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10 **UNITED STATES BANKRUPTCY COURT**

11 **DISTRICT OF NEVADA**

12 In re:

13 INTER123 CORPORATION,

14 Debtor.

Case No.: 16-12076-LED
Chapter 11

Confirmation Hearing
Hearing Date:
Hearing Time:

15
16 **DISCLOSURE STATEMENT TO ACCOMPANY**
17 **DEBTOR'S PLAN OF REORGANIZATION**
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1 **1. INTRODUCTION**

2 On April 15, 2016, Inter123 Corporation, a Nevada corporation, (“Debtor”) filed its voluntary petition
3 for relief under Chapter 11 of the Bankruptcy Code, thereby commencing the above-captioned bankruptcy case
4 (“Chapter 11 Case”) in the United States Bankruptcy Court for the District of Nevada. Debtor has prepared this
5 Disclosure Statement (“Disclosure Statement”) in connection with the solicitation of votes on its proposed Plan
6 of Reorganization (“Plan”) to treat the Claims of Creditors of Debtor and the Persons holding Equity Securities
7 in Debtor. Capitalized terms not otherwise defined herein will have the same meanings as are ascribed to such
8 terms in the Plan.

9 The various exhibits to this Disclosure Statement included herewith are incorporated into and are a part
10 of this Disclosure Statement. The Plan is included as **Exhibit A** herewith. Any interested party desiring further
11 information should contact:

12 ANDERSEN LAW FIRM, LTD.
13 Attn: Ryan A. Andersen, Esq.
14 101 Convention Center Drive, Suite 600
15 Las Vegas, Nevada 89109
16 Telephone: 702-522-1992
17 Email: randers@andersenlawlv.com

18 Interested parties may also obtain further information from the Bankruptcy Court at its website:
19 <http://www.nvb.uscourts.gov> (PACER account may be required).

20 **2. INFORMATION REGARDING THE PLAN AND DISCLOSURE STATEMENT**

21 The objective of a Chapter 11 case is the confirmation (i.e., approval by the bankruptcy court) of a plan
22 of reorganization. A plan describes in detail (and in language appropriate for a legal contract) the means for
23 satisfying the claims against, and equity interests in, a debtor. After a plan has been filed, the holders of such
24 claims and equity interests that are impaired (as defined in section 1124 of the Bankruptcy Code) are permitted
25 to vote to accept or reject the plan. Before a debtor or other plan proponent can solicit acceptances of a plan,
26 section 1125 of the Bankruptcy Code requires Debtor or other plan proponent to prepare a disclosure statement
27 containing adequate information of a kind, and in sufficient detail, to enable those parties entitled to vote on the
28 plan to make an informed judgment about the plan and whether they should accept or reject the plan.

29 The purpose of this Disclosure Statement is to provide sufficient information about Debtor and the Plan
30 to enable Creditors to make an informed decision in exercising their rights to accept or reject the Plan. This
31 Disclosure Statement will be used to solicit acceptances of the Plan only after the Bankruptcy Court has found
32 that this Disclosure Statement provides adequate information in accordance with section 1125 of the Bankruptcy
33 Code and has entered an order approving this Disclosure Statement. Approval by the Bankruptcy Court is not
34 an opinion or ruling on the merits of this Disclosure Statement and it does not mean that the Plan itself has been
35 or will be approved by the Bankruptcy Court.

36 After the appropriate Persons have voted on whether to accept or reject the Plan, there will be a hearing
37 on the Plan to determine whether it should be confirmed. At the Confirmation Hearing, the Bankruptcy Court
38 will consider whether the Plan satisfies the various requirements of the Bankruptcy Code. The Bankruptcy Court
39 will also receive and consider a Ballot Summary that will present a tally of the votes of Classes accepting or
40 rejecting the Plan cast by those entitled to vote. Once confirmed, the Plan will be treated essentially as a contract
41 binding on all Creditors, holders of Equity Interests, and other parties-in-interest in the Chapter 11 Case, as
42 provided herein.





1 THIS DISCLOSURE STATEMENT IS NOT THE PLAN. FOR THE CONVENIENCE OF
 2 CREDITORS AND HOLDERS OF EQUITY SECURITIES, THE PLAN IS SUMMARIZED IN THIS
 3 DISCLOSURE STATEMENT. ALL SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN
 4 ITSELF. **IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS DISCLOSURE STATEMENT
 5 AND THE PLAN, THE PLAN WILL CONTROL.**

6 **3. REPRESENTATIONS**

7 Unless otherwise specifically noted, the financial information in this Disclosure Statement has not been
 8 subject to audit. Instead, this Disclosure Statement was prepared from information compiled from records
 9 maintained in the ordinary course of Debtor’s business. Debtor has attempted to be accurate in the preparation
 10 of this Disclosure Statement.

11 Other than as stated in this Disclosure Statement, Debtor has not authorized any representations or
 12 assurances concerning Debtor and its operations or the value of its assets. Therefore, in deciding whether to
 13 accept or reject the Plan, you should not rely on any information relating to Debtor or the Plan other than that
 14 contained in this Disclosure Statement or in the Plan itself.

15 **4. GENERAL OVERVIEW OF THE PLAN**

16 The following is a general overview of the provisions of the Plan. This overview is qualified in its
 17 entirety by reference to the provisions of the Plan. Except to the extent that the holder of an Allowed Claim
 18 agrees to a less favorable treatment, their treatment shall be as set forth herein. The Plan should be consulted for
 19 a more detailed description of the terms and provisions of the Plan.

20 Pursuant to section 1123(a)(1) of the Bankruptcy Code, Allowed Administrative Claims and Allowed
 21 Priority Tax Claims are not designated as Classes. The holders of such unclassified Claims shall be paid in full
 22 under the Plan consistent with the requirements of section 1129(a)(9)(A) of the Bankruptcy Code and thus are
 23 not entitled to vote on the Plan. As of October 12, 2016, the only known and unpaid Administrative Claims are
 24 Professionals Fees of Debtor’s general reorganization counsel, the law firm of Andersen Law Firm, Ltd., in the
 25 approximate amount of \$13,000.00 and U.S. Trustee’s Fees, which are current. At present, Debtor anticipates
 26 that the total remaining unpaid Administrative Claims as of the Confirmation Hearing will total no more than
 27 \$30,000.00.

The proposed distributions under the Plan to Each Class are summarized as follows:

Class	Description	Treatment	Estimated Claims	Estimated Distribution
Class 1	Priority Non-Tax Claims	Unimpaired	\$12,850.00	100%
Class 2	General Unsecured Claims	Impaired	\$351,227.76	40%
Class 3	Equity Interests in Debtor	Unimpaired	N/A	N/A

The known Priority Non-Tax Claims in Class 1 are as follows: (1) employee wage claims pursuant to section 507(a)(4) of the Bankruptcy Code, which will be paid in full as soon as practical on or as soon as reasonably practicable after the effective date of the Plan.

With respect to General Unsecured Claims in Class 2, Debtor believes there are approximately twelve (12) creditors in Class 2 with claims totaling \$351,227.76.

With respect to the Equity Interests in Class 3, Debtor believes there are two interest holders, Debtor’s President and majority sole shareholder, Mr. Jeffrey Peterson (“Peterson”), holding 89.9% of all outstanding shares, and Ms. Rocio Grijalva, holding 10.1% of all outstanding shares.



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5. SUMMARY OF THE VOTING PROCESS

5.1. Who May Vote to Accept or Reject the Plan

Generally, holders of allowed claims or equity interests that are “impaired” under a plan are permitted to vote on the plan. A claim is defined by the Bankruptcy Code and the Plan to include a right to payment from a debtor. An equity interest represents an ownership stake in a debtor. In order to vote, a creditor must first have an allowed claim. The solicitation of votes on the Plan will be sought only from those holders of Allowed Claims whose Claims are impaired and which will receive property or rights under the Plan. As explained more fully below, to be entitled to vote, a Claim must be both “Allowed” and “Impaired.”

5.2. Summary of Voting Requirements

In order for the Plan to be confirmed, the Plan must be accepted by at least one noninsider, impaired class of claims. A class of claims is deemed to have accepted a plan when allowed votes representing at least two-thirds (2/3) in amount and a majority in number of the claims of the class actually voting cast votes in favor of a plan. Debtor is soliciting votes from holders of Allowed Claims in Class 2, which is the only class impaired under the Plan.

Debtor will have the right to supplement this Disclosure Statement as to additional impaired Classes, if any. The treatment of each Class is described in the Plan and is summarized in this Disclosure Statement.

A VOTE FOR ACCEPTANCE OF THE PLAN BY THOSE HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE IS MOST IMPORTANT. DEBTOR ASSERTS THAT THE TREATMENT OF CREDITORS UNDER THE PLAN IS THE BEST ALTERNATIVE FOR CREDITORS, AND DEBTOR RECOMMENDS THAT THE HOLDERS OF ALLOWED CLAIMS VOTE IN FAVOR OF THE PLAN.

6. GENERAL INFORMATION ABOUT DEBTOR’S BUSINESS

6.1. Overview of Business and Historical Operating Results

Debtor is a Nevada corporation engaged primarily in intellectual property investing and providing consulting services to the high technology sector. Specifically, the Debtor owns internet domain names and associated trademarks, and has entered into, and plans to continue entering into, various licensing agreements that allow third parties to use its intellectual property, including the mobile.co domain name and associated trademarks. Further, the Debtor, through Peterson, regularly enters into consulting agreements with various high technology companies, providing expertise and insight to such companies.

Until recently, Debtor’s operations produced revenue sufficient to cover its expenses. However, issues with various creditors, including Mr. Errol Shifman (“Shifman”), discussed below, required Debtor to reorganize through bankruptcy, leading to Debtor filing the Chapter 11 Case.

6.2. The Shifman Claim

Shifman holds a stipulated judgment against Debtor and others, and while Debtor intended to honor its payment requirements related this judgment, cash flow issues made it impossible for it to do so. However, because of the stipulated judgment and Shifman’s promise to move quickly to execute on the Debtor’s assets, the Debtor was left with no choice but to file the Chapter 11 Case in order to preserve its going concern value for the benefit of all of its creditors.

1 **7. SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASE**

2 **7.1. Maintenance of Prepetition Bank Accounts**

3 On April 27, 2016, the Court entered an *Order Authorizing Maintenance of Existing Bank Accounts and*
 4 *Related Relief*, ECF No. 24, which authorized Debtor to continue utilizing its prepetition bank accounts, checks,
 5 and business forms.

6 **7.2. Retention and Interim Compensation of Professionals**

7 On May 26, 2016, the Court entered an *Order Authorizing the Employment and Retention of Andersen*
 8 *Law Firm, Ltd. as Attorneys for the Debtor-In-Possession Nunc Pro Tunc as of the Petition Date*, ECF No. 30,
 9 by which the Court authorized Debtor to employ Andersen Law Firm, Ltd. as its general reorganization counsel.
 10 On October 3, 2016, the Court entered an *Order Granting First Application of Andersen Law Firm, Ltd. for*
 11 *Interim Allowance of Compensation for Services Rendered and Reimbursement for Expenses Incurred*, ECF
 12 No. 55, by which the Court allowed interim compensation in the amount of \$8,188.00 and reimbursement of
 13 expenses in the amount of \$350.00.

14 On October 6, 2016, Debtor filed an *Application for Entry of an Order Authorizing the Employment and*
 15 *Compensation of Dionne Tsuneta dba Reliable Tax Service, as Accountants for the Debtor-In-Possession*, ECF
 16 No. 58, by which Debtor seeks permission to employ an accountant to complete certain tax filings. This Motion
 17 will be heard on November 16, 2016.

18 **7.3. The Adversary Proceeding and Forthcoming Settlement with Shifman**

19 On June 6, 2016, Debtor filed an adversary proceeding against Shifman (Adversary Proceeding No.
 20 16-01080-LED), seeking to recover \$36,670.00 in preferential payments received by Shifman during the one
 21 year prior to Debtor's filing the Chapter 11 Case. On July 7, 2016, Shifman filed an answer and discovery
 22 commenced.

23 On August 24, 2016, the parties began a settlement dialog, with a formal settlement offer transmitted by
 24 Debtor on August 26, 2016. Further settlement discussions occurred, and, on October 6, 2016, the parties agreed
 25 to the terms of a resolution of both the adversary proceeding and Shifman's unsecured claim ("Shifman
 26 Settlement"). The parties are currently documenting such settlement, and the Shifman settlement will shortly
 27 be presented to the Court for approval pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure.

7.4. Motion to Extend Time for Confirmation and Exclusive Solicitation Period

Contemporaneously with the filing of this Disclosure Statement, Debtor will file a *Motion to Extend*
Time to Confirm Plan of Reorganization and Exclusive Solicitation Period, by which Debtor seeks an extension
 of the time to confirm a plan of reorganization pursuant to Section 1129(e), and of the exclusive time period for
 Debtor to confirm such plan of reorganization. Debtor will request the Court hear and determine such motion
 on shortened time.

8. DETAILED DESCRIPTION OF THE PLAN

8.1. Treatment of Unclassified Claims Under the Plan

8.1.1. Treatment of Administrative Claims

Each Allowed Administrative Claim shall be paid by Reorganized Debtor (or otherwise satisfied in
 accordance with its terms) upon the latest of: (i) such date as may be fixed by the Bankruptcy Court, or as soon
 thereafter as practicable; (ii) the fourteenth (14th) Business Day after such Claim is Allowed, or as soon
 thereafter as practicable; and (iii) such date as the holder of such Claim and, prior to the Effective Date, Debtor,
 and after the Effective Date, Reorganized Debtor, shall agree upon. For the avoidance of doubt, notwithstanding

1 anything to the contrary herein, Debtor or Reorganized Debtor, as the case may be, hereby reserve any and all
2 defenses or offsets to challenge any Administrative Claims.

3 **8.1.2. Treatment of Priority Tax Claims**

4 Each Allowed Priority Tax Claim, if any, will be paid in full by Reorganized Debtor on the later of: (i)
5 the fourteenth (14th) Business Day after the date on which an order allowing such Claim becomes a Final Order;
6 or (ii) such other time as is agreed to by the holder of such Claim and Debtor prior to the Effective Date or
7 Reorganized Debtor after the Effective Date.

8 **8.2. Classification and Treatment of Claims and Equity Interests Under the Plan**

9 **8.2.1. Treatment of Class 1: Priority Non-Tax Claims**

10 The legal, equitable and contractual rights of the Holders of allowed Class 1 Claims are unaltered.
11 Except to the extent that a Holder of an allowed Class 1 Claim (i) has been paid by Debtor prior to the effective
12 date of the Plan, or (ii) otherwise agrees to different treatment, each Holder of an Allowed Class 1 Claim shall
13 receive, in full and final satisfaction of such allowed Class 1 Claim, payment in full in cash on or as soon as
14 reasonably practicable after (i) the effective date of the Plan, (ii) the date such allowed Class 1 Claim becomes
15 Allowed or (iii) such other date as may be ordered by the Bankruptcy Court.

16 Class 1 is an Unimpaired Class and is deemed to have accepted the Plan pursuant to section 1126(f) of
17 the Bankruptcy Code. The Holder of an Allowed Class 1 Claim is not entitled to vote to accept or reject the Plan.

18 **8.2.2. Treatment of Class 2: General Unsecured Claims**

19 Except to the extent that a holder of an Allowed Class 2 Claim has (i) has been paid by Debtor prior to
20 the Effective Date of the plan, or (ii) otherwise agrees to different treatment, each Holder of an Allowed Class
21 2 Claim shall receive, in full and final satisfaction of such allowed Class 2 Claim, payments totaling 40% of its
22 Allowed Class 2 Claim, such payments to be made in sixty equal monthly installments commencing on the
23 Initial Distribution Date and continuing thereafter on the Periodic Distribution Date.

24 Class 2 is an Impaired Class. The Holder of an Allowed Class 2 Claim is entitled to vote to accept or
25 reject the Plan.

26 **8.2.3. Treatment of Class 3: Equity Interests**

27 On the Effective Date, Debtor's Equity Interest Holders will retain their Equity Interests. Accordingly,
on the Effective Date of the Plan, Debtor's Equity Interest Holders will receive their Pro Rata share of Equity
Interests in Reorganized Debtor.

Class 3 is an Unimpaired Class and is deemed to have accepted the Plan pursuant to section 1126(f) of
the Bankruptcy Code. The Holder of an Allowed Class 3 Claim is not entitled to vote to accept or reject the Plan.

8.3. Means of Plan Implementation

8.3.1. Plan Implementation Steps Occurring on the Effective Date

On the Effective Date, without any further action by Debtor or Reorganized Debtor, all of Debtor's
assets shall vest in Reorganized Debtor, subject to the terms and conditions of the plan.

On and after the Effective Date, Reorganized Debtor shall continue to exist as a separate entity in
accordance with applicable law, and shall retain all licenses necessary to its operations that existed as of the
Petition Date. Debtor's existing articles of incorporation, bylaws, corporate resolutions (as amended,
supplemented or modified) will continue in effect for Reorganized Debtor following the Effective Date, except

1 to the extent such documents are amended in conformance with the plan or by proper corporate action after the Effective Date.

2 On the Effective Date, the modifications set forth herein, if any, with respect to the Secured Claims and
3 their associated loan documents shall be deemed effective and fully enforceable. All potential discrepancies or
4 inconsistencies between any loan documents and the plan shall be construed and resolved in favor of the
effectuation and implementation of the provisions and intentions of the plan.

5 Reorganized Debtor’s articles of incorporation and/or bylaws shall be amended as necessary to satisfy
6 the provisions of the plan and the Bankruptcy Code, which shall include, among other matters, pursuant to
section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity interests,
but only to the extent required by the Bankruptcy Code.

7 **8.3.2. Notice of Effectiveness**

8 When all of the steps contemplated by Article 4.1 of the Plan have been completed, Reorganized Debtor
9 shall file with the Bankruptcy Court and serve upon all Creditors and all potential holders of Administrative
10 Claims known to Reorganized Debtor (whether or not disputed), a Notice of Effective Date of Plan. The Notice
of Effective Date of Plan shall include notice of the Administrative Claim Bar Date.

11 **8.3.3. Operations of Reorganized Debtor**

12 From the Effective Date until the dissolution of Reorganized Debtor, Debtor’s present management,
including specifically Peterson as president and qualified person, shall be the sole officer of Reorganized Debtor
13 with full authority to make all decisions and take all actions on behalf of Reorganized Debtor to effectuate the
plan.

14 **8.3.4. No Governance Action Required**

15 As of the Effective Date: (i) the adoption, execution, delivery and implementation or assignment of all
contracts, leases, instruments, releases and other agreements related to or contemplated by the plan; and (ii) the
16 other matters provided for under or in furtherance of the plan involving corporate action to be taken by or
required of Debtor shall be deemed to have occurred and be effective as provided herein, and shall be authorized
17 and approved in all respects without further order of the Bankruptcy Court or any requirement of further action
by the members or managers of Debtor.

18 **8.3.5. Executory Contracts and Unexpired Leases**

19 All executory contracts and unexpired leases that were not assumed shall be deemed rejected by
20 Reorganized Debtor on the Effective Date. Entry of the Confirmation Order shall constitute as of the Effective
Date approval for Debtor to reject each executory contract and unexpired lease to which Debtor was a party as
21 of the Confirmation Date, unless such executory contract or unexpired lease is assumed pursuant to the Plan. All
proofs of Claims with respect to Claims arising from the rejection of any executory contract or unexpired lease
22 must be filed within thirty (30) days after the date of entry of an order of the Bankruptcy Court (including the
Confirmation Order) approving such rejection.

23 **8.4. Conditions to Plan Confirmation**

24 **8.4.1. Conditions to Confirmation**

25 The Confirmation Order shall have been entered and be in form and substance reasonably acceptable to
26 Debtor.



8.4.2. Conditions to Effectiveness

The following are conditions precedent to the occurrence of the Effective Date: (i) the Plan and all Plan Supplement documents, including any amendments, modifications or supplements thereto, shall be reasonably acceptable to Debtor; (ii) the Confirmation Order shall have been entered and become a Final Order in a form and in substance reasonably satisfactory to Debtor; (iii) all actions, documents, certificates and agreements necessary to implement the plan shall have been effected or executed and delivered to the required parties and, to the extent required, Filed with the applicable governmental units in accordance with applicable laws.

9. RISK FACTORS

In addition to risks discussed elsewhere in this Disclosure Statement, the Plan and the transactions contemplated by the Plan involve the following limitations and risks, which should be taken into consideration.

9.1. Debtor Has No Duty to Update

The statements in this Disclosure Statement are made by Debtor as of the date hereof, unless otherwise specified in the Plan. The delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth in the Plan since that date. Debtor has no duty to update this Disclosure Statement unless ordered to do so by the Bankruptcy Court.

9.2. Projections Are Not Assured and Actual Results Will Vary

Certain information in this Disclosure Statement is forward-looking, and contains estimates and assumptions that might ultimately prove to be incorrect, and projections that may differ materially from actual future results. Debtor believes that the projections of future performance upon which the treatments under the Plan are based are reasonable and fairly represent the future performance of its business operations. However, there are uncertainties associated with all assumptions, projections and estimates, and they should not be considered assurances or guarantees of the amount of funds that will be distributed, the amount of Claims in the various Classes that will be allowed, or the success or results of Reorganized Debtor's business operations.

9.3. No Admissions Made

Nothing contained herein shall constitute an admission of any fact or liability by Debtor or any other party nor shall it be deemed evidence of the tax or other legal effects of the Plan on Debtor or on Holders of Claims.

9.4. No Waiver of Right to Object or Right to Recover Transfers and Estate Assets

Unless specifically provided in the Plan, a Creditor's vote for or against the Plan does not constitute a waiver or release of any claims or rights of Debtor (or any other party in interest) to object to that Creditor's Claim, or recover any preferential, fraudulent or other voidable transfer or Estate assets, regardless of whether any claims of Debtor or its Estate are specifically or generally identified herein.

9.5. Bankruptcy Law Risks and Considerations

9.5.1. Confirmation of Plan Is Not Assured

Although Debtor believes the Plan will satisfy all requirements for Confirmation, the Bankruptcy Court might not reach that conclusion. Confirmation requires, among other things, a finding by the Bankruptcy Court that it is not likely there will be a need for further financial reorganization and that the value of Distributions to dissenting members of impaired classes of creditors would not be less than the value of distributions such creditors would receive if Debtor were liquidated under chapter 7 of the Bankruptcy Code. Debtor believes that the future performance of its business provides for the payment in full of the obligations providing for under the Plan without the necessity of outside moneys or other events or occurrences outside the control of Debtor. Although Debtor believes that the Plan will not be followed by a need for further financial reorganization and

1 that dissenting members of Impaired Classes of Creditors will receive Distributions at least as great as they
 2 would receive in a liquidation under Chapter 7, there can be no assurance that the Bankruptcy Court will
 3 conclude that these tests have been met.

3 **9.5.2. Projected Value of Estate Assets in Liquidation Might Not Be Realized**

4 In the Best Interests Analysis discussed herein, Debtor has projected the value of the Estate's assets that
 5 would be available for payment of expenses and Distributions to Holders of Allowed Claims, as set forth in the
 6 Plan in the event of liquidation of the Assets. Debtor has made certain assumptions in its Best Interests Analysis
 7 in arriving at a liquidation distribution, which should be read carefully.

8 **9.6. Risks Related to Debtor's Business Operations**

9 The following discussions of risks that relate to Debtor's business should be read as also being applicable
 10 to the business of Reorganized Debtor on and after the Effective Date.

11 The longer the Chapter 11 Case continues, the more likely it is that customers, suppliers and other parties
 12 may lose confidence in Debtor's ability to successfully reorganize its business and will seek to establish
 13 alternative relationships. Consequently, Debtor might lose valuable contracts and other business relationships in
 14 the course of the Chapter 11 Case.

15 So long as the Chapter 11 Case continues, Debtor's management and employees will be required to
 16 devote significant time and effort to dealing with Debtor's reorganization instead of focusing exclusively on
 17 business operations. Furthermore, so long as the Chapter 11 Case continues, Debtor will be required to incur
 18 substantial costs for professional fees and other expenses associated with the proceedings.

19 **10. POST EFFECTIVE DATE OPERATIONS**

20 **10.1. Title to Property; Discharge; Injunction**

21 **10.1.1. Vesting of Assets**

22 Subject to the provisions of the plan, the Assets shall be transferred to and revested in Reorganized
 23 Debtor on the Effective Date.

24 **10.1.2. Discharge of Claims**

25 Pursuant to and to the fullest extent permitted by section 1141(d) of the Bankruptcy Code, and except
 26 as otherwise specifically provided in the Plan or in any contract, instrument or other agreement or document
 27 created pursuant to the Plan, the Distributions, rights and treatment that are provided in the Plan shall be in
 complete satisfaction, discharge and release, effective as of the Effective Date, of Claims, Equity Interests and
 causes of action of any nature whatsoever, including any interest accrued on Claims or Equity Interests from and
 after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against,
 and Equity Interests in, Debtor, Reorganized Debtor, or any of its assets or properties, regardless of whether any
 property shall have been distributed or retained pursuant to the Plan on account of such Claims and Equity
 Interests, including demands, liabilities and causes of action that arose before the Effective Date, any liability to
 the extent such Claims or Equity Interests relate to services performed by employees of Debtor prior to the
 Effective Date and that arise from a termination of employment, any contingent or noncontingent liability on
 account of representations or warranties issued on or before the Effective Date and all debts of the kind specified
 in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, in each case whether or not: (i) a Proof of Claim or
 Equity Interest based upon such debt, right or Equity Interest is filed or deemed filed pursuant to section 501 of
 the Bankruptcy Code; (ii) a Claim or Equity Interest based upon such debt, right or Equity Interest is Allowed
 pursuant to section 502 of the Bankruptcy Code; or (iii) the Holder of such a Claim or Equity Interest has
 accepted the Plan. Any default by Debtor or its Affiliates and Insiders with respect to any Claim or Equity

1 Interest that existed immediately prior to or on account of the filing of the Chapter 11 Case shall be deemed
 2 cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all
 3 Claims and Equity Interests subject to the Effective Date occurring.

10.1.3. Release of Liens

4 Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or
 5 document created pursuant to the Plan, on the Effective Date and concurrently with the applicable Distributions
 6 made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured
 7 Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges or other security
 8 interests against any property of the Estate shall be fully released and discharged, and all of the right, title and
 9 interest of any Holder of such mortgages, deeds of trust, Liens, pledges or other security interests shall revert to
 10 Reorganized Debtor and its successors and assigns.

10.1.4. Releases by Debtor

11 Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided
 12 in the Plan, for good and valuable consideration, including the service of the Released Parties to facilitate
 13 the expeditious reorganization of Debtor and the implementation of the restructuring contemplated by
 14 the Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by
 15 Debtor, Reorganized Debtor and the Estate from any and all Claims, obligations, rights, suits, damages,
 16 causes of action, remedies and liabilities whatsoever, including any derivative Claims asserted or
 17 assertable on behalf of Debtor, whether known or unknown, foreseen or unforeseen, existing or
 18 hereinafter arising, in law, equity or otherwise, that Debtor, Reorganized Debtor, the Estate, or its
 19 Affiliates would have been legally entitled to assert in their own right (whether individually or collectively)
 20 or on behalf of the Holder of any Claim or Equity Interest or other Entity, based on or relating to, or in
 21 any manner arising from, in whole or in part, Debtor, the Chapter 11 Case, Debtor's restructuring, the
 22 subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated
 23 in the Plan, the business or contractual arrangements between Debtor and any Released Party, the
 24 restructuring of Claims and Equity Interests prior to or in the Chapter 11 Case, the negotiation,
 25 formulation or preparation of the Plan, the Disclosure Statement or related agreements, instruments or
 26 other documents, upon any other act or omission, transaction, agreement, event or other occurrence
 27 taking place on or before the Confirmation Date, other than Claims or liabilities arising out of or relating
 to any act or omission of a Released Party that constitutes willful misconduct or gross negligence to the
 extent such act or omission is determined by a Final Order to have constituted willful misconduct or gross
 negligence. The foregoing release shall not apply to any express contractual or financial obligations or
 any right or obligations arising under or that is part of the Plan or any agreements entered into pursuant
 to, in connection with or contemplated by the Plan.

10.1.5. Releases by Holders of Claims and Equity Interests

21 As of the Effective Date, each Holder of a Claim or an Equity Interest shall be deemed to have
 22 conclusively, absolutely, unconditionally, irrevocably and forever released and discharged Debtor,
 23 Reorganized Debtor, and the Released Parties from any and all Claims, Equity Interests, obligations,
 24 rights, suits, damages, causes of action, remedies, and liabilities whatsoever, including any derivative
 25 Claims asserted on behalf of Debtor, whether known or unknown, foreseen or unforeseen, existing or
 26 hereafter arising, in law, equity or otherwise, that such entity would have been legally entitled to assert
 27 (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or
 in part, Debtor, Debtor's restructuring, the Chapter 11 Case, the subject matter of, or the transactions or
 events giving rise to, any Claim or Equity Interest that is treated in the Plan, the business or contractual
 arrangements between Debtor and any Released Party, the restructuring of Claims and Equity Interests
 prior to or during the Chapter 11 Case, the negotiation, formulation or preparation of the Plan, the
 Disclosure Statement, or related agreements, instruments or other documents, upon any other act or
 omission, transaction, agreement, event or other occurrence taking place on or before the Confirmation

1 Date, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party
 2 that constitutes willful misconduct or gross negligence to the extent such act or omission is determined by
 3 a Final Order to have constituted willful misconduct or gross negligence. Notwithstanding anything to the
 4 contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations
 5 of any party under the Plan or any document, instrument or agreement executed to implement the Plan.

10.1.6. Injunction

6 Except as otherwise expressly provided in the Plan or for obligations issued pursuant to the Plan,
 7 all Entities who have held, hold or may hold Claims or Equity Interests that have been released,
 8 discharged, or exculpated pursuant to the Plan, are permanently enjoined, from and after the Effective
 9 Date, from taking any of the following actions against, as applicable, Debtor, Reorganized Debtor, or the
 10 Released Parties: (i) commencing or continuing in any manner any action or other proceeding of any kind
 11 on account of, in connection with or with respect to any such Claims or Equity Interests; (ii) enforcing,
 12 attaching, collecting or recovering by any manner or means any judgment, award, decree or order against
 13 Debtor, Reorganized Debtor, or the Released Parties on account of or in connection with or with respect
 14 to any such Claims or Equity Interests; (iii) creating, perfecting or enforcing any encumbrance of any
 15 kind against Debtor, Reorganized Debtor, or the Released Parties or the property or estate of Debtor,
 16 Reorganized Debtor, or the Released Parties on account of or in connection with or with respect to any
 17 such Claims or Equity Interests; (iv) asserting any right of setoff, subrogation or recoupment of any kind
 18 against any obligation due from Debtor, Reorganized Debtor, or the Released Parties or against the
 19 property or Estate of Debtor, Reorganized Debtor, or the Released Parties on account of or in connection
 20 with or with respect to any such Claims or Equity Interests unless such Holder has filed a motion
 21 requesting the right to perform such setoff on or before the Confirmation Date, and notwithstanding an
 22 indication in a Proof of Claim or Equity Interest or otherwise that such Holder asserts, has or intends to
 23 preserve any right of setoff pursuant to section 553 of the Bankruptcy Code or otherwise; and (v)
 24 commencing or continuing in any manner any action or other proceeding of any kind on account of, in
 25 connection with or with respect to any such Claims or Equity Interests released or settled pursuant to the
 26 Plan.

10.1.7. Exculpation

27 Upon and effective as of the Effective Date, Debtor and its directors, officers, employees, attorneys,
 and other professional advisors and agents will be deemed to have solicited acceptances of the Plan in
 good faith and in compliance with the applicable provisions of the Bankruptcy Code, including section
 1125(e) of the Bankruptcy Code. Except with respect to any acts or omissions expressly set forth in and
 preserved by the Plan, the Disclosure Statement or related documents, the Exculpated Parties shall
 neither have nor incur any liability to any Entity for any prepetition or postpetition act taken or omitted
 to be taken in connection with, or arising from or relating in any way to, the Chapter 11 Case, including
 the operation of Debtor's businesses during the pendency of the Chapter 11 Case; formulating,
 negotiating, preparing, disseminating, implementing and/or effecting the Disclosure Statement and the
 Plan (including any related contract, instrument, release or other agreement or document created or
 entered into in connection therewith); the solicitation of votes for the Plan and the pursuit of confirmation
 and consummation of the Plan; the administration of the Plan and/or the property to be distributed under
 the Plan; and any other prepetition or postpetition act taken or omitted to be taken in connection with or
 in contemplation of the restructuring of Debtor. In all respects, each Exculpated Party shall be entitled to
 rely upon the advice of counsel concerning his, her or its respective duties under, pursuant to or in
 connection with the Plan. Notwithstanding anything herein to the contrary, nothing in the foregoing
 "Exculpation" shall (i) exculpate any person or entity from any liability resulting from any act or omission
 constituting fraud, willful misconduct, gross negligence, criminal conduct, malpractice, or (ii) limit the
 liability of the professionals of the Exculpated Parties to their respective clients pursuant to Nevada Rule
 of Professional Conduct 1.8(h)(1).

1 **10.2. Settlement and Preservation of Rights of Action**

2 **10.2.1. Compromise and Settlement**

3 Notwithstanding anything contained in the Plan to the contrary, the allowance, classification, and
 4 treatment of all Allowed Claims and their respective distributions and treatments hereunder, takes into account
 5 the relative priority and rights of the Claims and the Equity Interests in each Class in connection with any
 6 contractual, legal and equitable subordination rights relating thereto whether arising under general principles of
 7 equitable subordination, section 510(b) and (c) of the Bankruptcy Code or otherwise. As of the Effective Date,
 any and all contractual, legal and equitable subordination rights, whether arising under general principles of
 equitable subordination, section 510(b) and (c) of the Bankruptcy Code or otherwise, relating to the allowance,
 classification and treatment of all Allowed Claims and their respective distributions and treatments hereunder
 are settled, compromised, terminated and released pursuant hereto.

8 The Confirmation Order will constitute the Bankruptcy Court's finding and determination that the
 9 settlements reflected in the Plan are (i) in the best interests of Debtor, their estate and all Holders of Claims and
 10 Equity Interests, (ii) fair, equitable and reasonable, (iii) made in good faith and (iv) approved by the Bankruptcy
 Court pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019. The Confirmation Order shall
 approve the releases by all Entities of all such contractual, legal and equitable subordination rights or Causes of
 Action that are satisfied, compromised and settled pursuant hereto.

11 In accordance with the provisions of the plan and pursuant to section 363 of the Bankruptcy Code and
 12 Bankruptcy Rule 9019, without any further notice to or action, order or approval of the Bankruptcy Court, after
 13 the Effective Date (1) Reorganized Debtor may, in its sole and absolute discretion, compromise and settle Claims
 14 against them and (2) Reorganized Debtor may, in its sole and absolute discretion, compromise and settle Causes
 of Action against other Entities.

15 **10.2.2. Preservation of Rights of Action**

16 **10.2.2.1. Maintenance of Causes of Action**

17 Except as otherwise provided in the Plan or Confirmation Order, after the Effective Date, Reorganized
 18 Debtor shall retain all rights to commence, pursue, litigate or settle, as appropriate, any and all Causes of Action,
 whether existing as of the Commencement Date or thereafter arising, in any court or other tribunal including,
 without limitation, in an adversary proceeding Filed in the Chapter 11 Case.

19 **10.2.2.2. Preservation of Causes of Action Not Expressly Settled or Released**

20 Unless a claim or Cause of Action against a Holder of a Claim or an Equity Interest or other Entity is
 21 expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order (including,
 22 without limitation, the Confirmation Order), Debtor expressly reserves such claim or Cause of Action for later
 23 adjudication by Debtor or Reorganized Debtor (including, without limitation, claims and Causes of Action not
 24 specifically identified or of which Debtor may presently be unaware or which may arise or exist by reason of
 25 additional facts or circumstances unknown to Debtor at this time or facts or circumstances that may change or
 26 be different from those Debtor now believe to exist) and, therefore, no preclusion doctrine, including, without
 27 limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel
 (judicial, equitable or otherwise) or laches shall apply to such claims or Causes of Action upon or after the
 Confirmation or Consummation of the Plan based on the Disclosure Statement, the Plan or the Confirmation
 Order, or any other Final Order (including, without limitation, the Confirmation Order). In addition, Debtor and
 Reorganized Debtor expressly reserve the right to pursue or adopt any claims alleged in any lawsuit in which
 Debtor is a plaintiff, defendant or an interested party, against any Entity, including, without limitation, any
 parties in such lawsuits.

1 **10.3. Post Confirmation Reporting and Quarterly Fees to the Office of the U.S. Trustee**

2 Prior to the Effective Date, Debtor, and after the Effective Date, Reorganized Debtor, is obligated to pay
3 the Office of the United States Trustee (the “U.S. Trustee”) quarterly fees based upon all disbursements in
4 accordance with the sliding scale set forth in 28 U.S.C. § 1930(a)(6). These fees accrue throughout the pendency
5 of the Chapter 11 Case, until entry of a final decree. U.S. Trustee fees paid prior to confirmation of the Plan will
6 be reported in operating reports required by sections 704(8), 1106(a)(1), 1107(a) of the Bankruptcy Code, and
7 the U.S. Trustee Guidelines. All U.S. Trustee quarterly fees accrued prior to confirmation of the Plan will be
8 paid on or before the Effective Date pursuant to section 1129(a)(12) of the Bankruptcy Code. All U.S. Trustee
9 fees accruing post-confirmation are due on a calendar quarter basis and will be reported on post-confirmation
10 operating reports as required by the U.S. Trustee Guidelines.

11 **11. CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

12 The following summary does not constitute either a tax opinion or tax advice to any person. No
13 representations regarding the effect of implementation of the plan on individual Creditors are made herein or
14 otherwise. Rather, the tax disclosure is provided for informational purposes only. All Creditors are urged to
15 consult their respective tax advisor regarding the tax consequences of the plan.

16 Creditors, holders of Equity Securities, and any Person affiliated with the foregoing are strongly urged
17 to consult their respective tax advisor regarding the federal, state, local, and foreign tax consequences which
18 may result from the confirmation and consummation of the Plan. This Disclosure Statement shall not in any way
19 be construed as making any representations regarding the particular tax consequences of the confirmation and
20 consummation of the Plan to any Person. This Disclosure Statement is general in nature and is merely a summary
21 discussion of potential tax consequences and is based upon the Internal Revenue Code of 1986, as amended (the
22 “IRC”), and pertinent regulations, rulings, court decisions, and treasury decisions, all of which are potentially
23 subject to material and/or retroactive changes.

24 Under the IRC, there may be federal income tax consequences to Debtor, its Creditors, its holders of
25 Equity Securities, and/or any Person affiliated therewith as a result of confirmation and consummation of the
26 Plan.

27 Upon the confirmation and consummation of the Plan, Priority Creditors and Secured Creditors will
receive either a full payment of their respective Claims or a partial payment of their respective Claims. The
payment of Claims will consist of principal, and in some cases, could include interest. The federal income tax
consequences to Creditors and their affiliates arising from the Plan will vary depending upon, among other
things, the type of consideration received by the Creditor in exchange for its Claim, whether the Creditor reports
income using the cash or accrual method of accounting, whether the Creditor has taken a “bad debt” deduction
with respect to its Claim, whether the Creditor received consideration in more than one tax year, and whether
the Creditor is a resident of the United States. If a Creditor’s Claim is characterized as a loss resulting from a
debt, then the extent of the deduction will depend on whether the debt is deemed wholly worthless or partially
worthless, and whether the debt is construed to be a business or nonbusiness debt as determined under IRC §
166.

Creditors should consult their tax advisor regarding the tax treatment (including federal, state, local, and
foreign tax consequences) of their respective allowed Claims. This disclosure is not a substitute for tax planning
and specific advice for Persons affected by the Plan.

12. CONFIRMATION

12.1. Confirmation of the Plan

Pursuant to section 1128(a) of the Bankruptcy Code, the Bankruptcy Court will hold a hearing regarding
confirmation of the Plan at the United States Bankruptcy Court for the District of Nevada, 300 Las Vegas Blvd.



1 South, Las Vegas, Nevada 89101, commencing on _____, 2016 at _____ .m. The confirmation hearing
2 may be adjourned or continued from time to time by the Court or Debtor without further notice other than
3 adjournments announced in open Court.

4 **12.2. Objections to Confirmation**

5 Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation
6 of a plan. Any objections to confirmation of the Plan must be in writing, must state with specificity the grounds
7 for any such objections, and must be filed with the Bankruptcy Court and served upon Counsel for Debtor so as
8 to be received on or before _____, 2016. For the Plan to be confirmed, the Plan must satisfy the
9 requirements stated in section 1129 of the Bankruptcy Code. In this regard, the Plan must satisfy, among other
10 things, the following requirements.

11 **12.2.1. Best Interest of Creditors and Liquidation Analysis**

12 Often called the “best interests” test, section 1129(a)(7) of the Bankruptcy Code requires that a
13 bankruptcy court find, as a condition to confirmation, that a chapter 11 plan provides, with respect to each class,
14 that each holder of a claim or an equity interest in such class either (a) has accepted the plan or (b) will receive
15 or retain under the plan property of a value, as of the effective date of the plan, that is not less than the amount
16 that such holder would receive or retain if Debtor is liquidated under chapter 7 of the Bankruptcy Code. To make
17 these findings, the bankruptcy court must: (a) estimate the Cash liquidation proceeds that a chapter 7 trustee
18 would generate if Debtor’s Chapter 11 Case was converted to chapter 7 cases and the assets of such debtor’s
19 estates was liquidated; (b) determine the liquidation distribution that each non-accepting holder of a claim or an
20 equity interest would receive from such liquidation proceeds under the priority scheme dictated in chapter 7; and
21 (c) compare such holder’s liquidation distribution to the distribution under the plan that such holder would
22 receive, if the plan were confirmed.

23 In chapter 7 cases, unsecured creditors and equity interest holders of a debtor are paid from available
24 assets generally in the following order, with no junior class receiving any payments until all amounts due to
25 senior classes have been paid fully or any such payment is provided for: (a) holders of secured claims (to the
26 extent of the value of their collateral); (b) holders of priority claims; (c) holders of unsecured claims; (d) holders
27 of debt expressly subordinated by its terms or by order of the bankruptcy court; and (e) holders of equity interests.

Accordingly, the Cash amount that would be available for satisfaction of Claims (other than Secured
Claims) would consist of the proceeds resulting from the disposition of the unencumbered assets of Debtor,
augmented by the unencumbered Cash held by Debtor at the time of the commencement of the liquidation. Such
Cash would be reduced by the amount of the costs and expenses of the liquidation and by such additional
administrative and priority claims that may result from termination of Debtor’s businesses and the use of chapter
7 for purposes of liquidation.

Debtor believes that confirmation of the Plan will provide each Holder of an Allowed Claim with a
greater recovery than the value of any distributions if the Chapter 11 Case was converted to a case under chapter
7 of the Bankruptcy Code because, among other reasons, Debtor does not own significant, valuable assets which
could be economically liquidated for an amount of money greater than the value of the payments to be made
through the Plan.

In addition, distributions in chapter 7 cases may not occur for a longer period of time than distributions
under the Plan, thereby reducing the present value of such distributions. In this regard, it is possible that
distribution of the proceeds from liquidation could be delayed for a significant period, while the chapter 7 trustee
and its advisors become knowledgeable about, among other things, the Chapter 11 Case and the Claims against
Debtor.



1 A copy of Debtor's liquidation analysis is attached hereto as **Exhibit B**. Under the Plan, the impaired
 2 Class of Claims and Equity Securities is Class 2. Debtor asserts that the value provided under the Plan to this
 3 Class is not less than they would receive in liquidation.

12.2.2. Feasibility

4 Section 1129(a) (11) of the Bankruptcy Code requires that the Bankruptcy Court find that confirmation
 5 is not likely to be followed by the liquidation of Reorganized Debtor or the need for further financial
 6 reorganization, unless the Plan contemplates such liquidation. For purposes of demonstrating that the Plan meets
 7 this "feasibility" standard, Debtor has analyzed the ability of Reorganized Debtor to meet its obligations under
 8 the Plan and to retain sufficient liquidity and capital resources to conduct its business.

9 Debtor believes that the Plan meets the feasibility requirement set forth in section 1129(a) (11) of the
 10 Bankruptcy Code. Therefore, confirmation is not likely to be followed by liquidation or the need for further
 11 financial reorganization of Debtor or any successor under the Plan. In connection with the development of the
 12 Plan and for the purposes of determining whether the Plan satisfies this feasibility standard, Debtor analyzed
 13 their ability to satisfy their financial obligations while maintaining sufficient liquidity and capital resources.

12.2.3. Accepting Impaired Class

14 Since a Class of Claims is impaired under the Plan, for the Plan to be confirmed, the Plan must be
 15 accepted by at least one impaired Class of Claims (not including the votes of insiders of Debtor).

12.2.4. Acceptance of Plan

16 For an impaired Class of Claims to accept the Plan, those representing at least two-thirds (2/3) in amount
 17 and a majority in number of the Allowed Claims voted in that Class must be cast for acceptance of the Plan.

12.2.5. Confirmation Over the Objection of a Dissenting Class

18 If there is less than unanimous acceptance of the Plan by impaired Classes of Claims or Equity
 19 Securities, the Bankruptcy Court nevertheless may confirm the Plan at Debtor's request. Section 1129(b) of the
 20 Bankruptcy Code provides that if all other requirements of section 1129(a) of the Bankruptcy Code are satisfied
 21 and if the Bankruptcy Court finds that: (i) the Plan does not discriminate unfairly and (ii) the Plan is fair and
 22 equitable with respect to the rejecting Class(es) of Claims or Equity Securities impaired under the Plan, the
 23 Bankruptcy Court may confirm the Plan despite the rejection of the Plan by dissenting impaired Class of Claims
 24 or Equity Securities. Debtor will request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy
 25 Code with respect to any impaired Class or Claims or Equity Securities which does not vote to accept the Plan.
 26 Debtor believes that the Plan satisfies all of the statutory requirements for Confirmation, that Debtor has
 27 complied with or will have complied with all the statutory requirements for Confirmation of the Plan, and that
 the Plan is proposed in good faith. At the Confirmation Hearing, the Bankruptcy Court will determine whether
 the Plan satisfies the statutory requirements for Confirmation.

12.2.6. Allowed Claims

You have an Allowed Claim if: (i) you or your representative timely file a proof of Claim and no
 objection has been filed to your Claim within the time period set for the filing of such objections; (ii) you or
 your representative timely file a proof of Claim and an objection was filed to your Claim upon which the
 Bankruptcy Court has ruled and allowed your Claim; (iii) your Claim is listed by Debtor in its respective
 Schedules or any amendments thereto (which are on file with the Bankruptcy Court as a public record) as
 liquidated in amount and undisputed and no objection has been filed to your Claim; or (iv) your Claim is listed
 by Debtor in its Schedules as liquidated in amount and undisputed and an objection was filed to your Claim
 upon which the Bankruptcy Court has ruled to allow your Claim. Under the Plan, the deadline for filing
 objections to Claims is thirty (30) days following the Effective Date. If your Claim is not an Allowed Claim, it
 is a Disputed Claim and you will not be entitled to vote on the Plan unless the Bankruptcy Court temporarily or

1 provisionally allows your Claim for voting purposes pursuant to Bankruptcy Rule 3018. If you are uncertain as
2 to the status of your Claim or Equity Interest or if you have a dispute with Debtor, you should check the
Bankruptcy Court record carefully, including the Schedules of Debtor, and you should seek appropriate legal
advice.

3 **12.2.7. Impaired Claims and Equity Interests**

4 Impaired Claims and Equity Securities include those whose legal, equitable, or contractual rights are
5 altered by the Plan, even if the alteration is beneficial to the Creditor or Equity Interest holder, or if the full
6 amount of the Allowed Claims will not be paid under the Plan. Holders of Claims which are not impaired under
7 the Plan are deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and Debtor
need not solicit the acceptances of the Plan of such unimpaired Claims. Holders of Claims or Equity Securities
which are to receive nothing under the Plan are deemed to have rejected the Plan pursuant to section 1126(g) of
the Bankruptcy Code. As such, only holders of Claims in impaired Class 2 under the Plan are entitled to vote.

8 **12.2.8. Voting Procedures**

9 **12.2.8.1. Submission of Ballots**

10 All Creditors entitled to vote will be sent a Ballot, together with instructions for voting, a copy of this
11 approved Disclosure Statement, and a copy of the Plan. You should read the Ballot carefully and follow the
instructions contained therein. Please use only the Ballot that was sent with this Disclosure Statement. You
should complete your Ballot and return it as follows:

12
13 ANDERSEN LAW FIRM, LTD.
14 Attn: Ryan A. Andersen, Esq.
101 Convention Center Drive, Suite 600
15 Las Vegas, Nevada 89109
Telephone: 702-522-1992
Email: randers@andersenlawlv.com

16 **TO BE COUNTED YOUR BALLOT MUST BE RECEIVED AT THE ADDRESS LISTED**
17 **ABOVE BY _____, 2016.**

18 **12.2.8.2. Incomplete Ballots**

19 Unless otherwise ordered by the Bankruptcy Court, Ballots which are signed, dated, and timely received,
20 but on which a vote to accept or reject the Plan has not been indicated, will be counted as a vote to accept the
Plan.

21 **12.2.8.3. Withdrawal of Ballots**

22 A Ballot may not be withdrawn or changed after it is cast unless the Bankruptcy Court permits you to
do so after notice and a hearing to determine whether sufficient cause exists to permit the change.

23 **12.2.8.4. Questions and Lost or Damaged Ballots**

24 If you have any questions concerning these voting procedures, if your Ballot is damaged or lost, or if
25 you believe you should have received a Ballot but did not receive one, you should contact Debtor's counsel at
the address listed above.
26
27



13. **ALTERNATIVES TO THE PLAN**

13.1. **Alternative Plans of Reorganization**

Under the Bankruptcy Code, a small business debtor has an exclusive period of one hundred and twenty (180) days from the entry of the order for relief during which time, assuming that no trustee has been appointed by the Bankruptcy Court, only a debtor may propose a plan. After the expiration of the initial one hundred and eighty (180) day period and any extensions thereof, Debtor, or any other party-in-interest, may propose a different plan provided the exclusivity period is not further extended by the Bankruptcy Court.

13.2. **Liquidation Under Chapter 7**

If a plan cannot be confirmed, a Chapter 11 case may be converted to a case under Chapter 7, in which a Chapter 7 trustee would be elected or appointed to liquidate the assets of debtor for distribution to their creditors and holders of equity interest in accordance with the priorities established by the Bankruptcy Code. For a discussion of the effect that a Chapter 7 liquidation would have on the recovery by creditors, see Article 12.2.1 "Confirmation of the Plan—Best Interest of Creditors and Liquidation Analysis." As previously stated, Debtor believes that a liquidation under Chapter 7 would result in a substantially reduced recovery of funds by its Estate because of: (i) additional Administrative Expenses involved in the appointment of a trustee for Debtor and attorneys and other professionals to assist such trustee; and (ii) additional expenses and Claims, some of which would be entitled to priority, which would be generated during the liquidation. Accordingly, Debtor believes that holders of certain classes of Claims may be expected to receive substantially smaller distributions pursuant to a Chapter 7 liquidation than under the Plan.

14. **PREFERENCE AND OTHER AVOIDANCE ACTIONS**

A bankruptcy trustee (or the entity as debtor-in-possession) may avoid as a preference a transfer of property made by a debtor to a creditor on account of an antecedent debt while a debtor was insolvent, where that creditor receives more than it would have received in a liquidation of the entity under Chapter 7 of the Bankruptcy Code had the payment not been made, if: (i) the payment was made within ninety (90) days before the date the bankruptcy case was commenced; or (ii) if the creditor is found to have been an "insider" as defined in the Bankruptcy Code, within one (1) year before the commencement of the bankruptcy case. A debtor is presumed to have been insolvent during the ninety (90) days preceding the commencement of the case.

A bankruptcy trustee (or the entity as debtor-in-possession) may avoid as a fraudulent transfer a transfer of property made by a debtor within two (2) years (and under applicable Nevada law, four (4) years) before the date the bankruptcy case was commenced if: (i) debtor received less than a reasonably equivalent value in exchange for such transfer; and (ii) was insolvent on the date of such transfer or became insolvent as a result of such transfer, such transfer left debtor with an unreasonably small capital, or debtor intended to incur debts that would be beyond debtor's ability to pay as such debts matured.

Debtor has analyzed the possibility of potential avoidance actions, and, has agreed to a settlement of its pending preference action through the Shifman Settlement. Debtor does not believe it has any other viable claims that are cost-effective to pursue.

[Remainder of Page Intentionally Blank]



15. **RECOMMENDATION AND CONCLUSION**

Debtor believes the Plan provides the best possible recovery for Creditors and, therefore, recommends that all creditors who are entitled to vote on the Plan vote to accept the Plan.

Dated this 12th day of October, 2016.

INTER123 CORPORATION,
a Nevada corporation:

By: /s/ Jeffrey Peterson
Jeffrey Peterson,
its President

Prepared and submitted by:

ANDERSEN LAW FIRM, LTD.

By: /s/ Ryan A. Andersen
Ryan A. Andersen, Esq.
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Counsel for Debtor



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