “adequate information” as that term is defined by Section 1125(a)(1) of the Bankruptcy Code, in the Disclosure Statement Approval Order, as such Disclosure Statement has been and may be amended, supplemented, modified, or amended and restated from time to time.

1.39 “Disclosure Statement Approval Order” means the Order Approving Disclosure Statement entered in the Cases.

1.40 “Disputed Claim” means any Claim (other than a Disallowed Claim) that has not been Allowed by a Final Order of the Bankruptcy Court as to which a Proof of Claim has been timely filed with the office of the Clerk (or as otherwise directed by a Final Order) or is deemed filed under applicable law or Final Order of the Bankruptcy Court or was listed on the Schedules as not being contingent, disputed or unliquidated, and (a) an objection or adversary proceeding has been timely filed by a party-in-interest with standing relating to such Claim or against the Holder of such Claim, and any such objection or adversary proceeding has not been withdrawn, overruled or denied by a Final Order of the Bankruptcy Court, or sustained by a Final Order of the Bankruptcy Court or a judgement entered against the Holder of the Claim, or (b) if no such objection or adversary proceeding has been filed, the Liquidating Agent has deemed such Claim to be a Disputed Claim with the good faith belief that the Liquidating Agent may file such an objection or adversary proceeding

1.41 “Distribution” shall mean Cash or any other Assets distributed under this Plan to the Holders of Allowed Claims.

1.42 “Distribution Date” shall mean any date on which the Liquidating Agent makes a Distribution under this Plan. The initial Distribution Date shall occur as described in Articles II and V of this Plan or soon as reasonably practicable following the Effective Date in the Liquidating Agent’s reasonable discretion. Any subsequent Distribution Dates shall occur if and when the Liquidating Agent determines, in his reasonable discretion, that sufficient Liquidation Proceeds exist to warrant a Distribution.

1.43 “Distribution Record Date” shall mean the date that is fifteen (15) calendar days prior to a Distribution Date.

1.44 “Docket” means the docket or dockets in the Cases maintained by the Clerk.

1.45 “Effective Date” means the first business day following thirty (30) days after the Confirmation Date, or such later date as the Bankruptcy Court approves if implementation of the Plan is stayed by order of a court of competent jurisdiction.

1.46 “*Entity*” has the meaning ascribed to such term in Section 101(15) of the Bankruptcy Code.

1.47 “*Equity Interests*” or “*Interests*” means any equity interest of a member and/or shareholder in one or more of the Debtors.

1.48 “*Estates*” means collectively, the estates created for the Debtors under Section 541 of the Bankruptcy Code upon the commencement of the Cases, as may be substantively consolidated under the Plan.

1.49 “*Final Decree*” means the Final Order of the Bankruptcy Court entered pursuant to Bankruptcy Rule 3022 closing the Cases.

1.50 “*Final Order*” means—

(a) an order, judgment, ruling, or other decree (or any revision, modification, or amendment thereto) issued and entered by the Bankruptcy Court or by any state or other federal court that has jurisdiction over any proceeding in connection with the Cases for the purpose of such proceeding, which order, judgment, ruling, or other decree has not been reversed, vacated, stayed, modified, or amended and as to which:

(1) no appeal, petition for review, reargument, rehearing, reconsideration, or certiorari has been taken and is pending and the time for the filing of such appeal, petition for review, reargument, rehearing, reconsideration, or certiorari has expired, or

(2) such appeal or petition has been heard and dismissed or resolved and the time to further appeal or petition has expired with no further appeal or petition pending; or

(b) a stipulation or other agreement entered into which has the effect of any such order, judgment, ruling, or other decree with like finality.

1.51 “*Governmental Authority*” means any agency, board, bureau, executive, court, commission, department, legislature, tribunal, instrumentality, or administration of the United States, a foreign country, or any state, or any provincial, territorial, municipal, state, local, or other governmental Entity in the United States of America or a foreign country.

1.52 “*Holder*” means:

(a) as to any Claim:

(1) the owner or holder of such Claim as such is reflected on the Proof of Claim filed with respect to such Claim;

(2) if no Proof of Claim has been filed with respect to such Claim, the owner or holder of such Claim as shown on the Schedules or books and records of the Debtors or as otherwise determined by order of the Bankruptcy Court; or

(3) if the owner or holder of such Claim has transferred the Claim to a third party, advised the Debtors in writing of such transfer and transferee, and filed notice of the transfer and transferee with the Clerk of the Bankruptcy Court as required by Bankruptcy Rule 3001(e); and

(b) as to any Equity Interest, any owner or holder of an Equity Interest as of the Confirmation Date.

1.53 “Impaired” means, when used with reference to a Class, Claim or Equity Interest, that such Class, Claim or Equity Interest is impaired within the meaning of Section 1124 of the Bankruptcy Code.

1.54 “Liabilities” means any and all liabilities, obligations, judgments, damages, charges, costs, Debts, and indebtedness of any and every kind and nature whatsoever, whether heretofore, now, or hereafter owing, arising, due, or payable, direct or indirect, absolute or contingent, liquidated or unliquidated, known or unknown, foreseen or unforeseen, matured or unmatured, in law, equity or otherwise, based in whole or in part upon any act or omission, transaction, event or other occurrence taking place prior to the Effective Date in any way relating to the Debtors or any predecessor, successor, or assign thereof, the Assets, the business or operations of the Debtors, the Cases, or the Plan, including any and all liabilities, obligations, judgments, damages, charges, costs, Debts, and indebtedness based in whole or in part upon any Claim of or relating to successor liability, transferee liability, or other similar theory.

1.55 “Lien” has the meaning ascribed to it in section 101(37) of the Bankruptcy Code and, with respect to any Asset, includes any mortgage, pledge, security interest, lien, right of first refusal, option, or other right to acquire, assignment, charge, claim, easement, conditional sale agreement, title retention agreement, defect in title, or other encumbrance or hypothecation or restriction of any nature pertaining to or affecting such Asset, whether voluntary or involuntary and whether arising by law, contract, or otherwise. Any lien avoided in accordance with Sections 544, 545, 547, 548, or 549 of the Bankruptcy Code shall not constitute a Lien.

1.56 “Liquidating Agent” means Peter W. Colmer. Confirmation of the Plan shall constitute the approval of the Liquidating Agent as a professional person pursuant to the applicable provisions of the Bankruptcy Code. The Liquidating Agent shall conduct the final liquidation of the Assets and distribution of the Liquidation Proceeds and the wind-up of the Debtors’ affairs in accordance with the terms and conditions of this Plan.

1.57 “Liquidation Proceeds” means any Cash received or generated by the Liquidating Agent (acting in such capacity) from any source, including Cash generated by (a) the collection of outstanding accounts receivable, (b) the sale or other disposition of the Assets, and (c) the prosecution or settlement of the Causes of Action.

1.58 “*Person*” means any person, individual, corporation, association, partnership, limited liability company, joint venture, trust, organization, business, government, governmental agency, or political subdivision thereof, or any other entity or institution of any type whatsoever, including any “person” as such term is defined in Section 101(41) of the Bankruptcy Code.

1.59 “*Petition Date*” means September 9, 2016 for SED International, Inc. and February 24, 2016 for SED International Holdings, Inc.

1.60 “*Plan,*” “*the Plan,*” or “*this Plan*” means this Debtors’ Plan of Liquidation proposed by the Debtors, dated March 19, 2018 (together with all Exhibits to the Plan), as the Plan may be amended, supplemented, modified, or amended and restated from time to time in accordance with the provisions of the Plan and the Bankruptcy Code.

1.61 “*Plan Documents*” means all documents that aid in effectuating the Plan, including, without limitation, all documents filed with the Bankruptcy Court at or before the Confirmation Hearing, and including the Confirmation Order.

1.62 “*Postconfirmation*” means arising or accruing on or after the Confirmation Date.

1.63 “*Postpetition*” means arising or accruing on or after the Petition Date and before the Effective Date.

1.64 “*Postpetition Trade Claim*” shall mean any obligations incurred Postpetition in the ordinary course of business of the Debtors (such as trade and vendor Claims), on ordinary course business terms, and which are unrelated to the administration of the bankruptcy estate, exclusive of any obligations to employees of the Debtors.

1.65 “*Prepetition*” means arising or accruing prior to the Petition Date.

1.66 “*Priority Claim*” means a Claim that is entitled to a priority in payment pursuant to subparagraphs (3) through (7) or subparagraph (9) of Section 507(a) of the Bankruptcy Code and that is not an Administrative Expense Claim, Priority Tax Claim, Secured Claim, or Unsecured Claim.

1.67 “*Priority Creditor*” shall mean the holder of a Priority Claim.

1.68 “*Priority Tax Claim*” means a Claim of a Governmental Unit that is entitled to a priority in payment pursuant to Section 507(a)(8) of the Bankruptcy Code and that is not an Administrative Expense, Secured Claim, or Unsecured Claim.

1.69 “*Proponents*” mean the Debtors as the proponents of the Plan within the meaning of Section 1129 of the Bankruptcy Code.

1.70 “*Pro Rata*” means, with respect to any Distribution to the Holder of an Allowed Claim in a particular Class or otherwise, a fraction, the numerator of which will be the amount of

such Holder's Allowed Claim and the denominator of which will be the sum of all Allowed Claims and all Disputed Claims in such Class and, if applicable, other Classes.

1.71 "Professional" means any professional person or firm (a) employed in the Cases with the approval of the Bankruptcy Court pursuant to sections 327, 328 or 1103 of the Bankruptcy Code, or (b) employed by the Liquidating Agent, pursuant to this Plan.

1.72 "Proof of Claim" means a proof of claim filed with the Bankruptcy Court in these Cases pursuant to Bankruptcy Rules 3001, 3002, or 3003 in accordance with various orders of the Bankruptcy Court.

1.73 "Reserve" or "Disputed Claim Reserve" shall mean the amount of Cash held by the Debtors and/or the Liquidating Agent, as applicable, following the Effective Date in reserve for amounts that are or are expected to become due and owing by the Debtors, as applicable, on or following the Effective Date, including without limitation amounts that may become payable, on account of Disputed Claims.

1.74 "Retained Proceeds" means, the Disputed Claims Reserve plus a portion of the Cash in the Debtors' bank account(s), as determined by the Liquidating Agent in his reasonable discretion, that shall be retained in the Debtors' bank account as a reserve fund to cover, among other things, (a) Pro Rata payments to holders of Disputed Claims that are not Allowed Claims on the Effective Date or any applicable Distribution Date (assuming each Disputed Claim will be allowed in the amount asserted by the Holder of such Disputed Claim or as otherwise directed by Final Order); and (b) expenses accruing after the Effective Date, including, without limitation, tax obligations, professional fees, Liquidating Agent fees, and other reasonable and necessary costs and expenses related to administering the Debtors, the Assets and/or the Cases after the Effective Date. On the Consummation Date, any remaining Retained Proceeds shall be used to make the final Distribution under the Plan.

1.75 "Scheduled" means, with respect to any Claim or Interest, the status and amount, if any, of such Claim or Interest, as set forth in the Debtors' Schedules.

1.76 "Schedules" means, collectively, the schedules and statements of financial affairs filed by the Debtors in the Cases on or about October 14, 2016, pursuant to Section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as amended or supplemented from time to time.

1.77 "Secured Claim" means any Claim that is—

(a) secured in whole or in part, as of the Petition Date, by a Lien which is valid, perfected and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code or applicable nonbankruptcy law; or

(b) subject to setoff under Section 553 of the Bankruptcy Code;

but, with respect to both paragraphs (a) and (b) of this section, only to the extent of the Estates' interest in the value of the Assets securing any such Claim or the amount subject to setoff, as the

case may be. Except as otherwise provided in the Plan, if the value of a Creditor's interest in the Estates' interest in the Assets securing such Claim or the amount subject to setoff is less than the amount of the Allowed Claim, the resulting deficiency constitutes an Unsecured Claim, which Claim shall be treated as set forth in Article V of the Plan.

1.78 *"Secured Creditor"* means any Creditor holding a Secured Claim.

1.79 *"Subordinated Claims"* means Claims against the Debtors that are subordinated pursuant to section 510(b) or 510(c) of the Bankruptcy Code.

1.80 *"Taxes"* means all (i) federal, state, local or foreign taxes, including, without limitation, all net income, alternative minimum, net worth or gross receipts, sales, capital, value added, profits and estimated taxes and (ii) interest, penalties, fines, additions to tax or additional amounts imposed by any Governmental Authority or paid in connection with any item described in clause (i) hereof.

1.81 *"Unclaimed Property"* means any funds payable to Holders of Allowed Claims which are unclaimed by such Holders, including checks (and the funds represented thereby) which (a) have been returned as undeliverable without a proper forwarding address, (b) have not been presented and paid within ninety (90) days of their issuance, (c) were not mailed or delivered because of the absence of a proper address to mail or deliver such check, and/or (d) are not mailed due to the lack of required tax identification information, but only following at least one mailed request for this tax identification information.

1.82 *"Unimpaired"* means, with reference to a Class, Claim or Equity Interest, that such Class, Claim or Equity Interest is not impaired within the meaning of Section 1124 of the Bankruptcy Code.

1.83 *"United States Trustee"* means the United States Trustee for Region 21, and the Office of the United States Trustee located in Atlanta, Georgia.

1.84 *"Unsecured Claim"* means any Claim that is not an Administrative Expense Claim, Priority Tax Claim, Priority Claim, Secured Claim, or Convenience Class Claim, including (a) any Claim arising from the rejection of an Executory Contract or Unexpired Lease under Section 365 of the Bankruptcy Code and (b) any portion of a Claim to the extent the value of the Holder's interest in the Estate's interest in the Assets securing such Claim is less than the amount of the Claim, or to the extent that the amount of the Claim subject to setoff is less than the amount of the Claim, as determined pursuant to Section 506(a) of the Bankruptcy Code.

1.85 *"Unsecured Creditor"* means any Creditor holding an Unsecured Claim.

1.86 *"Voting Deadline"* means the date established by the Bankruptcy Court for the filing of Ballots to accept or reject the Plan.

ARTICLE II
TREATMENT OF ADMINISTRATIVE
EXPENSES AND PRIORITY TAX CLAIMS

2.01 *Nonclassification.* In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims have not been classified in the Plan. The treatment accorded to Administrative Expense Claims and Priority Tax Claims is set forth in this Article II.

2.02 *Administrative Expense Claims.* On or before 30 days after the Effective Date or as soon thereafter as reasonably practicable in the Liquidating Agent's sole discretion, or within five business days following the date of entry of a Final Order allowing a particular Administrative Expense Claim, or as otherwise required by Section 1129(a)(9)(A) of the Bankruptcy Code, each Holder of an Allowed Administrative Expense Claim shall be paid by the Liquidating Agent in full, in Cash in an amount equal to the Allowed Amount of its Administrative Expense Claim. Notwithstanding the foregoing, each Holder of an Allowed Administrative Expense Claim may be paid (a) on such other terms as may be agreed upon by the Holder of such Allowed Administrative Expense Claim and the Liquidating Agent or (b) as otherwise ordered by a Final Order of the Bankruptcy Court.

2.03 *Fees and Charges.* All fees and charges assessed against the Estate under Chapter 123 of Title 28, United States Code, 28 U.S.C. §§1911-1930, which are incurred but unpaid for all periods through the Effective Date, will be paid on the Effective Date by the Debtors or the Liquidating Agent.

2.04 *Applications for Allowance of Administrative Expenses.* All Holders of Administrative Expense Claims (other than Claims pursuant to 11 U.S.C. § 503(b)(9)) that do not file an application or other Bankruptcy Court-approved pleading on or before the date which is thirty (30) days after the Effective Date (unless such date is extended by the Bankruptcy Court) will be forever barred from asserting such Administrative Expense Claim against the Debtors, their Estates or the Liquidating Agent. Claims arising under 11 U.S.C. § 503(b)(9) were required to have been filed by the Bar Date of July 21, 2017.

2.05 *Priority Tax Claims.* The Liquidating Agent will pay all Allowed Priority Tax Claims in Cash in full on or before 30 days after the Effective Date or as soon thereafter as is reasonably practicable. To the extent that any Allowed Priority Tax Claim is Allowed after the Effective Date, it will be paid in full in Cash within five days of entry of a Final Order allowing such Priority Tax Claim or as soon thereafter as is reasonably practicable.

ARTICLE III CLASSIFICATION OF CLAIMS AND INTERESTS

3.01 *In General.* Pursuant to Section 1122 of the Bankruptcy Code, the Claims against and Equity Interests in the Debtors and their Assets are classified as set forth in this Article. The rights of all Creditors and Holders of Equity Interests, and the responsibilities of the Debtors and Liquidating Agent with respect to those Creditors and Holders of Equity Interests, shall be based upon their classification herein. A Claim or Equity Interest is classified (a) in a particular Class only to the extent the Claim or Equity Interest qualifies within the description of that Class and (b) in a different Class to the extent the Claim or Equity Interest qualifies within the description of that different Class. Unless otherwise expressly stated, the Classes of Claims set forth below include all Claims that qualify within the description of that Class. As of the Confirmation Hearing, any Class of Claims which does not contain any Creditor's Claims will be deemed deleted automatically from the Plan, and any Class of Claims which does not contain an Allowed Claim (or a Claim temporarily or provisionally Allowed by the Bankruptcy Court for voting purposes) will be deemed automatically deleted from the Plan with respect to voting on confirmation of the Plan.

3.02 *Classes.* The Claims of Creditors and Holders of Equity Interests under this Plan are divided into the following classes, which classes are mutually exclusive:

- (a) Class 1 shall consist of all Priority Claims.
- (b) Class 2 shall consist of Secured Claims.
- (c) Class 3 shall consist of the Unsecured Claims not included in Class 4.
- (d) Class 4 shall consist of all Convenience Class Claims.
- (e) Class 5 consists of all Equity Interests in the Debtors.

ARTICLE IV IMPAIRMENT OF CLAIMS AND INTERESTS UNDER THE PLAN

4.01 *Impaired Classes.* Classes 3, 4, and 5 are Impaired under the Plan. Holders of Equity Interests in Class 5 do not retain any property under the Plan on account of such Equity Interests; therefore, under the provisions of Section 1126(g) of the Bankruptcy Code, Class 5 is deemed not to have accepted the Plan.

4.02 *Unimpaired Classes.* Class 1 and 2 are Unimpaired under the Plan. These Classes are deemed to have accepted the Plan under the provisions of Section 1126(f) of the Bankruptcy Code.

ARTICLE V
TREATMENT OF CLASSES UNDER THE PLAN

5.01 *In General.* Claims and Equity Interests will be treated under the Plan in the manner set forth in this Article V. Except as otherwise specifically provided in the Plan, the treatment of, and the consideration to be received by, Holders of Allowed Claims and Holders of Allowed Equity Interests pursuant to the Plan will be in full and final satisfaction, settlement, release, extinguishment, and discharge of their respective Allowed Claims, of any nature whatsoever, and Allowed Equity Interests. Notwithstanding anything else in this Plan to the contrary, if an objection to a Claim has been timely filed, or a Claim otherwise becomes a Disputed Claim, prior to any Distribution Date, no Distribution shall be made to the Holder of such Claim until and unless such Claim becomes an Allowed Claim,

5.02 *Unclassified Claims.* Each Holder of an Allowed Administrative Expense Claim or an Allowed Priority Tax Claim will receive the treatment set forth in Article II of the Plan.

5.03 *Class 1: Priority Claims.* On or before 30 days after the Effective Date or as soon thereafter as reasonably practicable in the Liquidating Agent's sole discretion, each Holder of an Allowed Priority Claim shall be paid in full, in Cash or upon such other terms as may be agreed to between the Liquidating Agent and a Holder of an Allowed Priority Claim. Class 1 is Unimpaired by the Plan. Holders of Claims in Class 1 are not entitled to vote to accept or reject the Plan.

5.04 *Class 2: Secured Claims.* On or before 30 days after the Effective Date or as soon thereafter as reasonably practicable in the Liquidating Agent's sole discretion, each Allowed Secured Claim shall be satisfied, at the Liquidating Agent's option, as follows (i) by the transfer, assignment and conveyance by the Liquidating Agent of the collateral securing such Allowed Secured Claim to the holder of such Allowed Secured Claim in full and final satisfaction of such Allowed Secured Claim, (ii) by the sale of the collateral securing such Allowed Secured Claim, following Designated Notice, and the payment by the Liquidating Agent to the Holder of such Allowed Secured Claim the net sale proceeds in an amount equal to the value of such Holder's interest in the collateral in full and final satisfaction of such Allowed Secured Claim, or (iii) by payment of Cash to the Holder of such Allowed Secured Claim in an amount equal to the value of such holder's interest in the collateral securing the Allowed Secured Claim. Class 2 is Unimpaired under the Plan. Holders of Claims in Class 2 are not entitled to vote to accept or reject the Plan.

5.05 *Class 3: Unsecured Claims.* On or before 30 days after the Effective Date or as soon thereafter as is reasonably practicable in the Liquidating Agent's sole discretion, the Liquidating Agent shall make a pro-rata Distribution to the Holders of Allowed Unsecured Claims of any Liquidation Proceeds (less any Retained Proceeds) that remain after the payment and satisfaction of Allowed Claims in Classes 1, 2 and 4. On each Distribution Date or as soon thereafter as is reasonably practicable, the Liquidating Agent shall continue to make pro-rata Distributions to the Holders of Allowed Class 3 Claims of any available Liquidation Proceeds (less any Retained Proceeds) that remain (after the payment and satisfaction of any remaining unpaid Allowed Claims in Classes 1, 2 and 4), until the earlier of the date on which all Liquidation

Proceeds have been distributed or all Allowed Unsecured Claims have been paid in full. Class 3 is Impaired by the Plan. Each Holder of an Allowed Class 3 Unsecured Claim is entitled to vote to accept or reject the Plan.

5.06 Class 4: Convenience Class Claims. On or before thirty days following the Effective Date or as soon thereafter as is reasonably practicable in the Liquidating Agent's sole discretion, the Liquidating Agent shall make a one-time Distribution to each Holder of an Allowed Convenience Class Claim in an amount equal to five percent (5%) of such Holder's Allowed Convenience Class Claim in full and final satisfaction of such Allowed Claim. In the event Class 4 votes to reject the Plan, Class 4 will be eliminated and Holders of Claims that would otherwise be included in Class 4 will be treated as Holders of Unsecured Claims in Class 3. Class 4 is Impaired by the Plan. Each Holder of an Allowed Convenience Class Claim is entitled to vote to accept or reject the Plan.

5.07 Class 5: Equity Interests. All Equity Interests of the Debtors shall be cancelled on the Effective Date; provided, however, that if Liquidation Proceeds or other Assets remain following Distributions to Holders of all Allowed Claims of Classes 1 through 4 to the extent authorized in this Plan, such remaining Liquidation Proceeds and other Assets shall be distributed Pro Rata to the Holders of Equity Interests as of the Effective Date. Because Holders of Equity Interests in Class 5 do not retain any property under the Plan on account of such Equity Interests; under the provisions of Section 1126(g) of the Bankruptcy Code, Class 5 is deemed not to have accepted the Plan.

ARTICLE VI MEANS FOR IMPLEMENTATION AND EXECUTION OF PLAN

6.01 Substantive Consolidation. Entry of the Confirmation Order shall constitute the approval, pursuant to Section 105(a) of the Bankruptcy Code, of the substantive consolidation as of the Effective Date of SED International Holdings, Inc. and SED International, Inc., and their Estates, for all purposes related to Claims, the liquidation of the Assets, and the distribution of the Liquidation Proceeds under the Plan. On and after the Effective Date (i) all Assets and Liabilities of each of the Debtors and their Estates shall be treated as though they were merged with and into the substantively consolidated Debtors; (ii) no distributions shall be made under the Plan on account of any Claim held by either of the Debtors against the other Debtor; (iii) all guarantees of either Debtor of the obligations of the other Debtor shall be eliminated; and (iv) each and every Claim and Proof of Claim against either of the Debtors shall be deemed one Claim or Proof of Claim against both of the Debtors and a single obligation of the consolidated Debtors on and after the Effective Date. Notwithstanding the foregoing, the substantive consolidation effected pursuant hereto shall not affect or limit in any manner whatsoever any (a) defenses to any Avoidance Action or Cause of Action; (b) requirements for any third party to establish mutuality in order to assert a right of setoff; (c) the legal and corporate structure of the Debtors; (d) any perfection of Lien issues, including rights to avoid Liens pursuant to Section 544 of the Bankruptcy Code or applicable state law; (e) valuation of any Secured Claims, including rights to challenge or object to alleged Secured Claims for any reason, including valuation issues under Section 506 of

the Bankruptcy Code; or (f) any rights to challenge and object to any Claims for any reason whatsoever, including any alleged Secured Claims.

6.02 Vesting of the Debtors' Assets. On the Effective Date, all Assets of the Debtors or their Estates shall vest or re-vest in the consolidated Debtors (without the necessity of executing any instruments of assignment), free and clear of all Liens, Claims, encumbrances, penalties, assessments and other interests, except as may otherwise be specifically set forth in this Plan or the Confirmation Order, which shall remain property of the Debtors, for the express purpose of allowing the Liquidating Agent to liquidate such Assets and make Distributions to holders of Claims pursuant to the terms and conditions of the Plan. The Liquidating Agent shall acquire and be permitted to assert any attorney-client privilege, work-product privilege and other privileges or immunities attaching to any documents or communications of the Debtors, which shall also be preserved for the Debtors.

6.03 Duties and Powers of Liquidating Agent. The Liquidating Agent shall have the rights, powers and duties as set forth in this Plan and shall be responsible for administering the Debtors and the Assets and consummating the Plan under the terms and subject to the conditions set forth herein. On and after the Effective Date, the Liquidating Agent shall be authorized to take the necessary and appropriate actions to proceed with an orderly, expeditious and efficient administration of the Debtors and the Assets in accordance with the Plan. Following Confirmation of the Plan, the Liquidating Agent shall be authorized to retain or engage, or to cause the Debtors to retain or engage, such employees, professional persons and agents as are appropriate or desirable to continue the liquidation of the Assets, the prosecution or defense of any Causes of Action, the resolution of Claims, the distribution of Liquidation Proceeds, and all other actions necessary or appropriate to assist the Liquidating Agent in carrying out his duties without the necessity of providing any notice or seeking or obtaining any approval of the Bankruptcy Court. The Liquidating Agent shall be authorized to compensate such employees, professional persons and agents for services performed from the Liquidation Proceeds without the necessity of providing any notice or seeking or obtaining any approval of the Bankruptcy Court. Further, the Liquidating Agent shall be authorized to make ordinary and reasonable Distributions from the Liquidation Proceeds to pay the expenses incurred after the Confirmation Date in connection with the Liquidating Agents' duties under the Plan without the necessity of providing any notice or seeking or obtaining any approval of the Bankruptcy Court with respect to such Distributions.

The Liquidating Agent shall be the representative of the Debtors and their Estates as contemplated by Section 1123(b)(3)(B) of the Bankruptcy Code. The Liquidating Agent shall have full and exclusive power and authority to act on behalf of the Debtors and the Estates and shall be responsible for performing the duties of the Debtors and the Estates under the Plan. The Liquidating Agent shall have the rights and powers of a trustee appointed pursuant to Sections 702 and 1104 of the Bankruptcy Code to act on behalf of the Debtors and the Estates with regard to the administration of the Assets and otherwise. No recourse shall ever be had, directly or indirectly, against the Liquidating Agent personally, by legal or equitable proceedings or by virtue of any statute or otherwise, nor upon any promise, contract, instrument, undertaking, obligation, covenant or agreement whatsoever executed by the Liquidating Agent under this Plan, or by reason

of the creation of any indebtedness by the Liquidating Agent under this Plan for any purpose authorized by this Plan, save and except in cases of defalcation, misappropriation, fraud or gross negligence by the Liquidating Agent, it being expressly understood and agreed that such liabilities, promises, contracts, instruments, undertakings, obligations, covenants and agreements shall be enforceable only against and be satisfied only out of the Assets or shall be evidence only of a right of payment from the consolidated Debtors. The Liquidating Agent may resign at any time by giving at least thirty (30) days Designated Notice, provided that the Liquidating Agent shall continue to serve until his successor has been appointed. In case of the resignation or removal of the Liquidating Agent, a successor shall thereupon be appointed by the United States Trustee, subject to approval of the Bankruptcy Court. The Liquidating Agent shall be entitled to receive compensation for his services on an hourly basis based upon the standard hourly rates of its professionals and other employees. The Liquidating Agent's compensation shall be paid out of the Liquidation Proceeds and he may be paid without the necessity of providing notice to any party in interest or obtaining any approval from the Bankruptcy Court. On the Consummation Date, after making the final Distribution under the Plan, the Liquidating Agent shall be discharged from his duties under the Plan.

6.04 Further Transactions. The Liquidating Agent shall be authorized to execute, deliver, file, and/or record such contracts, instruments, releases, indentures, and other agreements or documents, and to take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of this Plan. In order to facilitate the liquidation and distribution of the Assets and the Liquidation Proceeds and the wind-up of the Debtors' affairs, on the Effective Date the Liquidating Agent shall be deemed, by operation of law and the Confirmation Order and without need for any action by any person affiliated with the Debtors or any officer or director of the Debtors, to hold an irrevocable power of attorney on behalf of the Debtors and the Estates and with respect to all Assets of the Debtors and the Estates, including without limitation any Causes of Action.

6.05 Maintenance of Bank Accounts and Distribution of Liquidation Proceeds.

The Liquidating Agent shall have the authority and responsibility to disburse the Liquidation Proceeds to the holders of Allowed Claims in accordance with the terms of the Plan. All Liquidation Proceeds and Retained Proceeds shall be held in trust for the benefit of holders of Allowed Claims in one or more separate bank or other depository accounts throughout the term of the Plan. The Liquidating Agent shall be entitled to use the Debtors' or the Estates' bank accounts that are in existence as of the Effective Date and shall be authorized to open such bank or other depository accounts as may be necessary or appropriate in the discretion of the Liquidating Agent to enable him to carry out the provisions of this Plan. The Liquidating Agent shall elect in his discretion whether to use an interest-bearing account and may, from time to time, cause the Debtors to invest Liquidation Proceeds and Retained Proceeds in certificates of deposit, treasury bills, money market accounts or other short-term investments. All interest earned shall be retained for Distribution to the Holders of Allowed Claims pursuant to the Plan. The Liquidating Agent shall prepare and maintain an adequate set of financial books, records or databases that will allow the Liquidating Agent to accurately track the amounts of Claims asserted against the Debtors or the Estates and the amount paid to each Holder of Allowed Claims pursuant to the terms of the Plan. On each Distribution Date (or as soon thereafter as is reasonably practicable), the

Liquidating Agent shall make Distributions to the Holders of Allowed Claims in accordance with the terms of the Plan. The Liquidating Agent will continue to make Distributions until the Assets have been fully liquidated and the Distribution Proceeds and Retained Proceeds have been fully distributed to holders of Allowed Claims and otherwise in accordance with the terms of the Plan.

6.06 Administration of Claims. Subsequent to the Effective Date, the Liquidating Agent, with the assistance of any professionals he may retain, shall review the filed Proofs of Claim and audit these Claims with regard to (i) the supporting documents evidencing the Claims; (ii) the appropriateness of the characterization of each Claim; (iii) the amount of the Claim as set forth in the Proof of Claim; (iv) the extent to which the Debtors originally Scheduled the Claim as contingent, disputed or unliquidated; and (v) whether the Proof of Claim is otherwise valid, permissible, due and payable under the Bankruptcy Code and applicable state law. The Liquidating Agent may initiate, file and prosecute any and all actions deemed necessary and appropriate to dispute, disallow, object to or otherwise quantify the Claims against the Debtors and/or their Estate(s). All Claims Litigation, including actions that arise out of the amount of a submitted Claim, or any objection to a submitted Claim, shall vest with the Debtors and shall be prosecuted by the Liquidating Agent. The Liquidating Agent shall take actions regarding the administration, reconciliation and settlement of Claims, and shall object to Claims and prosecute any Claims Litigation, until such time as the Liquidating Agent determines that further pursuit of litigation or actions objecting to Claims is no longer cost-effective and will be of no further benefit to the Holders of Allowed Claims. **THE FAILURE TO OBJECT TO ANY CLAIM PRIOR TO THE CONFIRMATION HEARING SHALL NOT BE DEEMED TO BE A WAIVER OF THE RIGHT TO OBJECT THEREAFTER TO SUCH CLAIM IN WHOLE OR IN PART FOR THE PURPOSE OF DISTRIBUTION.**

6.07 Preservation of Causes of Action. Except as otherwise expressly provided herein or in the Confirmation Order, any and all Causes of Action, including Avoidance Actions, accruing to or held by the Debtors or their Estates prior to the Effective Date shall survive the confirmation of this Plan and shall vest or re-vest in, and become property of, the consolidated Debtors on the Effective Date. The Liquidating Agent shall have the right to pursue, settle or otherwise resolve any Causes of Action as a representative of the Debtors and their Estates under such terms as he may deem appropriate, subject only to any approval as may be required by the Bankruptcy Court. The right of the Liquidating Agent to pursue any Cause of Action against any Person or Entity shall not be barred or limited by any equitable doctrine, including res judicata, judicial estoppel or equitable estoppel, that might otherwise be applicable due to the confirmation of the Plan.

6.08 Retention of Employees and Agents. After the Effective Date, the Liquidating Agent shall have the authority, without the necessity of obtaining any approval from the Bankruptcy Court or providing notice to any party in interest, to retain and compensate or to cause the Debtors to retain and compensate such employees, professional persons, and agents as the Liquidating Agent may deem necessary or desirable to complete (i) the liquidation and administration of the Debtors' Assets; (ii) the administration of Claims; and (iii) the Distribution and administration of the Liquidating Proceeds. Without limiting the generality of the foregoing, the Liquidating Agent shall be entitled to employ or to cause the Debtors to employ (i) Scroggins

& Williamson, P.C. and (ii) Finley Colmer and Co. These agents will continue to work for the Debtors or the Liquidating Agent, as appropriate, until such time as the Liquidating Agent determines that the services of these agents are no longer necessary for the administration of the Debtors and the Assets as provided under this Plan.

6.09 Continued Corporate Existence. The existence of each of the Debtors as corporations shall continue on and after the Effective Date and until the Debtors are formally dissolved or administratively dissolved. Upon or promptly following the Consummation Date, the Liquidating Agent may (but is not required to) take necessary steps to formally and affirmatively dissolve these Debtors, unless the Liquidating Agent concludes that the continued existence of the Debtors is necessary, desirable or appropriate. From and after the Effective Date, the Liquidating Agent shall have the sole right and authority to control and direct the activities of these Debtors.

**ARTICLE VII
RELEASE, LIMITATION
OF LIABILITY, AND GENERAL INJUNCTION**

7.01 General Injunction. Pursuant to sections 105, 1123, 1129 and 1141 of the Bankruptcy Code, in order to preserve and implement the various transactions contemplated by and provided for in the Plan, as of the Effective Date through the Consummation Date, except as otherwise expressly provided in the Plan or in the Confirmation Order, all Persons or Entities that have held, currently hold or may hold a Claim, Debt, or Liability that is discharged or terminated pursuant to the terms of the Plan are and shall be enjoined and barred to the fullest extent permitted by law from taking any of the following actions on account of any such discharged or terminated Claims, Debts, or Liabilities, other than actions brought to enforce any rights or obligations under the Plan or the Plan Documents: (a) commencing or continuing in any manner any action or other proceeding against the Liquidating Agent, the Debtors, the Estates, or the Assets; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Liquidating Agent, the Debtors, the Estates, or the Assets; (c) creating, perfecting or enforcing any Lien or encumbrance against the Debtors, the Estates, or the Assets; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtors or the Estates; (e) 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 or the Confirmation Order; or (f) interfering with or in any manner whatsoever disturbing the rights and remedies of the Liquidating Agent, the Debtors or the Estates under the Plan and the Plan Documents and the other documents executed in connection therewith. The Liquidating Agent shall have the right to independently seek enforcement of this general injunction provision. This general injunction provision is an integral part of the Plan and is essential to its implementation. Notwithstanding anything to the contrary contained herein, the provisions of this § 7.01 shall not release, or be deemed a release of, any of the Causes of Action.

7.02 Exculpation from Liability. The Liquidating Agent, the Debtors, their current officers, and their Professionals (acting in such capacity) (collectively, the “**Exculpated Parties**”) shall neither have nor incur any liability whatsoever to any Person or Entity for any act taken or omitted to be taken in good faith in connection with or related to the formulation, preparation, dissemination, or confirmation of the Plan, the Disclosure Statement, any Plan Document, or any

contract, instrument, release, or other agreement or document created or entered into, or any other act taken or omitted to be taken, in connection with the Plan or the Cases, in each case for the period on and after the Petition Date and through the Effective Date; provided, however, that this exculpation from liability provision shall not be applicable to any liability found by a court of competent jurisdiction to have resulted from fraud or the willful misconduct or gross negligence of any such party. The rights granted under this § 7.02 are cumulative with (and not restrictive of) any and all rights, remedies, and benefits that the Exculpated Parties have or obtain pursuant to any provision of the Bankruptcy Code or other applicable law. In furtherance of the foregoing, the Exculpated Parties shall have the fullest protection afforded under Section 1125(e) of the Bankruptcy Code and all applicable law from liability for violation of any applicable law, rule or regulation governing the solicitation of acceptance or rejection of a plan or the offer, issuance, sale or purchase of securities. This exculpation from liability provision is an integral part of the Plan and is essential to its implementation. Notwithstanding anything to the contrary contained herein, the provisions of this § 7.02 shall not release, or be deemed a release of, any of the Causes of Action.

7.03 Release. On the Effective Date, the Exculpated Parties shall be unconditionally and are hereby deemed to be unconditionally released from any and all Claims, obligations, suits, judgments, damages, losses, rights, remedies, causes of action, charges, costs, debts, indebtedness, or liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon any act or omission, transaction, event or other occurrence taking place between the applicable Petition Date and the Effective Date, which is in any way relating to the Debtors, the Cases, any Assets, business or operations of the Debtors, any Plan Documents, the Plan, or any of the transactions contemplated thereby; provided, however, that this release provision shall not be applicable to any liability found by a court of competent jurisdiction to have resulted from fraud or the willful misconduct or gross negligence of any such Exculpated Party. The Confirmation Order shall enjoin the prosecution by any Person or Entity, whether directly, derivatively or otherwise, of any Claim, obligation, suit, judgment, damage, loss, right, remedy, cause of action, charge, cost, debt, indebtedness, or liability which arose or accrued during such period or was or could have been asserted against any of the Exculpated Parties, except as otherwise provided in the Plan or in the Confirmation Order. Each of the Exculpated Parties shall have the right to independently seek enforcement of this release provision. This release provision is an integral part of the Plan and is essential to its implementation. Notwithstanding anything to the contrary contained herein, the provisions of this § 7.03 shall not release, or be deemed a release of, any of the Causes of Action.

7.04 Continuation of Automatic Stay. The automatic stay arising out of Section 362(a) of the Bankruptcy Code shall continue in full force and effect until the Consummation Date, and the Debtors, the Assets, and the Liquidating Agent shall be entitled to all of the protections afforded thereby. The Bankruptcy Court shall have the power to grant such additional and supplemental stays as may be necessary or appropriate to protect and preserve the Assets or to permit the just and orderly administration of the Assets by the Liquidating Agent.

7.05 No Liability for Tax Claims. Unless a taxing Governmental Authority has asserted a Claim against the Debtors before the Bar Date or Administrative Expense Claim Bar Date established therefore, no Claim of such Governmental Authority shall be Allowed against the Debtors, the Estates, the Liquidating Agent, or their directors, officers, employees or agents for taxes, penalties, interest, additions to tax or other charges arising out of (i) the failure, if any, of the Debtors, or any other Person or Entity to have paid tax or to have filed any tax return (including any income tax return or franchise tax return) in or for any prior year or period, or (ii) an audit of any return for a period before the Petition Date. The entry of the Confirmation Order shall be deemed to be a determination that no provision of the Plan has avoidance of taxes as a principal purpose, and the Confirmation Order shall so provide.

7.06 Regulatory or Enforcement Actions. Nothing in this Plan shall restrict any federal government regulatory agency from pursuing any regulatory or police enforcement action or performing its statutory duties against any Person or Entity in any forum, but only to the extent not prohibited by the automatic stay of Section 362 of the Bankruptcy Code or discharged or enjoined pursuant to Section 524 or 1141(d) of the Bankruptcy Code. Nothing contained in this Article VII, Section 7.06 is intended to, nor shall it, supersede or alter any applicable provisions of the Bankruptcy Code.

7.07 Administrative Expense Claims (including Holders of any Claims for Postpetition federal, state or local taxes) that do not file an application or other Bankruptcy Court-approved pleading by the Administrative Expense Claims Bar Date will be forever barred from asserting such Administrative Expense Claims against the Debtors, the Estates, or the Assets.

ARTICLE VIII PROCEDURES FOR RESOLVING DISPUTED CLAIMS

8.01 Proof of Claim Replaces Scheduled Claim. If a Proof of Claim is filed by any Person or Entity asserting a Claim for the same obligation which had previously been listed for such Person or Entity by the Debtors on the Schedules, then the Scheduled Claim shall be deemed a Disallowed Claim without the need for the Debtors, the Liquidating Agent or any party in interest to file an objection to such Scheduled Claim. The Claim asserted in the Proof of Claim shall be deemed to replace such Scheduled Claim and shall ultimately become an Allowed Claim, a Disputed Claim or a Disallowed Claim pursuant to the procedures set forth in this Plan.

8.02 Objections to Claims. Prior to the Effective Date, any party in interest in these Cases may object to any Scheduled Claim or any Proof of Claim filed in the Cases. On and after the Effective Date, however, only the Liquidating Agent shall have the right to object to any Claim. Any such objection must be filed by the Liquidating Agent within sixty (60) days after the Effective Date (the “**Claim Objection Deadline**”); provided, however that the Liquidating Agent shall have the right to seek extensions of the Claim Objection Deadline following Designated Notice. If a party in interest files a written objection with the Bankruptcy Court with respect to any proposed extension of time and serves a copy of said objection upon the Liquidating Agent and his counsel within ten (10) days from the service of Designated Notice of the proposed extension, then the

Bankruptcy Court shall schedule a hearing with respect to said objection and the date of the Claims Objection Deadline shall be deemed extended through the conclusion of such hearing. If no objection is timely filed and served, the proposed extension is granted without further authorization. The failure to object to any Claim prior to the commencement of the hearing on Confirmation of the Plan shall not be deemed to be a waiver of the right to object thereafter to such Claim in whole or in part for the purpose of distribution.

8.03 *Designation of Disputed Claims.* Any Claim as to which an objection has been filed, or an adversary proceeding has been commenced against the Holder of such Claim, will constitute a Disputed Claim until it becomes either an Allowed Claim or a Disallowed Claim. In addition, at any time before the Claim Objection Deadline, the Liquidating Agent may designate any Claim to be a Disputed Claim if the Liquidating Agent has a good faith belief that he may file an objection to such Claim or commence an adversary proceeding against the Holder of such Claim by the Claims Objection Deadline; provided, however, that if the Liquidating Agent does not file such an objection or commence such an adversary proceeding by the Claim Objection Deadline, then the Claim so designated as a Disputed Claim shall constitute an Allowed Claim unless otherwise disallowed by the provisions of this Plan or as ordered by the Bankruptcy Court.

8.04 *No Distributions on Disputed Claims.* Notwithstanding any other provisions of this Plan, no payments or distribution shall be made on account of a Disputed Claim until and unless such Claim becomes an Allowed Claim. In lieu of distributions under the Plan to holders of Disputed Claims, a Disputed Claims Reserve shall be maintained by the Liquidating Agent for payment of any Disputed Claim which becomes an Allowed Claim. Distributions on account of any Disputed Claim that has become an Allowed Claim shall be made within the time periods provided in this Plan, or as soon as is reasonably practicable following allowance of the Claim.

8.05 *Settlements of Claims of Ten Thousand Dollars or Less.* Subsequent to the Effective Date, the Liquidating Agent shall have the authority to settle and resolve a Disputed Claim that was originally asserted in an amount equal to or less than Ten Thousand Dollars (\$10,000.00) upon such terms and conditions as the Liquidating Agent deems appropriate and in the best interests of the Holders of Allowed Claims. Any such compromise and settlement shall be deemed final and binding upon all parties in interest in the Cases. The Liquidating Agent shall not have any obligation to provide notice to or file and serve pleadings upon any such parties in interest, and shall not have any requirement to obtain Bankruptcy Court approval, in connection with compromising these Claims.

8.06 *Settlements of Claim More than Ten Thousand Dollars.* With respect to any Disputed Claim that was originally asserted in an amount that exceeds Ten Thousand Dollars (\$10,000.00), the Liquidating Agent shall have the authority to compromise and settle any such Claim on such terms as the Liquidating Agent deems appropriate and in the best interests of the Holders of Allowed Claims, subject to providing Designated Notice of any such proposed compromise and a reasonable opportunity to object thereto. If a party in interest files a written objection with the Bankruptcy Court in the Cases with respect to any proposed compromise of any Disputed Claim, and serves a copy of said objection upon the Liquidating Agent and its counsel, within ten (10) days from the service of Designated Notice of the proposed compromise, then the

Bankruptcy Court shall schedule a hearing with respect to objection and/or the proposed compromise. If no objection is timely filed and served, the Liquidating Agent may compromise and settle any Disputed Claim without further authorization. The Liquidating Agent may file motions which seek to compromise more than one Claim.

ARTICLE IX PROVISIONS REGARDING DISTRIBUTIONS

9.01 *Timing of Distributions.* As soon as reasonably practicable following the Effective Date, as determined by the Liquidating Agent, or as otherwise provided in the Plan or ordered by the Bankruptcy Court, the Liquidating Agent shall make Distributions from the Liquidation Proceeds to Holders of Allowed Claims in Classes 1 through 4, as and to the extent provided for herein or as ordered by the Bankruptcy Court. The Liquidating Agent shall make any further Distributions out of the Liquidation Proceeds on any subsequent Distribution Dates as contemplated by and to the extent set forth in the Plan. The Liquidating Agent shall continue to make Distributions out of the Liquidation Proceeds up to and including the Consummation Date, on which date it will make the final Distribution under this Plan.

9.02 *Addresses for Distributions.* All Cash payments required to be made under the Plan will be mailed to Holders of Allowed Claims listed on the Debtors' schedules or stated in the latest Proof of Claim filed by a Holder of such an Allowed Claim or to such other address as the Holder provides in writing to the Liquidating Agent.

9.03 *Interest on Claims.* Except as provided in a Final Order entered in these Cases, (a) no holder of any Unsecured Claim (except Priority Tax Claims) shall be entitled to interest accruing on or after the Petition Date on such Claim.

9.04 *Means of Payment.* All payments made pursuant to this Plan shall be in Cash and by any means reasonably selected by the Liquidating Agent, including check or wire transfer.

9.05 *Distributions by Liquidating Agent.* The Liquidating Agent will make all Distributions under the Plan out of the Liquidation Proceeds (and, in the case of Distributions being made on the Consummation Date, out of both Liquidation Proceeds and Retained Proceeds). The Liquidating Agent will have responsibility for determining Pro Rata Distributions (as necessary) and sending such Distributions to the appropriate Holders of Allowed Claims. Notwithstanding any other provision of this Plan to the contrary, Distributions may be deferred or delayed in the discretion of the Liquidating Agent for a reasonable time in the event that such deferral is necessary to permit investments to reach maturity, in the event that additional time is needed to make a proper Distribution, or in the event that the receipt of additional funds is necessary to make meaningful payments

9.06 *Rounding.* Whenever any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding of such fraction down to the nearest whole cent.

9.07 No Payments of \$25 or Less on Allowed Claims Prior to Final Distribution Date.

Notwithstanding any contrary provisions of this Plan, the Liquidating Agent is not required to make a Distribution to a Holder of an Allowed Claim prior to the final Distribution Date if the amount of Cash to be received by such Holder would be Twenty-Five Dollars (\$25) or less. In such an event, the Liquidating Agent shall hold the Cash that would otherwise have been paid to the Holder until the next Distribution Date, at which time such Cash payment shall be made to the Holder (unless this Section 9.06 shall again apply). The Liquidating Agent shall include an additional amount in the Reserve for unpaid Distributions resulting from this Section 9.06. Any Cash held on behalf of a Holder of an Allowed Claim under this Section 9.06 shall be distributed to such Holder on the final Distribution Date.

9.08 Unclaimed Distributions. “**Unclaimed Distributions**” means any Cash or other funds payable to Holders of Claims which are unclaimed. Unclaimed Distributions shall include (a) checks (and the funds represented thereby) which have been returned as undeliverable without a proper forwarding address, (b) funds for checks which have not been presented and paid within ninety (90) days of their issuance, and (c) checks (and the funds represented thereby) which were not mailed or delivered because of the absence of a proper address to mail or deliver such checks or other funds. Unclaimed Distributions shall be held in an “**Unpaid Claims Reserve**” to be held for the benefit of the holders of Allowed Claims entitled thereto under the terms of the Plan. For a period of 180 days following the first Distribution to Allowed Claims (said period being hereinafter referred to as the “**Claiming Period**”), Unclaimed Distributions shall be held in the Unpaid Claims Reserve solely for the benefit of the holders of Allowed Claims which have failed to claim such funds. During the Claiming Period, Unclaimed Distributions due the holder of an Allowed Claim shall be released from the Unpaid Claims Reserve and delivered to such holder upon presentation of proper proof by such holder of its entitlement thereto. In the event that there are Unclaimed Distributions in the Unpaid Claims Reserve with regard to any Claim, the Liquidating Agent shall, until such Unclaimed Distributions are claimed or the Claiming Period with regard to the holder of such Claim has expired, make all subsequent Distributions due with regard to such Claim to the Unpaid Claims Reserve. After the Claiming Period with regard to such holder has expired, no subsequent Distributions shall be made on account of such Claim, and such Claim shall be treated as being disallowed, waived, and satisfied. At the end of the Claiming Period, the holder of an Allowed Claim theretofore entitled to Unclaimed Distributions shall cease to be entitled thereto and the Unclaimed Distributions shall be Liquidation Proceeds. Notwithstanding the foregoing, if there are any Unclaimed Distributions in the Unpaid Claims Reserve as a result of the final Distribution and such Unclaimed Distributions remain in the Unpaid Claims Reserve after expiration of the Claiming Period, and if, in the sole judgment of the Liquidating Agent, the Unclaimed Distributions are not sufficient to make a meaningful Distribution, such Unclaimed Distributions shall be used to satisfy any post-Confirmation Administrative Expenses, and the balance shall be donated to a 501(c)(3) charitable organization selected by the Liquidating Agent. These provisions shall apply without regard to any applicable non-bankruptcy laws with respect to unclaimed property. The Unpaid Claims Reserve may be maintained as an interest-bearing account. All interest earned thereon shall be Liquidation Proceeds, and no Creditor entitled to funds from the Unpaid Claims Reserve shall be entitled to interest with regard to the amounts due to such Creditor.

9.09 Withholding Taxes. The Liquidating Agent shall be entitled to deduct any federal or state withholding taxes from any Distributions made with respect to Allowed Claims, as appropriate, and shall otherwise comply with Section 346 of the Bankruptcy Code. Notwithstanding anything to the contrary herein, the Liquidating Agent shall not be obligated to make any Distribution to any Creditor that has not provided requested tax identification information if such information is required to make a Distribution without withholding taxes from such creditor's Distribution. Holders of Allowed Claims that have not provided tax identification information will be solicited for such information on or before any Distribution Date and included in the Distribution or in a subsequent Distribution once tax identification information is received from the holder.

ARTICLE X BALLOTS

Any Ballot which is executed by the Holder of any Allowed Claim but does not indicate acceptance or rejection of the Plan shall be deemed to have accepted the Plan. Any other Ballot not filed in accordance with the filing instructions on the Ballot pertaining to this Plan shall not be counted for voting purposes.

ARTICLE XI EXECUTORY CONTRACTS AND UNEXPIRED LEASES

11.01 Executory Contracts and Unexpired Leases. Any executory contract or unexpired lease to which the Debtors were a party that has not been assumed or rejected by the Debtors pursuant to a Final Order of the Bankruptcy Court as of the Effective Date (unless a motion to assume or reject such executory contract or unexpired lease is pending as of the Effective Date) shall be deemed rejected by the Debtors on the Effective Date. Notwithstanding anything to the contrary in this Plan, all insurance policies in force as of the Effective Date shall remain in effect following the Effective Date unless and until rejected or terminated by separate motion or terminated in accordance with their terms.

11.02 Rejection Damage Claims. Claims arising from the rejection of any executory contracts or unexpired leases shall be filed within thirty (30) days following the rejection and shall be treated as Class 3 Claims to the extent Allowed. Any person seeking to assert such a Claim who fails to file a Proof of Claim within this thirty (30) day period shall be deemed to have waived said Claim, and it shall be forever barred from asserting a Claim based on such rejection.

ARTICLE XII MODIFICATION OF THE PLAN

The Debtors reserve the right, pursuant to Section 1127(a) of the Bankruptcy Code, to amend or modify the Plan prior to the Confirmation of the Plan. The Plan may be modified, without notice or hearing, or on such notice and hearing as the Bankruptcy Court deems appropriate, if the Bankruptcy Court finds that the proposed modification does not materially and adversely affect the rights of any parties in interest which have not had notice and an opportunity

to be heard with regard to the proposed modification. Without limiting the foregoing, the Plan otherwise may be modified after notice and hearing. In the event of modification at or before Confirmation, any votes in favor of the Plan shall be deemed to be votes in favor of the Plan as modified, unless the Bankruptcy Court finds that the proposed modification materially and adversely affects the rights of the parties in interest that cast such votes. After Confirmation of the Plan, the Liquidating Agent and the Debtors reserves the right to modify the Plan as allowed by Section 1127(b) of the Bankruptcy Code, and applicable law.

ARTICLE XIII RETENTION OF JURISDICTION

The Bankruptcy Court shall retain jurisdiction, notwithstanding entry of the Confirmation Order and notwithstanding the occurrence of the Effective Date of the Plan, for the following purposes:

- a) to enforce all Causes of Action which exist on behalf of the Debtors or the Estates pursuant to the provisions of this Plan or applicable law;
- b) to enter orders and injunctions and restraints to enforce the provisions of the Plan;
- c) to determine Claims asserted under Section 507(a)(2) of the Bankruptcy Code, including Claims for compensation and reimbursement of expenses accruing prior to the Confirmation Date;
- d) to determine any Disputed Claims or disputes concerning the validity of or the market value of any collateral underlying any Secured Claim;
- e) to enter orders regarding interpretation of the Plan, or any document created in connection with the Plan;
- f) to conduct hearings and to enter orders modifying the Plan as provided herein or in the Bankruptcy Code;
- g) to determine any and all applications, Claims, adversary proceedings, contested or litigated matters pending on the Confirmation Date or filed prior to entry of a Final Decree;
- h) to determine any motions for rejection or assumption of executory contracts or unexpired leases, and to determine Claims resulting from rejection of executory contracts and unexpired leases;
- i) to allow, disallow, and estimate, liquidate, or determine any Claims against the Debtors, including Claims for tax liability, but excluding any Claims deemed allowed by this Plan, and to enter or enforce any order requiring the filing of any such Claim before a particular date; and

- j) to enter orders required for the administration of the Plan, including, but not limited to:
 - (i) resolution of disputes pertaining to the amounts of payments under the Plan to Creditors;
 - (ii) conducting Postconfirmation valuation hearings as required by the Plan or authorized by the Bankruptcy Code; and
 - (iii) exercising jurisdiction over any other matter provided for or consistent with the provisions of Chapter 11 of the Bankruptcy Code.

ARTICLE XIV CONDITIONS PRECEDENT TO CONFIRMATION

14.01 *Condition Precedent to Confirmation of the Plan.* Entry of the Confirmation Order, effectiveness of Confirmation of the Plan, and the obligation of the Debtors and the Liquidating Agent to consummate this Plan are conditioned upon the Bankruptcy Court having made findings and determinations regarding the Plan as will enable the entry of the Confirmation Order in a manner consistent with the provisions of the Plan and in form and substance satisfactory to the Debtors and the Liquidating Agent.

14.02 *Condition Precedent to Effective Date.* The Effective Date will not occur and the Plan will not be consummated until: (a) the Bankruptcy Court has entered the Confirmation Order on the Docket which is satisfactory in form and substance to the Debtors and the Liquidating Agent; (b) all actions, documents, and agreements necessary to implement the Plan will have been effected or executed and delivered, as required under the Plan; and (c) the Confirmation Order has become a Final Order.

14.03 *Waiver of Conditions Precedent.* The Debtors may elect to waive any condition precedent set forth above (other than Section 14.02(c)).

ARTICLE XV ACCEPTANCE OR REJECTION OF THE PLAN

15.01 *Classes Entitled to Vote.* Holders of Allowed Claims in each Impaired Class shall be entitled to vote to accept or reject the Plan. Each Unimpaired Class of Claims shall be deemed to have accepted the Plan, and Holder of Claims in such Classes shall not be entitled to vote to accept or reject the Plan.

15.02 *Class Acceptance Requirement.* Under Section 1126(c) of the Bankruptcy Code, an Impaired Class of Claims has accepted the Plan if the Holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class who have voted on the Plan have voted to accept the Plan.

15.03 Cramdown. The Debtors hereby request confirmation pursuant to the “cramdown” provisions of Section 1129(b) of the Bankruptcy Code with respect to any Impaired Class that votes to reject the Plan.

15.04 Bad Faith Designation. The Debtors reserve the right to seek to designate, pursuant to Section 1126(e) of the Bankruptcy Code, any Holder of any Claim whose vote on the Plan was submitted for an improper purpose or was otherwise not submitted in good faith.

ARTICLE XVI MISCELLANEOUS

16.01 Compliance with Tax and Securities Law Requirements. In connection with the Plan, the Debtors and the Liquidating Agent will comply with all withholding and reporting requirements imposed by federal, state and local taxing authorities, and all distributions hereunder shall be subject to such withholding and reporting requirements. The effectuation of this Plan shall be subject to compliance with any applicable state and federal securities laws.

16.02 Further Actions. Pursuant to Bankruptcy Code Section 1142(b), the Confirmation Order shall act and operate as an order of the Bankruptcy Court directing the Debtors, the Liquidating Agent and/or any other necessary parties to execute and deliver or join in the execution and delivery of any instrument required to affect any transfer and to perform any other act, including the satisfaction of any lien, that is necessary for the consummation of this Plan. Any transfer taxes arising from transfers of property ordered or made pursuant to this Plan shall be treated in accordance with Section 1146 of the Bankruptcy Code.

16.03 U.S. Trustee’s Fees. All fees due and owing under 28 U.S.C. § 1930 for periods prior to the Confirmation Date shall be paid on or before the Effective Date. Following confirmation of the Plan, the Reorganized Debtor shall continue to pay timely all Chapter 11 quarterly fees as required by 28 U.S.C. § 1930(a)(6), until a Final Decree is entered, or the Cases are otherwise closed.

16.04 Governing Law. Except to the extent that the Bankruptcy Code is applicable, all rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Georgia, United States of America.

16.05 Severability. Should any provision in this Plan be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any other provision of this Plan.

16.06 Revocation. The Debtors reserve the right to revoke and withdraw this Plan prior to Confirmation.

16.07 Effect of Withdrawal or Revocation. If the Debtors revoke or withdraw this Plan prior to Confirmation, then this Plan shall be deemed null and void.

16.08 Retiree Benefits. Following the Effective Date, the Liquidating Agent or the Debtors shall continue payment of any Retiree Benefits for the duration of the period the Debtors have obligated themselves to provide such benefits, if any, to the extent required by Sections 1114 and 1129(a)(13) of the Bankruptcy Code.

16.09 Closing the Cases; Authority to Donate Remaining Funds to Charitable Organization. The Liquidating Agent may apply to the Bankruptcy Court for an order closing the Cases at any time when the Plan has been substantially consummated or as otherwise appropriate. If at any time the Liquidating Agent determines that the amount of Liquidation Proceeds available or that may reasonably come available will be insufficient to make a meaningful Distribution to Holders of Allowed Claims, the Liquidating Agent may file an application with the Bankruptcy Court for authority to distribute any remaining Liquidation Proceeds to a charitable organization selected by the Liquidating Agent which exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. This provision applies without regard to any applicable non-bankruptcy laws with respect to unclaimed property. The Liquidating Agent, the Debtors or any Creditor may petition to reopen the Cases at any time within the seven (7) year period immediately following the Effective Date of the Plan for the purpose of having the Bankruptcy Court interpret any provision of the Plan or enforce the rights of any party under the Plan or under the Bankruptcy Code.

16.10 Headings. Headings are utilized in this Plan for the convenience of reference only, and shall not constitute a part of this Plan for any other purpose.

16.11 Extensions of Time. The time for the Debtor or the Liquidating Agent to take any action under this Plan may be extended by the Bankruptcy Court after notice and a hearing.

16.12 Designated Notice. Notwithstanding any other provision of this Plan, when notice and a hearing is otherwise required with regard to any action to be taken by the Liquidating Agent, Designated Notice shall be sufficient. With respect to any proposed action to be taken as authorized under this Plan which may only be taken following Designated Notice, the following procedures shall apply. After Designated Notice of the proposed action has been provided as required under the Plan, if any party in interest files with the Bankruptcy Court within ten (10) days of the service of such Designated Notice a written objection to the proposed action, and serves a copy of said objection upon the Liquidating Agent and its counsel, then the Bankruptcy Court shall schedule a hearing with respect to such objection and, unless the objection is withdrawn by agreement of the parties, the proposed action may only be taken if approved by Final Order of the Bankruptcy Court. If no objection is timely filed and served, the proposed action may be taken without further authorization or approval by the Bankruptcy Court.

16.13 Addresses for Notices. Unless otherwise designated in a notice filed with the Bankruptcy Court in these Cases, notices to the Liquidating Agent and his counsel should be addressed as follows:

Peter W. Colmer
Finley, Colmer and Company

5565 Glenridge Connector, Suite 200
Atlanta, Georgia 30342

-and-

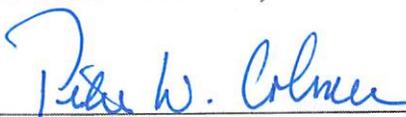
J. Hayden Kepner, Jr.
Scroggins & Williamson, P.C.
4401 Northside Parkway
Suite 450
Atlanta, Georgia 30327

**ARTICLE XVII
REQUEST FOR CONFIRMATION**

The Debtors, as Proponents of this Plan, request Confirmation of the Plan in accordance with Section 1129(a) of the Bankruptcy Code or, if any Impaired Class fails to accept the Plan, the Debtors reserve the right to request Confirmation in accordance with Section 1129(b) of the Bankruptcy Code.

This 19th day of March, 2018.

SED INTERNATIONAL HOLDINGS, INC. and
SED INTERNATIONAL, INC.

By: 
Peter W. Colmer,
Chief Administrative Officer

/s/ J. Hayden Kepner, Jr.

J. ROBERT WILLIAMSON

Georgia Bar No. 765214

ASHLEY REYNOLDS RAY

Georgia Bar No. 601559

J. HAYDEN KEPNER, JR.

Georgia Bar No. 416616

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aray@swlawfirm.com

hkepner@swlawfirm.com

*Counsel for SED International Holdings, Inc. and
SED International, Inc.*

CERTIFICATE OF SERVICE

This is to certify that I have this day served a true and correct copy of the attached **Disclosure Statement To Accompany Debtors' Plan of Liquidation** by causing it to be deposited in the United States Mail in a properly addressed envelope with adequate postage affixed thereon to the following:

OFFICE OF THE UNITED STATES TRUSTEE
Suite 362, Richard B. Russell Building
75 Ted Turner Drive, SW
Atlanta, GA 30303

This 19th day of March, 2018.

Respectfully submitted,

SCROGGINS & WILLIAMSON, P.C.

/s/ J. Hayden Kepner, Jr.
J. ROBERT WILLIAMSON
Georgia Bar No. 765214
ASHLEY REYNOLDS RAY
Georgia Bar No. 601559
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Counsel for the Debtors