

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEBRASKA**

IN THE MATTER OF)	Case No. BK 17-80174-TLS
)	
JN MEDICAL CORPORATION,)	Chapter 11
)	
Debtor.)	

AMENDED DISCLOSURE STATEMENT

DATED 10/18/2017

JN MEDICAL CORPORATION,
Debtor,

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DISCLAIMER

THIS AMENDED DISCLOSURE STATEMENT (THE "DISCLOSURE STATEMENT") AND ITS RELATED DOCUMENTS ARE THE ONLY DOCUMENTS AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ACCEPTING THE PLAN OF REORGANIZATION, AS FILED OR SUBSEQUENTLY MODIFIED, DATED _____ (AS MAY BE FURTHER AMENDED OR MODIFIED, THE "PLAN"). NO REPRESENTATIONS HAVE BEEN AUTHORIZED BY THE BANKRUPTCY COURT CONCERNING DEBTOR, ITS BUSINESS OPERATIONS OR THE VALUE OF ITS ASSETS, EXCEPT AS EXPLICITLY SET FORTH IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, EVENTS IN THE CHAPTER 11 CASES AND FINANCIAL INFORMATION. THIS DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN OR SUCH STATUTORY PROVISIONS, DOCUMENTS OR FINANCIAL INFORMATION, BUT, RATHER, IS INTENDED ONLY TO AID AND TO SUPPLEMENT SUCH REVIEW. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED PROVISIONS SET FORTH IN THE PLAN (FILED CONTEMPORANEOUSLY WITH THE DISCLOSURE STATEMENT). IN THE EVENT OF A CONFLICT BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE PROVISIONS OF THE PLAN SHALL GOVERN.

ALL HOLDERS OF ALLOWED CLAIMS IN VOTING CLASSES ARE ENCOURAGED TO REVIEW THE FULL TEXT OF THE PLAN AND TO READ CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING ALL APPENDICES ANNEXED HERETO, BEFORE DECIDING WHETHER TO VOTE TO ACCEPT OR TO REJECT THE PLAN.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF. DEBTOR DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE BANKRUPTCY RULES AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAW OR OTHER NON-BANKRUPTCY LAW. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS OR INTERESTS OF DEBTOR SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

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HOLDERS OF CLAIMS AND INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. EACH SUCH HOLDER SHOULD, THEREFORE, CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS AS TO ANY SUCH MATTERS CONCERNING THE SOLICITATION, THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED AS AN ADMISSION, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND BECOMES EFFECTIVE, ALL HOLDERS OF CLAIMS AND INTERESTS (INCLUDING THOSE WHO REJECTED OR WHO ARE DEEMED TO HAVE REJECTED OR ACCEPTED THE PLAN AND THOSE WHO DID NOT SUBMIT BALLOTS TO ACCEPT OR TO REJECT THE PLAN) SHALL BE BOUND BY THE TERMS OF THE PLAN.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN REVIEWED OR PASSED UPON BY AN ACCOUNTANT. DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY ALTHOUGH ALL SUCH INFORMATION IS ACCURATE TO DEBTOR'S BEST KNOWLEDGE, INFORMATION AND BELIEF. THE COURT HAS NOT VERIFIED THE ACCURACY OF THE INFORMATION CONTAINED HEREIN, AND THE COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT IMPLY THAT THE COURT ENDORSES OR APPROVES THE PLAN, BUT ONLY THAT IF THE INFORMATION IS ACCURATE, IT IS SUFFICIENT TO PROVIDE AN ADEQUATE BASIS FOR CREDITORS TO MAKE INFORMED DECISIONS WHETHER TO APPROVE OR REJECT THE PLAN.

Article I. INTRODUCTION AND GENERAL PROVISIONS

Section 1.01 Purpose of the Disclosure Statement. JN Medical Corporation (herein "JN" or "Debtor") submits this following disclosure statement (the "Disclosure Statement") pursuant to section 1125 of the Bankruptcy Code (11 U.S.C. §101 et seq.), for use in the solicitation of votes for its Joint Amended Plan of Reorganization, (as may be further amended or modified, the "Plan").

Section 1.02 Content of the Disclosure Statement. This Disclosure Statement sets forth certain information regarding Debtor's operations and finances, the events resulting in Debtor's filing for Chapter 11 protection and the proposed allocation of Debtor's assets. This Disclosure Statement also describes the terms and provisions of the Plan, including potential alternatives to the Plan, certain effects of confirmation of the Plan and the distributions proposed to be made under the

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Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that the holders of Allowed Claims and Allowed Interests in the Voting Classes must follow for their votes to be counted.

Section 1.03 **Capitalized terms.** All capitalized terms used herein and not otherwise defined herein have the meaning given to them in Article I of the Plan. Any term used in initially capitalized form in this Disclosure Statement that is not defined herein but that is used in the Bankruptcy Code shall have the meaning ascribed to such term in the Bankruptcy Code. Additionally, the rules of construction contained in Section 102 of the Bankruptcy Code apply to the construction of this Disclosure Statement.

Section 1.04 **Court Approval.** The Bankruptcy Court has approved this Disclosure Statement as containing "adequate information" in accordance with section 1125(b) of the Bankruptcy Code to enable a hypothetical, reasonable investor holding an Allowed Claim in each of the relevant Voting Classes to make an informed judgment about the Plan.

Section 1.05 **Acceptance of the Plan.** Acceptance of the Plan by each Class of holders of Claims or Interests voting on the Plan is important. In order for the Plan to be accepted by a Class of holders of Claims, persons that hold at least two-thirds in amount and more than one-half in number of the Allowed Claims in such Class actually voting to accept or reject the Plan must vote to accept the Plan. In order for the Plan to be accepted by a Class of Interests, persons that hold at least two-thirds in number of Allowed Interests actually voting on the Plan must vote in favor of the Plan

Section 1.06 **Deadline for Filing a Proof of Claim.** June 20, 2017 was established as the last date upon which Proof of Claims could be filed with the Court for those Creditors or Interest holders who received the original notice of Debtor's bankruptcy. Creditors were advised of that date upon notice. A Creditor whose Claim was not listed on Debtor's Schedules or whose Claim was listed on the Schedules as disputed, contingent or unliquidated and who desired to participate in the case, to have his or her vote on the Plan counted or to share in any distribution must have filed a proof of Claim on or before June 20, 2017, unless otherwise ordered by the Court.

Article II. EXPLANATION OF CHAPTER 11

Section 2.01 Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to Chapter 11, the debtor-in-possession attempts to reorganize its business for the benefit of the debtor, its creditors, and other parties-in-interest. A voluntary Chapter 11 case begins when the debtor files a petition under Chapter 11 and the filing of a voluntary petition constitutes an order for relief.

Section 2.02 The commencement of a Chapter 11 case creates an estate comprised of all the legal and equitable interests of the debtor in property as of the date the petition is filed. Sections 1101, 1107 and 1108 of the Bankruptcy Code provide that a debtor may continue to operate the debtor's business as a "debtor in possession" unless the Bankruptcy Court orders the appointment of

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a trustee. Debtor remains in possession of its property, and since the commencement of this case Debtor has continued to operate its business as a debtor-in-possession.

Section 2.03 The filing of a Chapter 11 petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides for an automatic stay of all attempts to collect pre-petition claims from the debtor or otherwise interfere with its property or business.

Section 2.04 Formulation of a plan of reorganization is the principal purpose of a Chapter 11 case. The plan sets forth the means for satisfying the holders of claims against and interests in the debtor. Unless a trustee is appointed, only the debtor may file a plan during the first 120 days of a Chapter 11 case or during such an extended period that is ordered by the Bankruptcy Court pursuant to § 1121(d) of the Bankruptcy Code. After such "exclusive period" has expired, a creditor or any other party-in-interest may file a plan, unless the debtor files a plan within the exclusive period. If a debtor does file a plan within the exclusive period, then the debtor is given 60 additional days to solicit acceptances of its plan.

Section 2.05 After the plan of reorganization has been filed, the holders of claims against or interests in the debtor are permitted to vote on whether to accept the plan. Section 1125 of the Bankruptcy Code requires full disclosure before solicitation of acceptances of a Chapter 11 plan. This disclosure statement is presented to holders of Claims against and Interests in Debtor to satisfy the requirements of § 1125 of the Bankruptcy Code.

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Article III. BACKGROUND INFORMATION

Section 3.01 Debtor was formed in 1998 under the name JN-International, Inc. Debtor changed its legal name to JN Medical Corporation on August 25, 2005. Originally, JN International Medical Corporation was founded to make diagnostic kits for HIV testing, but that proved unsuccessful and Debtor's then CEO, Dr. Jeeri Reddy ("Reddy") turned the company attention to making vaccines. More specifically, Debtor turned its primary focus to the development (with the intention to disseminate and sell) of human vaccines related to meningococcal meningitis. To that end, Debtor is owner of two patents (the "Patents"): (i) US Patent 8,129,147 (Meningococcal oligosaccharide linked polysaccharides and diphtheria protein conjugate vaccine for all ages); and (ii) US Patent No. 7,491,517 (Method of producing meningococcal meningitis vaccine for Neisseria meningitidis serotypes A,C,Y, and W-135). Debtor also has two outstanding patent applications: (i) US Patent App. Serial No. 15/370,983 (Method For Producing And Vaccine Composition Of Neisseria Meningitidis Serogroups A, C, Y, And W-135 Oligosaccharides Conjugated To Glycan-Free Carrier Protein) filed on December 6, 2016; and (ii) International Patent App. No. PCT/US2016/065428 (Method For Producing And Vaccine Composition Of Neisseria Meningitidis Serogroups A, C, Y, And W-135 Oligosaccharides Conjugated To Glycan-Free Carrier Protein) filed on December 7, 2016. While Debtor is the owner of record of the aforementioned patents, Reddy has taken the position that he owns the Patents in his individual capacity. To Debtor's knowledge, Reddy has not taken any formal steps to challenge Debtor's ownership of the Patents and has only informally claimed an ownership interest in the Patents. Debtor disputes Reddy's claims of ownership of the Patents and will protect Debtor's ownership of the Patents from Reddy's assertions.

Section 3.02 Historically, Debtor's business operation was capital intensive though the nature of Debtor's research and development operations did not provide for regular income sufficient to meet Debtor's capital needs. Debtor was therefore required to raise money from various individuals and entities to meet its capital needs. To that end, Debtor, over a period of years, raised more than \$20,000,000.00 from its existing shareholders. Nevertheless, and given the time and expense in pursuing a vaccine meant for use in humans through the rigorous FDA approval process, Debtor required additional funds.

Section 3.03 To meet additional capital needs, Debtor entered into that certain Loan, Guaranty and Security Agreement, dated as of June 30, 2014 (the "Loan Agreement") dated June 30, 2014, with Full Circle Capital Corporation ("FCC"), pursuant to which Debtor borrowed the principal amount of \$3,500,000 (the "Loan").

Section 3.04 Debtor's obligations under the Loan Agreement were reduced to a written promissory note (the "Note") executed by Debtor on June 30, 2014. The terms of the Note do not specify a repayment date or rate of interest is described. Under the terms of the Loan Agreement, the Note was not due and payable until 2 years after the Closing Date, an essentially undefined term. Despite the vagueness of these terms, the general assumption was that the Note was first due and payable in late June or early July of 2016.

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Section 3.05 To secure its obligations under the Loan and Note, Debtor granted FCC a lien / security interest in: (i) Debtors real property generally located at 2720, 2721, and 2728 North 84th Street, Omaha, NE 68116 (the "Property"), as more detailed in that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated June 30, 2014 (the "Deed of Trust"); (ii) certain of Debtor's personal property (the "Personal Property") pursuant to the Loan Agreement.

Section 3.06 On November 3, 2016, Great Elm Capital Corporation ("Great Elm") asserts that it succeeded to all of FCC's rights and interests under the Loan Agreement by operation of law pursuant to the merger of Full Circle with and into Great Elm, under that certain Agreement and Plan of Merger, dated as of June 23, 2016, between Full Circle and Great Elm (the "Full Circle Agreement").

Section 3.07 Effective February 3, 2017, Great Elm purports to have sold and assigned all of its rights and interests under the Loan Agreement to Auro Vaccines, LLC pursuant to that certain Asset Purchase Agreement dated February 3, 2017 (the "Purchase Agreement") and that certain Assignment and Assumption Agreement dated February 3, 2017 (the "Assignment Agreement"). Under the terms of the Purchase Agreement, Auro paid Great Elm the sum of \$3,000,000.00. Of this amount, Auro purports to allocate \$1,500,000.00 of the purchase price towards the Property and the remaining \$1,500,000.00 of the purchase price for the Loan and Loan Agreement.

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Article IV.
EVENTS THAT LED TO THE BANKRUPTCY FILING

Section 4.01 Following the closing of the Loan Agreement with FCC, Debtor continued to operate normally. However, during this time and leading into the end of 2016, the relationship between Debtor and Reddy deteriorated and became adversarial.

Section 4.02 Debtor's real problems began in early 2016, when for as yet unknown reasons, FCC declared a default under the Loan for Debtor's failure to make payments when due. However, FCC's declaration of default was wrongful and likely a breach of contract given that the Note called for no payments to be made prior to at least June 30, 2016. Nevertheless, FCC undertook steps to foreclose its liens on Debtor's Property and Personal Property pursuant to the Nebraska Trust Deed Act and the Uniform Commercial Code ("UCC"). To that end, FCC sent a notice of default under the Trust Deed Act on June 2, 2016 (again prior to the time when any payments to FCC were due) and a Notice of Trustee's Sale on July 12, 2017. Along with the pending foreclosure sale, FCC sent notice of a disposition of collateral on August 1, 2016, as required by the UCC as part of the foreclosure process related to the Personal Property. The notice of disposition of collateral indicated that FCC would sell Debtor's Personal Property pursuant to a private sale to an unidentified party or parties on or after August 16, 2016. Ultimately, FCC held a trustee's sale of the Property under the Trust Deed Act at which FCC submitted a credit bid of \$1,500,000.00 and purportedly took title to the Property (the "Foreclosure Sale").

Section 4.03 Following the foreclosure sale, but prior to the time FCC concluded a collateral sale of Debtor's Personal Property under the UCC, Debtor and FCC entered into a forbearance agreement (the "Forbearance Agreement") on September 14, 2017, that provided, among other things: (i) that FCC, in exchange for certain financial payments and hallmarks, would forbear its rights against Debtor; and (ii) Debtor would lease the Property from FCC for a period of time. On September 29, 2016, FCC sent notice to Debtor that the Forbearance Agreement was void *ab initio* for Debtor's failure to meet certain conditions precedent to the effective of the Forbearance Agreement.

Section 4.04 Following the breakdown of the negotiations with FCC, Debtor continued its efforts to raise money and capital for the purposes of paying the remaining balance, if any, to FCC. However, Debtor's efforts continued to be hampered by Reddy and this led to Reddy's resignation in October of 2016. Shortly thereafter, Kevin Aramalla, the son of one of Debtor's shareholders, was appointed at the new president of Debtor.

Section 4.05 As noted in Article III above, Great Elm asserts that it succeeded to all of FCC's rights and interests under the Loan Agreement by operation of law pursuant to the merger of Full Circle with and into Great Elm on or about November 3, 2016. Following this time, Debtor had ongoing communications with Great Elm regarding the redemption of its Personal Property and the possible sale of the Property back to Debtor.

Section 4.06 In early December 2016, Debtor was contacted by an individual name John McKay who proposed a licensing arrangement whereby Debtor would license certain of its intellectual property in exchange for an upfront payment and future royalty payments. Though

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preliminary, an appropriate licensing deal would have provided Debtor with the necessary capital and future cash flow needed to pay off its debts and continue the development of its vaccines products.

Section 4.07 Contemporaneously with the foregoing, and unbeknownst to Debtor, Reddy had begun to make inquiries and inroads with an entity called Aurobindo Pharma / Aurobindo Pharma USA, LLC ("Aurobindo"). More specifically, Reddy was having regular communications with Aurobindo regarding the possible sale/acquisition of Debtor by Aurobindo. As part of these communications, Reddy provided Aurobindo with non-public, proprietary information about Debtor and its operations. Aurobindo is a pharmaceutical manufacturing company based in India and is a competitor of Debtor.

Section 4.08 It is Debtor's understanding that Aurobindo opened negotiations with Great Elm to purchase Debtor's remaining assets from Great Elm pursuant to a UCC foreclosure in December of 2016. However, and rather than simply purchasing Debtor's assets outright, Aurobindo decided to purchase the Property from Great Elm and to purchase the Loan and related loan documents from Great Elm, thus stepping into the shoes of Great Elm as a lender for all intents and purposes.

Section 4.09 Moving into January of 2017, Debtor continued to pursue negotiations with John McKay to license its intellectual property. Debtor also continued to engage in negotiations with Great Elm to repurchase the Property and repay whatever amounts might be due and owing to Great Elm under the Loan. To that end, Debtor engaged legal counsel in New York to negotiate with Great Elm and placed \$1,300,000.00 into escrow to demonstrate Debtor's seriousness in dealing with Great Elm. While Great Elm continued to negotiate with Debtor, Debtor was effectively told on or about January 19, 2017, that: (i) Great Elm was far along in the process of selling the Loan and Property to an unidentified third party (which was later revealed to be Aurobindo / Auro); and (ii) absent a substantially similar offer from Debtor, Great Elm would move forward with the sale to the unidentified third party. After this date negotiations between Great Elm and Debtor came to an end and Debtor entered a period devoid of knowledge or information with respect to the status of its assets, the sale of its assets, the sale of the Loan, etc.

Section 4.10 In early February 2017, Debtor contacted bankruptcy counsel, including Debtor's current bankruptcy counsel, to discuss and assess what, if any, options Debtor possessed to protect its assets. After some basic due diligence it was learned that: (i) Great Elm did in fact sell the Property to an unidentified party¹; (ii) Great Elm sold the Loan to the same unidentified party; and (iii) Great Elm did not conduct a UCC foreclosure of Debtor's Personal Property. As a result, Debtor remained the owner of its Personal Property. That fact, coupled with: (i) the fact that Debtor did not know the identity of the purchase of the Property and Loan from Great Elm; (ii) Debtor was faced with the reality that the new and unidentified lender might move quickly to foreclose on Debtor's assets; (iii) the real possibility of the aforementioned licensing deal that would provide much needed capital and ongoing funding; and (iv) that serious questions existed as to whether or not Debtor actually owed Great Elm or any new lender any money under the Loan due to the application of the Nebraska Trust Deed Act, Debtor sought bankruptcy protection.

¹ In fact, upon inquiry, counsel for Great Elm was not permitted to reveal the identity of the buyer to Debtor's counsel.

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ARTICLE V. THE CHAPTER 11 CASE

Section 5.01 On February 15, 2017, Debtor filed this Chapter 11 Case.

Section 5.02 Shortly following the Petition Date, Debtor was informed by counsel that the unidentified third party discussed in Article IV was in fact a newly formed entity called Auro Vaccines, LLC ("Auro"). Auro is for all intents and purposes, on information and belief, funded and controlled by Aurobindo. To Debtor's knowledge, Auro has no operations, no employees, no cash, and no known plans for operation.² Nevertheless, Auro has asserted itself in this Chapter 11 Case as Debtor's 'lender' and a secured creditor to accomplish a single purpose: take possession and ownership of Debtor's intellectual property and Patents at all costs.

Section 5.03 Following the Petition Date, Debtor undertook steps to investigate and answer questions relating to Debtor's assets, Debtor's debt obligations, inter-creditor dealings (including those between Auro and Great Elm), and dealings with Debtor's former CEO (including dealings between Auro and Reddy – which Debtor believed were ongoing). Debtor did not receive adequate or immediate responses and this led Debtor to file a Motion for Examination of Third Parties Pursuant to Fed. R. Bank. R. 2004 which allows Debtor to utilize the Federal Rules of Civil Procedure to engage in, among other things, formal discovery requests. Debtor sought relief against Reddy, Great Elm, Auro, Aurobindo, and FCC. Auro and Aurobindo objected to the aforementioned motion claiming that Debtor's Chapter 11 Case was illegitimate and filed in bad faith. Despite their objection the Court granted the relief requested by Debtor.

Section 5.04 In response to Debtor's Motion for Examination of Third Parties Pursuant to Fed. R. Bank. R. 2004, Auro filed a Motion to Dismiss and a Motion for Relief from the Automatic Stay (the "Motions") again claiming that Debtor's Chapter 11 Case was illegitimate and filed in bad faith. Had these motions been granted in late April after the originally scheduled hearing, the Chapter 11 Case would have come to an end and with that any chance of any creditor in this case (other than Auro) receiving any payments on account of their claims.

Section 5.05 Auro relentlessly pursued the Motions but following multiple depositions, hundreds of exhibits, multiple hearings and multiple briefs, the Motions were effectively defeated on June 8, 2017, and technically resolved by a stipulation to be submitted. To date, no stipulation has been executed by the Parties. It is highly probable, if not all but assured, that Auro will once again move to dismiss Debtor's case in an effort to obtain control of Debtor assets, a move that will benefit only Auro and will come at the expense of every other creditor in this case.

² Auro's only know representative, Mr. Swami Iyer, is the Chief Financial Officer of Auro. Mr. Iyer is also the Chief Financial Officer of Aurobindo.

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Section 5.06 Subsequent to the Motions being resolved, Auro has made overtures that it will, or at least desires to, file its own, competing plan of reorganization. Auro's hopes to provide an alternative reorganization process to Debtor's proposed Plan. However, Auro is not currently permitted to file a competing plan under the Bankruptcy Code as the Bankruptcy Court has extended the exclusivity period in which Debtor and Debtor alone is permitted to file a plan of reorganization. Currently, and without limiting Debtor's ability to seek additional extensions, the exclusivity period will not expire under December 1, 2017.

Section 5.07 As noted above, Debtor does not have regular income and this fact is not an exception to the rule in pharmaceutical development sector. What expenses Debtor has or will have pending confirmation are being paid via capital infusions from Debtor's shareholders.

ARTICLE VI. CLAIMS ANALYSIS

Section 6.01 Auro filed a proof of claim in the amount of \$3,586,629.73, which Auro claims is a fully secured, albeit without any analysis or supporting documentation as to how it is fully secured. Auro's Claim also includes an ongoing priority claim for post-petition rent in the amount of \$78,233.55. Auro's claim is dated as of June 1, 2017, but Auro will claim that its claim continues to accrue additional amounts. Debtor disputes Auro's claims in their entirety at this stage. To that end, Debtor has filed an adversary proceeding against Auro pursuing several claims. First, Debtor is seeking declaratory relief that Auro is barred from asserting any prepetition claim against Debtor or its assets as Auro, as the claimed successor in interest to Full Circle and Great Elm, failed to comply with Nebraska law regarding the assertion of a deficiency judgment against a Debtor. More specifically, Nebraska law provides that a lender has 90 days following the foreclosure of a lien on real estate to seek a deficiency judgment. This law is in effect a statute of limitation. If a lender fails to seek a deficiency judgment against a debtor within this 90 days window, the lender is barred from thereafter from pursuing a debtor for a deficiency upon the promissory note for which the foreclosure real estate was pledged as collateral. In this matter, Auro did not pursue a deficiency judgment within 90 days after the Foreclosure Sale and is therefore barred from asserting and pursuing a claim under the Note. Moreover, Debtor is seeking a declaratory judgment that Auro, in executing the Purchase Agreement and Assignment Agreement, waived or released whatever security interest or lien Auro had in Debtor's Patents and other intellectual property. Lastly, Debtor has asserted objections to Auro proof of claim for a variety of reasons, including without limitation, that Auro's claim: (i) is in whole or in part, unenforceable against Debtor and property of Debtor under any agreement or applicable law for a reason other than because such claim is contingent or unmatured; (ii) is barred by applicable statutes of limitation; (iii) contains post-petition interest, default interest, attorneys' fees, and other expenses not allowed pursuant to § 506(b); (iv) contains amounts for prepetition default interest that was wrongfully assessed against Debtor; (v) contains prepetition expenses and fees incurred prior to the existence of Defendant; (vi) contains a post-petition priority claim for rent to which Defendant is not entitled; (vii) is limited to the value of whatever collateral or other property of Debtor in which Defendant has a valid and unavoidable lien or security interest; (viii) is limited by Neb. Rev. Stat. § 76-1013; (ix) is subject to set-off claims asserted by Debtor; (x) is not, in full or in part, secured by a valid lien on Debtor's assets; and/or

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(xi) lacks standing to pursue the claim. Debtor believes that it will be successful in this litigation and that Auro will be barred from pursuing its claim against Debtor.³

Section 6.02 The following summary reflects the universe of known Claims that have either been scheduled by Debtor and/or for which a proof of claim has been filed:

Claim #	Creditor	Claim Amount	Comment
---	Abe's Trash Service	\$358.85	Scheduled Amount to be Allowed
4	AMEX	\$8,409.79	Claim to be Allowed in Amount Claimed
---	APCS	\$160.50	Scheduled Amount to be Allowed
6	Auro Vaccines	\$3,586,629.73	Debtor disputes the amount of this claim and will file an appropriate objection
---	Bank of America Credit Card	\$22,413.68	Scheduled Amount to be Allowed
8	Beckman Coulter	\$5,183.10	Claim to be Allowed in Amount Claimed
3	Canon Financial	\$2,285.25	Claim to be Allowed in Amount Claimed
---	Canon Solutions Services	\$1,105.81	Scheduled Amount to be Allowed
---	Culligan Water	\$174.56	Scheduled Amount to be Allowed
1	Dana Jo Orten	\$3,450.00	Claim to be Allowed in Amount Claimed
2	Douglas County	\$4,817.68	Claim to be Allowed in Amount Claimed
---	Fisher Scientific	\$741.99	Scheduled Amount to be Allowed
---	Futuramic Water Products	\$1,888.60	Scheduled Amount to be Allowed
---	Grainger Supply	\$1,155.98	Scheduled Amount to be Allowed
7	Gross Welch	\$27,591.50	Claim to be Allowed in Amount Claimed
---	John Church Electric	\$307.74	Scheduled Amount to be Allowed
---	Metro Alarms	\$368.08	Scheduled Amount to be Allowed
---	Metropolitan Utilities	\$0.00	Scheduled Amount to be Allowed
---	Midwest Laboratories	\$429.02	Scheduled Amount to be Allowed
---	Morrow Davies & Toelle PC	\$886.31	Scheduled Amount to be Allowed
5	Navitas Credit	\$35,283.13	Debtor disputes the amount of this claim and will file an appropriate objection
---	Neuhaus Law	\$10,184.55	Scheduled Amount to be Allowed
---	Orten Consulting	\$3,450.00	Scheduled Amount to be Allowed
---	Praxair	\$12,474.14	Scheduled Amount to be Allowed
---	Presto-x Insect control	\$1,685.89	Scheduled Amount to be Allowed
---	Sigma Aldrich	\$1,008.65	Scheduled Amount to be Allowed

³ The forgoing is merely a summary of Debtor's complaint should be construed as a waiver, acknowledgement, or admission of any claim, fact or defense Debtor will pursue against Auro.

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---	Stericycle	\$2,480.56	Scheduled Amount to be Allowed
---	Suiter Swantz PC LLO	\$16,557.15	Scheduled Amount to be Allowed
---	Taxes - Personal Property	\$4,817.68	Scheduled Amount to be Allowed
---	Thomas S. Thomas CPA	\$8,200.00	Scheduled Amount to be Allowed
---	US Bank Credit Line	\$46,907.03	Current Balance will be Allowed.
---	VWR Scientific	\$1,079.17	Scheduled Amount to be Allowed

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ARTICLE VII. LIQUIDATION ANALYSIS

Section 7.01 Section 1129(a)(7) of the Bankruptcy Code provides:

- (7) With respect to each impaired class of claims or interests—
 - (A) each holder of a claim or interest of such class—
 - (i) has accepted the plan; or
 - (ii) will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under chapter 7 of this title...

This statute is colloquially called the 'best interest of creditors test'. In short terms, this test provides that a debtor's bankruptcy plan must pay to creditors at least what they would be paid if all the debtor's assets were liquidated and distributed in accordance with the bankruptcy code. This test typically requires a great deal of speculation as to the liquidation value of a debtor's assets, expected administrative expenses, claims of secured creditors, and the like. Debtor submits that a separate liquidation analysis is not required as Debtor will pay Allowed Claims in full irrespective of the value of Debtor's assets. As creditors are not entitled to more than they are legally allowed, the liquidation of Debtor's assets would not result in a higher payment than what Debtor is proposing. Thus, it is Debtor's belief that the best interest of creditor's test is *per se* satisfied.

Nevertheless, Debtor offers two additional alternative liquidation analyses, the results of which are attached hereto as Exhibit 7.1(a). In addition, the following assumptions have been made by Debtor. It is important to note that Debtor has not conducted a recent inventory of its Personal Property, all of which has been in the possession and control of Auro since the Petition Date. Moreover, Debtor has not had a professional or independent appraiser value Debtor's Personal Property.

a. 2016 Balance Sheet

The last known inventory of Debtor's Personal Property occurred in August of 2016. A list of this inventory schedule was attached to Debtor's bankruptcy schedules. The inventory schedule includes information related to the location of the asset, the name / type of the asset, the purchase date, and the purchase price. A courtesy copy of the Debtor's bankruptcy schedules is attached hereto with exhibit 7.1(a). In addition, Debtor's 2016 balance sheet indicates Debtor's assets were valued at \$2,393,785.00 at year end. A copy of this balance sheet is attached hereto with exhibit 7.1(a). However, this balance sheet maintains a line item for the Property, which has been deducted for purposes of this analysis. Moreover, Debtor assumes that Debtor will incur a 30% reduction in value due to administrative expenses, liquidation expenses, and additional age of Debtor's assets.

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b. Auro's Presumed Valuation.

As noted above, under the terms of the Purchase Agreement, Auro paid Great Elm the sum of \$3,000,000.00. Of this amount, Auro purports to allocate \$1,500,000.00 of the purchase price towards the purchase of the Property and the remaining \$1,500,000.00 of the purchase price for the purchase of the Loan and Loan Agreement. Debtor presumes that Auro was aware that the Loan was in default at the time of the execution of the Purchase Agreement. Debtor further presumes that Auro was provided the opportunity to conduct due diligence into Debtor's financial condition, ability to repay the Loan, and the scope, quality, and value of Debtor's non-real estate assets. Debtor further presumes that Auro took these factors into consideration when Auro chose to value, through allocation of the purchase price, Debtor's non-real estate assets at \$1,500,000.00.

In reality, Auro purchased the Loan and Loan Documents with the intent of immediately foreclosing its claimed liens on Debtor's assets. As noted by Auro's CFO, Sawmi Iyer, in his declaration under penalty of perjury at Filing No. 22 in Debtor's Bankruptcy Case, the Purchase Agreement and Assignment Agreement were executed on February 3, 2017. Mr. Iyer further testified that "immediately prior to the Petition Date, Auro was preparing to commence enforcement actions against the Collateral on account of the Debtor's continuing default under the Loan Agreement." Filing No. 22, ¶20. Debtor therefore presumes that when Auro executed the Purchase Agreement and allocated the purchase price in the manner it did, Auro believed that it would take title to Debtor's personal property at a foreclosure sale valued at \$1,500,000.00.

Based on the forgoing assumptions, which have not been discussed or confirmed with Auro, Debtor presumes for this scenario that the value of its non-real estate assets was \$1,500,000.00 as of February 3, 2017.

Alternative Analysis Conclusions

Debtor's current assumptions and analysis (which are outlined on Exhibit 7.1(a)) indicate that there is negative equity in Debtor's assets between -\$2,535,000.00 and -\$3,136,000.00, after taking into account Auro's secured claim, which has not been disallowed at this stage. As such, in a liquidation of Debtor's assets in a chapter 7 proceeding would not result in a distribution to unsecured creditors. As Debtor's Plan proposes to pay 100% of Allowed Claim, the Plan provides that holders of Allowed Claims will not receive less than the amount that such holder would so receive or retain if Debtor were liquidated under chapter 7.⁴

⁴ Nothing in this Article VII should be construed as a waiver, acknowledgement, or admission of any claim, fact or defense Debtor may possess.

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Article VIII.
ANALYSIS OF POTENTIAL PREFERENTIAL OR OTHERWISE
VOIDABLE TRANSFERS

Section 8.01 Debtor's Schedules identify few, if any, transfers that are potentially subject to scrutiny because they were made within the periods of time that are subject to avoidance under various provisions of the Bankruptcy Code. In general terms, transfers made on account of preexisting obligations within ninety (90) days of the filing of the bankruptcy case are subject to being recovered as preferences. If those transfers were made to insiders, e.g. the LLC members, the lookback period is one year. Similarly, there are provisions in the Bankruptcy Code that give a debtor the ability to recall transfers made within one year of the bankruptcy or up to four years, if they meet the elements of a Bankruptcy Code fraudulent conveyance or the Nebraska statutory counterpart.

Section 8.02 However, Debtor has retained Larry Welch of the Welch Law Firm, P.C. of Omaha, Nebraska as special counsel to investigate what claims and causes of action Debtor may have against Reddy and other parties. In the event Debtor pursues any causes of action it may possess and recovers funds, said recoveries will be retained by Debtor.

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Article IX.
SUMMARY OF THE PLAN

Section 9.01 **Plan Terms.** The Plan is furnished with this Disclosure Statement. The Plan Proponents urge all creditors and interest holders to review carefully the specific terms of the Plan, which is attached hereto as Exhibit "A".

(a) Summary

Debtor: JN Medical Corporation.

Source of Distributions: (i) Debtor's post-petition income; (ii) capital infusions.

(b) Class of Claimants: (i) three unclassified Classes of Claims; and (ii) five classified Classes of Claim

Treatment of unclassified Classes of Claims⁵:

Class	Treatment	Number of Creditors	Estimated or Filed Claim(s)	Estimated Payment
Allowed Administrative Expense Claims	Paid in Full.	1	\$75,000.00	100%
Allowed Fees of the UST	Paid in Full.	1	TBD	100%

Treatment of Classified Claims⁶:

Class	Treatment	Number of Creditors	Estimated or Filed Claim(s)	Estimated Payment
1 - Allowed Secured Claim of Douglas County, Nebraska. ⁷	Douglas County Nebraska (the "County") filed a Claim related to unpaid property taxes in the amount of \$4,817.68. The County asserts that its Claim is a Secured Claim secured by a first priority Lien in and on Debtor's Assets. The County's Claim shall be an Allowed Claim in the amount	1	\$4,817.68 (per filed claim).	100%

⁵ All information is based upon Debtor's Schedules and filed Proofs of Claim. Amounts and numbers subject to change based on objections to claims as contemplated by Debtor's Plan. Nothing herein shall be deemed an admission that a particular claim is enforceable, valid, or due and owing. All claims are subject to any and all defenses, setoffs, and claims possessed by Debtor.

⁶ All information is based upon Debtor's Schedules and filed Proofs of Claim. Amounts and numbers subject to change based on objections to claims as contemplated by Debtor's Plan. Nothing herein shall be deemed an admission that a particular claim is enforceable, valid, or due and owing. All claims are subject to any and all defenses, setoffs, and claims possessed by Debtor.

⁷ Secured by all Debtor's Assets.

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	<p>described in the County's proof of claim. The County's Allowed Secured Claim shall be: (i) in full and in Cash by Debtor upon the Effective Date; or (ii) in such other manner to which Debtor and the County agree to in writing. Following payment of the County's Claim, Debtor shall have no further liability or obligations to the County on account of its Claim and any Liens or Interest possessed or claimed by the County in Debtor's Assets shall be deemed extinguished and released.</p>			
<p>2 Allowed Secured Claim of Auro Vaccines, LLC.⁸</p>	<p>Auro Vaccines, LLC ("Auro") has filed a Claim in the amount of \$3,586,629.73 (as of June 1, 2017) allegedly representing the balances due on a "Term Loan Note" (the "Note"). The Note is in the original amount of \$3,500,000.00 and does not state a rate on interest on its face. A 'Loan, Guaranty, and Security Agreement' (the "Loan Agreement") states that interest on the Note was Eleven percent per annum (11%) and that default interest on the Note was an additional Five percent per annum (5%). Both the principal and total balance of the Note are disputed and unknown at this time. Auro asserts that its Claim is a Secured Claim secured by a Lien in and on Debtor's Assets. Debtor disputes the scope and validity of Auro's claimed Lien. Auro's Claim shall be paid in full and in Cash, 10 days after the entry of a Final Order of the Bankruptcy Court allowing the Auro Secured Claim and in the amount so allowed. Following payment of Auro's Claim, Debtor shall have no further liability or obligations to Auro on account of its Claim and any Liens or Interest possessed or claimed by Auro in Debtor's Assets shall be deemed extinguished and released.</p>	<p>1</p>	<p>\$3,586,629.73 (per filed claim).</p>	<p>100%</p>

⁸Subject to Objection.

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3 Priority Wage Claim of Dana Jo Orten	Dana Jo Orten filed a Priority Claim related to unpaid wages, salaries, or commissions in the amount of \$3,450. Ms. Orten's Allowed Priority Claim shall be: (i) in full and in Cash by Debtor upon the Effective Date; or (ii) in such other manner to which Debtor and Ms. Orten agree to in writing. Following payment of Ms. Orten's Claim, Debtor shall have no further liability or obligations to Ms. Orten on account of her Claim.	1	\$3,450 (per filed claim).	100%
4 Allowed General Unsecured Claims	Allowed Unsecured Claims shall be paid: (i) in full and in Cash the amount of such Allowed Unsecured Claim upon the Effective Date; or (ii) in such other manner to which Debtor and the holder of such Allowed Unsecured Claim have agreed upon in writing. Following payment of the Allowed Unsecured Claims, Debtor shall have no further liability or obligations on account thereof.	29	\$217,588.71	100%

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(c) Executory Contracts and Unexpired Leases.

The Bankruptcy Code, with few limited exceptions, allows a debtor to assume or reject existing contracts and leases. If a debtor is to assume an executory contract or unexpired lease, the debtor must, in general terms, cure any financial defaults and provide certain assurances of the debtor's ability to perform under such assumed contract or lease.

A Debtor may also reject an executory contract. Under the Bankruptcy Code, damages arising from the rejection of an executory contract are treated as general unsecured claims, notwithstanding the fact that rejection damages arise post-petition as, by definition, rejection damages are treated as though they arose prepetition.

Under Debtor's Plan, Debtor shall have until the Effective Date of the Plan to file an application to assume or reject any executory contract that has not been previously assumed or rejected. To the extent Debtor fails to obtain approval to assume any executory contract it shall be deemed to be rejected as of the Effective Date. Moreover, the Bankruptcy Court shall determine the dollar amount, if any, of the Claim of any Person seeking damages by reason of the rejection of any executory contract or unexpired lease; provided, however, that such Person must file a proof of claim with the Bankruptcy Court before forty-five (45) calendar days following the rejection of any executory contract or unexpired lease. Debtor does not believe there will be rejection damages arising in the future.

(d) Debtor's Post Petition Operations and Source of Plan Payments.

Debtor's monthly operating reports filed during the pendency of the Chapter 11 Case are available upon written request to Debtor's counsel. Alternatively, detailed reports of Debtor's post-petition business operations are available through the Bankruptcy Court's CM/ECF online docketing system (<https://ecf.neb.uscourts.gov/>) in case No. 17-80174.

Debtor's plan payments will come from Debtor's revenues received from Debtor's Proposed Licensing Agreement

On June 24, 2017, Debtor executed a Term Sheet with JP Vaccines, LLC, a Delaware limited liability company ("JP") to license certain of Debtor's intellectual property to JP. Under the provisions of the Term Sheet, Debtor and JP have reached an agreement in principal that will be reduced to a final, binding licensing agreement. The Term Sheet provides for a 90 day exclusivity period for Debtor and JP to complete the licensing agreement. Under general terms, and in consideration for the license of certain of Debtor's intellectual property to JP, the Term Sheet contemplates that Debtor will received an up-front, non-refundable licensing fee of \$5,000,000.00 (the "Upfront Licensing Payment"). In addition, Debtor is to receive ongoing royalty payments from JP equal to fourteen percent (14%) of net sales of the products sold by JP in the territories to be licensed to JP by Debtor. To the extent necessary, the Upfront Licensing Payment will be used to make payments on account of Allowed Claims under the Plan. A copy of the executed Term Sheet will be made available to any Creditor upon written request to

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Debtor's counsel, but only after said requesting Creditor first signs and returns a copy of the confidentiality agreement attached hereto as Exhibit 9.01(d).

Section 9.02 **Continued Company Existence.** Debtor shall continue to exist and function after the Effective Date of the Plan in accordance with applicable law in the jurisdiction in which it is established, Nebraska.

Section 9.03 Management of Debtor. Debtor's current president is Kevin Aramalla. Debtor also has an existing board of directors. It is anticipated that Mr. Aramalla and the exiting board of directors will continue in their current roles, to wit: President, Kevin Aramalla; Treasurer, Sambasiva Venigalla; Director, Jayakumar Kambam; Director, Sambasiva Venigalla; Director, Snigdha Dvivedi; Director, Hanumandla R Reddy; and Director, Prasadrao Yarlagadda: .

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Article X.
THE PLAN CONFIRMATION PROCESS

Section 10.01 **General Provisions.** This Disclosure Statement is being transmitted to holders of Claims that are entitled under the Bankruptcy Code to vote on the Plan, as well as other parties. The primary purpose of this Disclosure Statement is to provide adequate information to enable holders of Claims against Debtor to make a reasonably informed decision whether to vote to accept or reject the Plan.

Section 10.02 **Persons Entitled to Receive Disclosure Statement.** Only persons who hold Claims and Interests of record as of the date the Court approves this Disclosure Statement are entitled to receive a copy of this Disclosure Statement.

Section 10.03 **Persons Entitled to Vote for or Against the Plan.** Only persons who hold Allowed Claims and Allowed Interests in the Voting Classes on the Confirmation Date are entitled to vote whether to accept the Plan.

Section 10.04 **Impairment.** All Classes are impaired under the Plan.

Section 10.05 **Non-consensual Confirmation.** Notwithstanding the actual rejection by any Class or Classes, Debtor reserves the right to request the Bankruptcy Court to confirm the Plan in accordance with § 1129(b) of the Bankruptcy Code.

Section 10.06 **Rights and Obligations.** The rights and obligations of Debtor as well as the rights of all creditors against Debtor are those set forth in Debtor's Plan regardless of whether any particular creditor filed a proof of claim or otherwise participated in this case

Section 10.07 **Injunction.** The Order confirming Debtor's Plan shall enjoin the institution of future actions and the continuation of any existing action whether legal or equitable to assert a claim against Debtor or its assets.

Article XI.
VOTING INSTRUCTIONS AND PROCEDURES

Section 11.01 Approval by the Bankruptcy Court of this Disclosure Statement means that this Disclosure Statement contains information of a kind and in sufficient and adequate detail to enable such Claim holders to make an informed judgment with respect to acceptance or rejection of the Plan

- (a) THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT
- (b) ALL HOLDERS OF CLAIMS AGAINST DEBTOR ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS APPENDICES CAREFULLY AND IN

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THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR TO REJECT THE PLAN

- (c) IF THE PLAN IS APPROVED BY THE REQUISITE VOTE OF HOLDERS OF THE CLAIMS ENTITLED TO VOTE AND IS SUBSEQUENTLY CONFIRMED BY THE BANKRUPTCY COURT, THE PLAN WILL BIND ALL HOLDERS OF CLAIMS AGAINST, AND INTERESTS IN, DEBTOR, WHETHER OR NOT THEY WERE ENTITLED TO VOTE OR DID VOTE ON THE PLAN AND WHETHER OR NOT THEY RECEIVE OR RETAIN ANY DISTRIBUTIONS OR PROPERTY UNDER THE PLAN. THUS ALL HOLDERS OF CLAIMS AGAINST DEBTOR ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS APPENDICES AND SCHEDULES CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR REJECT THE PLAN.
- (d) THIS DISCLOSURE STATEMENT IS THE ONLY DOCUMENT AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN.
- (e) CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE RESULTS.

Section 11.02 This Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Disclosure Statement. Further, Debtor does not anticipate that any amendments or supplements to this Disclosure Statement will be distributed to reflect such occurrences. Accordingly, the delivery of this Disclosure statement shall not under any circumstance imply that the information herein is correct or complete as of any time subsequent to the date hereof

Section 11.03 **Solicitation Package.** Along with the mailing of this Disclosure Statement, as part of the solicitation of acceptances of the Plan, each person entitled to vote to accept or to reject the Plan will receive: (1) the Plan; (2) notification of (a) the time by which Ballots must be submitted, (b) the date, time and place of the hearing to consider confirmation of the Plan and related matters, and (c) the time for filing objections to confirmation of the Plan; and (3) a Ballot (and return envelope) to be used in voting to accept or to reject the Plan. Any person who receives this Disclosure Statement but does not receive a Ballot and who believes that he or she is entitled to vote to accept or reject the Plan should contact Patrick R. Turner, Stinson Leonard Street, LLP, 1299 Farnam Street, Suite 1500 Omaha, Nebraska 68102.

Section 11.04 After carefully reviewing the Plan, this Disclosure Statement and the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot. Only original Ballots will be accepted. You must complete, sign and return your Ballot in the envelope provided.

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Section 11.05 IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED NO LATER THAN _____ AT _____ ("VOTING DEADLINE") BY _____.

Section 11.06 CONFIRMATION HEARING AND DEADLINE FOR OBJECTIONS TO CONFIRMATION

Section 11.07 Pursuant to § 1128 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 3017(c), the Bankruptcy Court has scheduled a Confirmation Hearing for _____, 2011, at _____. The Bankruptcy Court may adjourn the Confirmation Hearing from time to time without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing. Objections to Confirmation of the Plan must be filed with the Bankruptcy Court no later than _____, 2011

Section 11.08 The allowance of any Claim or Interest for purposes of voting on the Plan shall not constitute an allowance of the Claim for the purpose of receiving any distribution pursuant to the Plan. Likewise, any references in the Plan or Disclosure Statement to any Claims or Interests shall not constitute an admission by Debtor of the existence, nature, extent or allowability of any such Claims or Interests.

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Article XII.
RETENTION OF JURISDICTION

Section 12.01 Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain such jurisdiction over the Chapter 11 Case and all matters, arising out of, or related to, the Chapter 11 Case and the Plan, including jurisdiction to:

- (a) allow, disallow, determine, liquidate, classify, estimate, or establish the priority, secured or unsecured status, or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the secured or unsecured status, priority, amount, or allowance of Claims or Interests;
- (b) to address and resolve any Debtor's adversary proceeding filed against Auro.
- (c) decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Plan;
- (d) resolve any matters related to: (a) the assumption and assignment or rejection of any Executory Contract or Unexpired Lease to which a debtor is party or with respect to which a debtor may be liable in any manner and to hear, determine, and, if necessary, liquidate, any Claims arising therefrom, including Claims related to the rejection of an Executory Contract or Unexpired Lease, Cure Costs pursuant to section 365 of the Bankruptcy Code, or any other matter related to such Executory Contract or Unexpired Lease; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) any dispute regarding whether a contract or lease is or was executory or expired;
- (e) ensure that distributions to holders of Allowed Claims and Interests are accomplished pursuant to the provisions of the Plan;
- (f) adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications involving a debtor that may be pending on the Effective Date;
- (g) adjudicate, decide, or resolve any and all matters related to Causes of Action;
- (h) enter and implement such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan or the Disclosure Statement;
- (i) enter and enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;

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- (j) resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with the Consummation, interpretation, or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;
- (k) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person with Consummation or enforcement of the Plan;
- (l) resolve any cases, controversies, suits, disputes, or Causes of Action with respect to any settlements, compromises, releases, injunctions, exculpations, and other provisions of Debtor's Plan and enter such orders as may be necessary or appropriate to implement such releases, injunctions, and other provisions;
- (m) resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the holder of a Claim or Interest for amounts not timely repaid;
- (n) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;
- (o) determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created in connection with the Plan or the Disclosure Statement;
- (p) adjudicate any and all disputes arising from or relating to distributions under the Plan or any transactions contemplated therein;
- (q) consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;
- (r) determine requests for the payment of Claims and Interests entitled to priority pursuant to section 507 of the Bankruptcy Code;
- (s) hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, or the Confirmation Order, including disputes arising under agreements, documents, or instruments executed in connection with the Plan;
- (t) hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;
- (u) hear and determine all disputes involving the existence, nature, or scope of Debtor's release, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date;
- (v) enforce all orders previously entered by the Bankruptcy Court;

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- (w)hear any other matter not inconsistent with the Bankruptcy Code;
- (x) enter an order concluding or closing the Chapter 11 Cases; and
- (y) enforce the injunction, release, and exculpation provisions set forth in the Plan.

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Article XIII.
MISCELLANEOUS

Section 13.01 **Tax Consequences for Creditors.** Debtor has not obtained a tax opinion and expresses no opinion as to the tax consequences to the holder of any Claim or Interest caused by the confirmation and performance of the terms of its Plan. Debtor strongly suggests that each Creditor obtain their own tax opinion regarding the payments proposed under the Plan.

Section 13.02 **Federal Income Tax Consequences to Debtor - Cancellation of Indebtedness Income.** Under general United States federal income tax principles, Debtor may realize cancellation of debt ("COD") income to the extent that its obligation to a Claim holder is discharged pursuant to the Plan or otherwise for an amount less than amount due on such holder's Claim. For this purpose, the amount paid to a Claim holder in discharge of its Claim generally will equal the amount of any money paid and the fair market value of any other property exchanged.

Section 13.03 Debtor does not project that it will realize any COD income as the Plan contemplates that all legitimate claims will be paid in full. Because Debtor will be a debtor in a bankruptcy case at the time it realizes COD income, it will not be required to include such COD income in its gross income, but rather will be required to reduce certain of its respective tax attributes by the amount of COD income so excluded. Under the general rules of IRC § 108, the required attribute reduction will be first applied to reduce the net operating losses ("NOLs") and NOL carryforwards, to the extent of such NOLs and carryforwards, and then to certain other tax attributes of Debtor in the order prescribed by the Internal Revenue Code. Debtor has not yet determined whether it will make the election under IRC § 108(b)(5).

Section 13.04 **Payment of Statutory Fees.** All fees payable pursuant to section 1930(a) of the Judicial Code as of the Effective Date shall be paid by Debtor prior to or on the Effective Date and all post-Effective Date fees shall be paid as required by section 1930(a) until the Chapter 11 Case is converted, dismissed, or closed, whichever occurs first.

Section 13.05 **Contacts.** Questions regarding this disclosure statement or any other inquiries can be made to Debtor's attorneys as listed below.

JN MEDICAL CORPORATION, Debtor

By: /s/ Patrick R. Turner
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