THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE CHAPTER 11 PLAN ATTACHED HERETO. ACCEPTANCES OR REJECTIONS OF ANY SUCH PLAN MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL, BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re: Binder & Binder - The National Social Security Disability Advocates (NY), LLC, *et al.*,[1] Debtors.	Chapter 11 Case No. 14-23728 (RDD) (Jointly Administered)

DISCLOSURE STATEMENT FOR CHAPTER 11 PLAN PROPOSED BY THE DEBTORS

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Kenneth A. Rosen, Esq.
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Counsel for the Debtors in Possession
August 1, 2016

[1] The "Debtors" in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: (1) Binder & Binder - The National Social Security Disability Advocates (NY), LLC (1450); (2) SSDI Holdings, Inc. (3038); (3) Binder & Binder - The National Social Security Disability Advocates LLC (8580); (4) Binder & Binder - The National Social Security Disability Advocates (AZ), LLC (5887); (5) Binder & Binder - The National Social Security Disability Advocates (CA), LLC (1456); (6) Binder & Binder - The National Social Security Disability Advocates (CO), LLC (0945); (7) Binder & Binder - The National Social Security Disability Advocates (CT), LLC (0206); (8) Binder & Binder - The National Social Security Disability Advocates (FL), LLC (1455); (9) Binder & Binder - The National Social Security Disability Advocates (GA), LLC (4768); (10) Binder & Binder - The National Social Security Disability Advocates (IL), LLC (1457); (11) Binder & Binder - The National Social Security Disability Advocates (MD), LLC (3760); (12) Binder & Binder - The National Social Security Disability Advocates (MO), LLC (2108); (13) Binder & Binder - The National Social Security Disability Advocates (NJ), LLC (1454); (14) Binder & Binder - The National Social Security Disability Advocates (NC), LLC (1460); (15) Binder & Binder - The National Social Security Disability Advocates (OH), LLC (7827); (16) Binder & Binder - The National Social Security Disability Advocates (PA), LLC (1453); (17) Binder & Binder - The National Social Security Disability Advocates (TX), LLC (1458); (18) Binder & Binder - The National Social Security Disability Advocates VA, LLC (7875); (19) Binder & Binder - The National Social Security Disability Advocates (WA), LLC (0225); (20) Binder & Binder - The National Social Security Disability Advocates (LA), LLC (8426); (21) Binder & Binder - The National Social Security Disability Advocates (MI), LLC (8762); (22) Binder & Binder - The National Social Security Disability Advocates (DC), LLC (5265); (23) The Rep for Vets LLC (6421); (24) National Veterans Disability Advocates LLC (dba The Rep for Vets LLC) (7468); and (25) The Social Security Express Ltd. (4960).

SUMMARY OF KEY [PROPOSED][2] DATES

Description	Date
Voting Record Date	August [_], 2016 at [_] (Eastern Time)
Voting Deadline	September 6, 2016 at 4:00 PM (Eastern Time)
Rule 3018 Motion Deadline	
Confirmation Objection Deadline	
Confirmation Hearing	September 13, 2016 at 2:00 PM (Eastern Time)

[2] The dates set forth in this summary are subject to adjournment from time to time by announcement in open court and/or notice filed on the docket in the Bankruptcy Cases. All parties should monitor the docket of the Bankruptcy Cases to apprise themselves of any such changes. The dates set forth above are not definitive unless and until this Disclosure Statement is approved by the Bankruptcy Court.

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TABLE OF APPENDIX/EXHIBITS

DISCLAIMER

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO ONE MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

ALL CREDITORS AND HOLDERS OF EQUITY INTERESTS SHOULD READ THIS DISCLOSURE STATEMENT AND ALL EXHIBITS HERETO, INCLUDING THE PLAN, BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS ANNEXED TO THE DISCLOSURE STATEMENT AND THE PLAN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN. THE TRANSMISSION OF THIS DISCLOSURE STATEMENT SHALL NOT CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION STATED SINCE THE DATE HEREOF. AFTER THE DATE HEREOF, THERE CAN BE NO ASSURANCE THAT (A) THE INFORMATION AND REPRESENTATIONS CONTAINED HEREIN WILL BE MATERIALLY ACCURATE, AND (B) THIS DISCLOSURE STATEMENT CONTAINS ALL MATERIAL INFORMATION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW.

THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, AS A STIPULATION OR AS A WAIVER, BUT, RATHER, AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX CONSEQUENCES OR OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, THE DEBTORS.

I.
INTRODUCTION

A. Overview

Binder & Binder – The National Social Security Disability Advocates LLC, and its debtor affiliates (collectively, the "Debtors" or "Binder & Binder"), are nationally recognized providers of advocacy services for claimants of social security disability and veterans disability benefits.

On December 18, 2014 (the "Petition Date"), each of the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), thereby commencing these bankruptcy cases (the "Bankruptcy Cases"). The Debtors are operating their businesses as debtors-in-possession pursuant to section 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in the Bankruptcy Cases.

On June 9, 2016, the Debtors filed the *Chapter 11 Plan Proposed by the Debtors* (as subsequently amended, the "Plan") [Docket No. 581] and the disclosure statement for the Plan (as amended hereby and as may be subsequently amended from time to time, the "Disclosure Statement") [Docket No. 582]. Contemporaneously with this amended Disclosure Statement, the Debtors are filing an amended Plan to address certain issues raised by the Court and various parties with respect to the original Plan and Disclosure Statement.

This Disclosure Statement is submitted pursuant to section 1125 of the Bankruptcy Code for the solicitation of votes on the Plan. The Plan is attached to this Disclosure Statement as **Exhibit A**. Financial projections for the business operations of the Reorganized Debtors as contemplated by the Plan are attached hereto as **Exhibit C**.

This Disclosure Statement describes certain aspects of the Plan; the Debtors' operations and history; significant events that have occurred during the Bankruptcy Cases; the process relating to solicitation of votes on, and confirmation of, the Plan by the Bankruptcy Court; and related matters.

This Introduction is intended solely as a summary of the Plan and is qualified in its entirety by the Plan and the other portions of this Disclosure Statement. If there is any inconsistency between the Plan (including the exhibits and schedules attached thereto and any supplements to the Plan) and the descriptions in the Disclosure Statement, the terms of the Plan (and the exhibits and schedules attached thereto and any supplements to the Plan) will control.

Capitalized terms used in this Disclosure Statement and not otherwise defined herein are defined in the Plan.

For a summary of the Plan, please see Section VI hereof.

FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN, AND ALL EXHIBITS HERETO AND THERETO IN THEIR ENTIRETY.

This Disclosure Statement, the Plan, and any documents attached or referred to herein or therein are the only materials that Creditors should use to determine whether to vote to accept or reject the Plan. Ballots for accepting or rejecting the Plan are being submitted to Holders of Claims that the Debtors believe are entitled to vote to accept or reject the Plan.

The deadline to vote to accept or reject the Plan is September 6, 2016 at 4:00 PM (Eastern Time) (the "Voting Deadline"). To be counted, your Ballot must actually be received by the Voting Agent by the Voting Deadline. Any Ballots received after the Voting Deadline will not be counted. Claimants must return their Ballots to the Voting Agent in accordance with the voting instructions that accompany the Ballots.

August [_], 2016 is the "Voting Record Date", which is the date on which the identity of Holders of Claims against the Debtors will be determined for the purpose of establishing an entitlement, if any, to receive certain notices and vote on the Plan.

By the Disclosure Statement Approval Order dated August [_], 2016, the Bankruptcy Court approved this Disclosure Statement for dissemination to Holders of Claims against the Debtors. Approval of this Disclosure Statement by the Bankruptcy Court does not constitute a determination by the Bankruptcy Court as to the fairness or merits of the Plan. The Debtors believe that approval of the Plan will maximize the recovery to their creditors.

The Debtors strongly urge Holders of Claims in voting Classes to vote to accept the Plan by completing and returning their Ballots so that they will be received on or before the Voting Deadline: September 6, 2016 at 4:00 PM (Eastern Time).

B. Qualification Concerning Summaries Contained in this Disclosure Statement

This Disclosure Statement contains summaries of certain provisions of the Plan, certain statutory provisions, certain documents related to the Plan, certain events in the Bankruptcy Cases, and certain financial information. Although the Debtors believe that the summaries contained herein of the Plan and related documents are fair and accurate, such summaries are qualified in their entirety by the relevant documents, statutory provisions, and financial information, as applicable.

All of the exhibits to the Plan and this Disclosure Statement and other pleadings and orders relating to the Bankruptcy Cases are available for inspection during regular business hours (9:00 a.m. to 4:00 p.m. weekdays, except legal holidays) at the Office of the Clerk of the Court, United States Bankruptcy Court for the Southern District of New York, 300 Quarropas Street, White Plains, New York 10601.

In addition, this Disclosure Statement, the Plan, all of the exhibits to each, and other pleadings and orders relating to the Bankruptcy Cases are also available online at the Debtors' case website, www.bmcgroup.com/binder.

C. Source of Information Contained in this Disclosure Statement

Factual information contained in this Disclosure Statement has been provided from numerous sources, including (1) the Debtors' books and records, (2) the Debtors' management, counsel, and professionals, and (3) pleadings filed with the Bankruptcy Court. The Debtors cannot and do not warrant or represent that the information contained herein, including financial information, is without any inaccuracy or omission.

D. Reliance on Disclosure Statement

This Disclosure Statement may not be relied on for any purpose other than to determine whether to vote to accept or reject the Plan. Nothing stated herein shall constitute an admission of any fact or liability by any party, be admissible in any proceeding involving any Debtor or any other party other than proceedings to approve this Disclosure Statement and confirm the Plan, or be deemed evidence of the tax or other legal effects of the Plan on any Debtor or Holders of Claims or Equity Interests. Holders of Claims in Classes entitled to vote should read this Disclosure Statement and the Plan carefully and in their entirety and may wish to consult with counsel prior to voting on the Plan.

E. No Duty to Update

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

F. Representations and Inducements Not Included in this Disclosure Statement

No representations concerning or related to any Debtor, the Bankruptcy Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. You should not rely on any representations or inducements made to secure your acceptance or rejection of the Plan not contained in this Disclosure Statement.

Further, the various agreements or forms referred to herein are exhibits hereto and/or to the Plan (including the Plan Supplement) and are incorporated herein by reference. The summary of certain provisions of these documents is qualified in its entirety by reference thereto. The descriptions of these documents and the copies of these documents included as exhibits hereto and/or to the Plan have been included to provide information regarding the terms of these documents. These documents contain representations and warranties made by and to the parties thereto as of specific dates. The representations and warranties of each party set forth in each document have been made solely for the benefit of the other party to such document. In addition, such representations and warranties (1) may have been qualified by confidential disclosures made to the other party in connection with such document, (2) may be subject to a materiality standard which may differ from what may be viewed as material by other readers, (3) were made only as of the date of such documents or such other date as is specified therein, and (4) may have been included in such documents for the purpose of allocating risk between or among the parties thereto rather than establishing matters as facts.

G. Authorization of Information Contained in this Disclosure Statement

For the purposes of this Disclosure Statement and the confirmation of the Plan, no representations or other statements concerning any Debtor, the Bankruptcy Cases, or the Plan, including, but not limited to, representations and statements regarding asset valuation, are authorized by any Debtor, other than those expressly set forth in this Disclosure Statement.

H. Legal or Tax Advice

The contents of this Disclosure Statement should not be construed as legal, business, financial, or tax advice. Each Creditor or Equity Holder should consult with its own legal counsel and accountant as to legal, tax and other matters concerning its Claim or Equity Interest.

This Disclosure Statement does not provide legal advice to you. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

I. Forward-Looking Statements

This Disclosure Statement contains forward-looking statements with respect to the Plan.

Forward-looking statements include:

- descriptions of plans and litigation;
- projections of income tax and other contingent liabilities, and other financial items; and
- any descriptions of assumptions underlying or relating to any of the foregoing.

Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements often include words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would" or similar expressions. Forward-looking statements should not be unduly relied upon. They indicate the Debtors' expectations about the future and are not guarantees. Forward-looking statements speak only as of the date they are made and the Debtors have no obligation to update them to reflect changes that occur after the date they are made. There are several factors, many beyond the Debtors' control, that could cause results to differ significantly from expectations. Examples of such factors are included in Section VII.

II.

THE PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Notice to Holders of Claims and Equity Interests

This Disclosure Statement is being transmitted to Holders of certain Claims against and Equity Interests in the Debtors. The primary purpose of this Disclosure Statement is to provide those parties entitled to vote on the Plan with adequate information to make a reasonably informed decision with respect to the Plan before voting to accept or to reject the Plan.

On August [_], 2016, the Bankruptcy Court entered the Disclosure Statement Approval Order approving this Disclosure Statement, finding that it contains information of a kind and in sufficient detail to enable the Holders of Claims against and Equity Interests in the Debtors that are entitled to vote to make an informed judgment about the Plan.

THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT CONSTITUTES NEITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN, NOR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

IF CONFIRMED BY THE BANKRUPTCY COURT, THE PLAN WILL BIND ALL HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN EACH OF THE DEBTORS, WHETHER OR NOT THEY ARE ENTITLED TO VOTE OR DID VOTE ON THE PLAN AND WHETHER OR NOT THEY RECEIVE OR RETAIN ANY DISTRIBUTIONS OR PROPERTY UNDER THE PLAN. THUS, YOU ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT CAREFULLY. IN PARTICULAR, HOLDERS OF IMPAIRED CLAIMS WHO ARE ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ANY EXHIBITS HERETO, THE PLAN, AND ANY EXHIBITS TO THE PLAN CAREFULLY AND IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR TO REJECT THE PLAN.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING OR CONTAINS OR MAY CONTAIN ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE RESULTS.

Except as otherwise specifically and expressly stated herein, this Disclosure Statement does not reflect any events that may occur after the date hereof and that may have a material impact on the information contained in this Disclosure Statement. Further, the Debtors do 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 after the date hereof.

B. Solicitation Package

In addition to approving this Disclosure Statement, the Bankruptcy Court approved certain voting procedures, scheduled the Confirmation Hearing at which the Bankruptcy Court will consider confirmation of the Plan, and approved the form of the Confirmation Hearing Notice. Accompanying this Disclosure Statement are copies of (1) the Plan **(Exhibit A),** (2) the Confirmation Hearing Notice **(Exhibit B)**, which provides notice of, among other things, the deadline for submitting Ballots to accept or reject the Plan, the date, time, and place of the hearing to consider confirmation of the Plan and related matters, and the time for filing objections to confirmation of the Plan, (3) financial projections with respect to the Reorganized Debtors' business operations contemplated by the Plan (**Exhibit C**), and (4) for Creditors whose Claims are classified in an Impaired Class entitled to vote, one or more Ballots (and return envelopes) to be used in voting to accept or to reject the Plan. If you did not receive a Ballot and believe that you should have, please contact the Voting Agent identified below in the next subsection.

C. Voting Procedures, Ballots, and Voting Deadline

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. After carefully reviewing the Plan, this Disclosure Statement, and the detailed instructions accompanying your Ballot, please (1) indicate your acceptance or rejection of the Plan by checking the appropriate boxes and providing requested information on the enclosed Ballot, (2) indicate in Item 4 of your Ballot whether you wish to opt-out of the releases in the Plan, and (3) complete and sign your original Ballot (copies will not be accepted) and return it in the envelope provided to the Voting Agent (defined below) so that it is **actually received** by the Voting Deadline (as defined below).

Each Ballot has been coded to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded Ballot or Ballots sent to you with this Disclosure Statement. If you believe you received the wrong Ballot, please contact the Voting Agent.

FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ACCOMPANYING THE BALLOT AND *RECEIVED* NO LATER THAN THE VOTING DEADLINE, SEPTEMBER 6, 2016 AT 4:00 PM (EASTERN TIME), BY THE VOTING AGENT, BMC GROUP, INC., at the following address:

Via first class mail:

BMC Group, Inc.
Attn: Binder & Binder Ballot Tabulation
P.O. Box 90100
Los Angeles, CA 90009

Via FedEx or hand delivery:

BMC Group, Inc.
Attn: Binder & Binder Ballot Tabulation
3732 West 120th Street
Hawthorne, CA 90250

Any Ballot that is executed and returned but does not indicate an acceptance or rejection of the Plan will not be counted.

EACH BALLOT ADVISES HOLDERS OF CLAIMS IN CLASSES 2, 4, AND 5 THAT IF THEY VOTE TO ACCEPT OR REJECT THE PLAN AND DO NOT ELECT TO OPT OUT OF THE RELEASE PROVISIONS CONTAINED IN ARTICLE IX.D.2 OF THE PLAN, THEY SHALL BE DEEMED TO HAVE CONSENSUALLY GRANTED SUCH RELEASES, AS DISCUSSED IN SECTION VI.H BELOW AND IN ARTICLE IX.D.2 OF THE PLAN.

DO NOT RETURN ANY DEBT OR EQUITY INSTRUMENTS WITH YOUR BALLOT.

If you have any questions about the procedure for voting your Claim or with respect to the packet of materials that you have received, please contact the Voting Agent at (888) 909-0100.

If you wish to obtain, at your own expense (unless otherwise specifically required by Bankruptcy Rule 3017(d)), an additional copy of the Plan, this Disclosure Statement, or any exhibits to such documents, please contact the Voting Agent.

D. Confirmation Hearing and Deadline for Objections to Confirmation

The Bankruptcy Court has scheduled the Confirmation Hearing for **September 13, 2016 at 2:00 PM (Eastern Time)**, or as soon thereafter as counsel may be heard, before the Honorable Robert D. Drain, United States Bankruptcy Judge, in the United States Bankruptcy Court, 300 Quarropas Street, White Plains, New York 10601.

The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan must be filed with the Clerk of the Bankruptcy Court, in accordance with the electronic filing requirements as set forth online at www.nysb.uscourts.gov,with a copy to the Chambers of Judge Drain, and served so that they are ***RECEIVED*** **on or before September 6, 2016 at 4:00 PM (Eastern Time) by the following parties:**

Counsel for the Debtors

Lowenstein Sandler LLP
65 Livingston Avenue
Roseland, NJ 07068
Attn: Mary E. Seymour, Esq.
Andrew Behlmann, Esq.
Nicholas Vislocky, Esq.

United States Trustee

Office of the United States Trustee
for the District of New York
U.S. Federal Office Building
201 Varick Street, Room 1006
New York, NY 10004
Attn: Susan Golden, Esq.

Counsel for the Prepetition Agent

Katten Muchin Rosenman LLP
525 West Monroe Street
Chicago, IL 60661-3693
Attn: Kenneth J. Ottaviano, Esq.
Karin H. Berg, Esq.

The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court or the Debtors without further notice except for the announcement of the adjournment date made in open court at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing and/or by written notice filed on the docket in the Bankruptcy Cases.

III.
OVERVIEW OF THE PLAN

The purpose of the Plan is to facilitate the orderly adjudication of all or substantially all of the Debtors' existing SSA Cases and VA Cases over a period of approximately three years (the 2"Wind-Down"), and enable the Debtors to monetize their other assets and fund the distributions to Holders of Allowed Claims in accordance with the Plan. The Plan provides for the substantive consolidation of the Debtors for the purposes of confirming and consummating the Plan, including but not limited to voting, confirmation, and distributions. The Plan also provides for the reorganization of certain Debtors and the appointment of a Plan Administrator (as defined herein) to implement the Plan.

The Plan contemplates the continued employment of many of the Debtors' existing employees after the Effective Date to assist the Plan Administrator in implementing the Plan, prosecuting to conclusion the existing SSA Cases and VA Cases, and otherwise completing the orderly Wind-Down of the Debtors' existing businesses.

The Plan also contemplates a potential sale transaction, either through or prior to confirmation of the Plan, pursuant to which the Debtors will solicit bids for the purchase of their intellectual property (including, among other things, trademarks, copyrights and copyrighted materials, and certain other licensed or owned intellectual property), information technology and related infrastructure, and the right to accept all new clients for SSA and VA disability programs on or after the Effective Date and/or referrals from the Reorganized Debtors of leads for such clients. On June 23, 2016, the Debtors filed a motion seeking approval of bidding procedures in connection with the sale process. By order dated August [_], 2016, the Bankruptcy Court

approved the Debtors' proposed sale procedures [Doc. No. _] and the Debtors have begun soliciting bids. Certain of the intellectual property that the Debtors seek to sell contain the image and/or likeness of Charles Binder, who has asserted that the Debtors cannot assign or sublicense their rights with respect thereto. The Debtors believe Charles Binder's assertion is meritless. The Bankruptcy Court has indicated that any unresolved disputes related thereto are more appropriately addressed at the sale approval hearing currently scheduled for September 13, 2016 at 2:00 PM (Eastern Time).

The following table divides the Claims against and Equity Interests in the Debtors into seven (7) separate Classes and summarizes the treatment for each Class. The table also identifies which Classes are entitled to vote on the Plan. Finally, the table indicates an estimated recovery for each Class, expressed as a percentage of the estimated, aggregate Allowed Claims in such Class. Certain unclassified Claims, including certain Administrative Claims and Priority Tax Claims will be paid in full in Cash to the extent such Claims are Allowed Claims. The recoveries described in the following table represent the Debtors' best estimates based on the information available at this time, and certain significant assumptions described throughout this Disclosure Statement. Unless otherwise specified, the information in the following table is based on calculations as of May 31, 2016.[3]

CLASS	DESCRIPTION	TREATMENT	ENTITLED TO VOTE	ESTIMATED ALLOWED AMOUNTS ($)	ESTIMATED RECOVERY (%)
Not classified	Administrative Expense Claims (excluding Professional Fee Claims)	Unimpaired; payment in full, in Cash, of the allowed amount of such Administrative Expense Claim (or as otherwise agreed).	No.	$525,000[4]	100%

[3] The Debtors' preliminary estimates of Allowed Claims are identified in the chart as Estimated Allowed Amounts. Notwithstanding the Debtors' efforts in developing their preliminary Allowed Claims estimates, the preparation of such estimates is inherently uncertain and no motions have yet been filed seeking to reduce, recharacterize, reclassify or expunge any Claims. Accordingly, there is no assurance that such estimates will accurately predict the actual amount of Allowed Claims in the Chapter 11 Cases. As a result, the actual amount of Allowed Claims may, in some Classes, differ materially from the Estimated Allowed Amounts.

[4] The Debtors can only estimate at this time the total amount of Allowed Administrative Claims on the Effective Date because the Administrative Claims Bar Date has not yet passed and the Debtors have been paying undisputed Administrative Claims in the ordinary course of business.

CLASS	DESCRIPTION	TREATMENT	ENTITLED TO VOTE	ESTIMATED ALLOWED AMOUNTS ($)	ESTIMATED RECOVERY (%)
Not classified	Administrative Expense Claims for Professional Fee Claims	Unimpaired; payment in full, in Cash, as soon as reasonably practicable after such claim is Allowed, in full settlement, satisfaction and release of, and in exchange for, such Allowed Professional Fee Claim, Cash in an amount equal to the unpaid amount of such Allowed Professional Fee Claim in accordance with the Plan, which provides for Professional Fee Claims to be paid in full over a period of 16 months after the Effective Date in accordance with the Budget, subject to earlier repayment in connection with a sale of the Debtors' intellectual property and related assets, but in all events subject to the Budget.	No.	N/A[5]	100%
Not classified	Priority Tax Claims	Unimpaired; payment in full, in Cash, to the extent and in the manners allowed by § 1129 of the Bankruptcy Code (or as otherwise agreed).	No.	$150,000	100%
Not classified	Alternative DIP Facility Claims	Unimpaired; shall receive $600,000 in Cash on or before the Effective Date in full and final settlement, satisfaction, and discharge of all Claims of the Alternative DIP Lenders so long as Stellus votes to accept the Plan in its capacity as a Holder of Claims in Class 4 and does not opt out of the releases set forth in Article IX.D.2 of the Plan. If Stellus votes to reject the Plan or opts out of the releases set forth in Article IX.D.2 of the Plan, the $600,000 payment will not be made unless and until the First DIP Lender Secured Claims and all amounts payable to the First DIP Agent and the First DIP Lenders under the New First DIP Lender Secured Term Notes and the other New First DIP Lender Secured Term Note Documents (including all professional fess) have been paid in full in accordance with the Stellus Subordination Agreement.	No.	$600,000	100%
1	Priority Non-Tax Claims	Unimpaired; payment in full, in Cash, of the allowed amount of such Claim (or as otherwise agreed).	No.	$50,000	100%

[5] The Debtors can only estimate at this time the total amount of Allowed Administrative Professional Fee Claims on the Effective Date as the deadline to file Professional Fee Claims has not yet passed.

CLASS	DESCRIPTION	TREATMENT	ENTITLED TO VOTE	ESTIMATED ALLOWED AMOUNTS ($)	ESTIMATED RECOVERY (%)
2	First DIP Lender Secured Claims	Commencing on January 31, 2017, monthly amortization payments in the amount of $200,000 per month, due on the last day of each month, which monthly amortization payments shall increase to $300,000 per month commencing on January 31, 2018. Cash pay interest rate of LIBOR plus 3.3% and subject to an interest rate cap of 4.25% payable monthly, provided that upon an event of default under the New First DIP Lender Secured Term Note Documents, (A) such interest rate shall, at the election of the First DIP Agent, convert to a rate based upon the prime rate and (B) the Holders of the Allowed First DIP Lender Secured Claims will be allowed to increase the interest rate otherwise payable under the New First DIP Lender Secured Term Loan Notes to the default rate of interest which incremental default interest shall not exceed 2% over the otherwise applicable non-default interest rate Commencing in January 2018, or sooner to the extent the Debtors have excess Cash and the Professional Fees have been paid in full, Payment of excess cash. Maturity date of December 31, 2019.	Yes.	$21,500,000	100%
3	Other Secured Claims	Unimpaired; payment in full, in Cash, of the allowed amount of such Other Secured Claim (or as otherwise agreed), or return of the collateral.	No.	$0	100%

CLASS	DESCRIPTION	TREATMENT	ENTITLED TO VOTE	ESTIMATED ALLOWED AMOUNTS ($)	ESTIMATED RECOVERY (%)
4	Stellus Unsecured Claims	Impaired; shall receive its Pro Rata Share of (a) the Stellus Unsecured Claim Distribution in installments totaling $1,000,000 in the aggregate and (b) the Net GUC Excess Cash, provided that if Class 4 rejects the Plan or opts out of the releases set forth in Article IX.D.2 of the Plan, no Distribution shall be paid on account of any Allowed Stellus Unsecured Claim unless and until all First DIP Lender Secured Claims and all amounts payable to the First DIP Agent and the First DIP Lenders under the New First DIP Lender Secured Term Notes and the other New First DIP Lender Secured Term Note Documents (including all professional fess) have been paid in full.	Yes.	$17,025,861	4.6%
5	General Unsecured Claims	Impaired; shall receive its Pro Rata Share of (a) the GUC Distribution Fund in installments totaling $800,000 in the aggregate and (b) the Net GUC Excess Cash.	Yes.	$9,300,000 to $12,000,000	6.6% to 8.6%
6	Equity Interests	Impaired; shall receive no Distribution	No.	N/A	0%
7	Intercompany Claims	Impaired; shall receive no Distribution	No.	N/A	0%

ALTHOUGH THE DEBTORS BELIEVE FROM THEIR REVIEW OF THE CLAIMS THAT THEIR ESTIMATION OF CLAIMS AND RECOVERIES IS REASONABLE, THERE IS NO ASSURANCE THAT THE ACTUAL AMOUNT OF ALLOWED CLAIMS IN EACH CLASS WILL NOT MATERIALLY EXCEED THE ESTIMATED AGGREGATE AMOUNTS SHOWN HEREIN. THE DEBTORS ARE CONTINUING THEIR INVESTIGATION OF THE CLAIMS AND HAVE NOT MADE A FINAL DETERMINATION OF ALL THE CLAIMS THAT MAY BE OBJECTED TO. THE ACTUAL RECOVERIES UNDER THE PLAN WILL BE DEPENDENT UPON A VARIETY OF FACTORS INCLUDING, BUT NOT LIMITED TO, WHETHER, AND IN WHAT AMOUNT, CONTINGENT CLAIMS, IF ANY, AGAINST ANY OF THE DEBTORS BECOME NON-CONTINGENT AND FIXED AND WHETHER, AND TO WHAT EXTENT DISPUTED CLAIMS, IF ANY, ARE RESOLVED IN FAVOR OF THE ESTATES RATHER THAN THE CLAIMANTS. ACCORDINGLY, NO REPRESENTATION CAN BE OR IS BEING MADE WITH RESPECT TO WHETHER EACH ESTIMATED RECOVERY SHOWN IN THE TABLE ABOVE WILL BE REALIZED BY THE HOLDER OF AN ALLOWED CLAIM IN ANY PARTICULAR CLASS.

IV.
HISTORY OF THE DEBTORS AND COMMENCEMENT OF THE CASES

A. Overview of Prepetition Operations

1. Debtors' Business

Founded in 1979 by brothers Harry and Charles Binder, Binder & Binder - The National Social Security Disability Advocates, LLC and its subsidiaries are the nation's largest provider of social security disability and veterans' benefits advocacy services, with operating scale and efficiencies unrivaled by its competitors in the highly fragmented advocacy market. While most other advocacy firms outsource or refer cases that are not in their core region, the Debtors leveraged their national footprint to service all of their cases in-house to provide the same level of advocacy expertise regardless of where a client is located.

The Debtors have 40 years of experience helping disabled individuals obtain disability benefits through programs administered by the Social Security Administration ("SSA") as well as helping veterans apply for disability and related benefits through programs administered by the Department of Veterans Affairs (the "VA"). There are two primary programs through which the SSA provides disability benefits: the Social Security Disability Insurance Program and the Supplemental Security Income Program. Each of these programs provides monthly benefits to disabled workers and their spouses, children, and survivors. In addition, the VA provides benefits for U.S. Armed Forces veterans with disabilities resulting from diseases or injuries incurred or aggravated during active military service (and some disabilities that arise post-service) through its Veterans Affairs Disability Benefits Program.

Since 1979, the Debtors have handled over 300,000 disability cases under programs operated by the SSA ("SSA Cases") and the VA ("VA Cases"). Upon intake, each SSA Case and VA Case is assigned to an employee who serves as the advocate of record before the SSA or VA, as applicable (the "Advocate"). Upon receiving a new SSA Case or VA Case, the Advocate assigns his or her rights to any SSA Fees or VA Fees (as defined below) to the Debtors.

In 2010, H.I.G. Binder LLC ("HIG") acquired a controlling equity interest in SSDI, the ultimate parent of the other Debtors. In connection with such acquisition, the Debtors obtained secured financing in the approximate amount of $37 million from the Prepetition Lender Secured Parties (as defined below) and $13 million in unsecured subordinated financing from Stellus (as defined below).

As of the Petition Date, the Debtors employed approximately 973 employees in 35 offices across the United States. Historically, this national footprint allowed the Company to provide services for disability claimants nationwide.

As of May 31, 2016, the Debtors were representing disability claimants in approximately 38,775 active SSA Cases and 2,100 active VA Cases.

2. The Social Security Benefits Claims Process

In many instances, an Advocate's representation of a disability claimant seeking an award under an SSA program is a multi-phase process. The first phase involves the completion and compilation of forms, medical records, information releases, and a written explanation of the disability from a doctor ("Phase One" or the "Initial Application Phase"). The claimant's initial application is submitted for consideration to an SSA office and reviewed by an examiner and medical expert. It may take from three to six months to receive a decision on the initial application. If the initial application is denied, the claimant may appeal and obtain a second review by a different examiner and medical expert. The reconsideration of the initial application can take, on average, three to five months.

Upon a second denial of the initial application, the claimant enters the second phase of the process, the Hearing Phase. The claimant must appeal the denial on reconsideration to the SSA's Office of Disability Adjudication and Review, where an Administrative Law Judge hears the appeal ("Phase Two" or the "Hearing Phase"). The Hearing Phase consists of a formal hearing, submission of additional medical records in support of the claim, and a decision by the assigned Administrative Law Judge. While claimants in Phase Two can expect to wait up to thirteen months for a hearing and decision, on average, the historical success rate of cases in Phase Two is substantially higher than Phase One. This increase is likely attributable to the fact that many more claimants seek third-party representation in Phase Two after denial of their initial application. The SSA estimates that more than 85% of claimants choose to be represented by third-party advocates, such as the Debtors, after the denial of their initial application. The Debtors' success rate has historically been, and consistently remains, two to three times greater in the Hearing Phase than the Initial Application phase.

The third and final phase at the SSA level is the appeal of a denial by the Administrative Law Judge to the Appeals Council ("Phase Three" or the "Appeals Council Phase"). The Appeals Council may find that the decision of the Administrative Law Judge should be affirmed, overturned, or remanded for reconsideration. A decision from the Appeals Council may take up to nine months on average. Where claimants are still denied benefits after appealing to the Appeals Council, their only remaining avenue for relief is by seeking judicial review in federal court. The Debtors do not represent claimants in the judicial review process. The Debtors have, however, established longstanding relationships with entities providing legal services for the prosecution of claimants' cases in federal court.

The disability claims process is lengthy and arduous, with decisions at the Hearing Phase taking up to two years, and over three years if judicial review is necessary. Given the complexity of the SSA process, the length of time it may take to receive a final decision, and the increased probability of a favorable decision with third-party representation, the Debtors' services are, in many cases, essential to preserving disability claimants' livelihoods.

Similar to the process to seek disability benefits from the SSA, applying for disability benefits from the VA can be long and complicated. Unlike benefits from the SSA, however, a VA Claimant can seek disability benefits multiple times as his or her disability worsens or previously unknown disabilities present themselves.

Pursuant to SSA and VA regulations, an Advocate is entitled to certain fees in connection with the successful adjudication of an assigned SSA Case (the "SSA Fees") or an assigned VA Case (the "VA Fees"). As a condition of employment by the Debtors, each Advocate has assigned to the Debtors its rights to any SSA Fees or VA Fees, as applicable that are earned in connection with the SSA Cases and VA Cases. The collection of SSA Fees and VA Fees is the Debtors' primary source of revenue. The Debtors do not collect any revenue on SSA Cases and VA Cases until a favorable decision is issued. As a result, the Debtors' cash flow is dependent in large part upon the speed with which the federal government considers and adjudicates the SSA Cases and VA Cases.

B. Capital Structure

1. Summary of the Debtors' prepetition Capital Structure

SSDI Holdings, Inc. ("SSDI") is a privately held Delaware corporation owned by (i) H.I.G. Binder LLC, which holds 15,000 shares of Series A Preferred Stock; (ii) one or more affiliates of D.E. Shaw Direct Capital Portfolios, L.L.C., which hold 750 shares of Series A Preferred Stock; (iii) Charles Binder, who holds 1,687.5 shares of Common Stock and 3,983.11 shares of Series B Preferred Stock; and (iv) Harry Binder, who holds 5,062.5 shares of Common Stock and 11,348.82 shares of Series B Preferred Stock.

SSDI is the sole member of Binder & Binder - The National Social Security Disability Advocates, LLC ("SSDA"), a Delaware limited liability company that in turn is the sole member of each of the other Debtors.

2. Prepetition Credit Facilities

a. Secured Obligations

Pursuant to a Loan Agreement dated as of August 27, 2010 and the other loan, guaranty, and security documents related thereto (the "Prepetition Lender Secured Credit Agreement"), SSDA was the sole borrower under a prepetition senior secured financing facility (the "Prepetition Lender Facility") consisting of a revolving credit facility in the maximum principal amount of $8 million (the "Prepetition Revolver") and a term loan in the original principal amount of $29 million (the "Prepetition Term Loan"). All other Debtors, except for nine Debtors formed after the origination of the Prepetition Lender Facility (the "Non-Guarantor Debtors"), guaranteed SSDA's indebtedness under the Prepetition Lender Facility (the Debtors other than SSDA and the Non-Guarantor Debtors, the "Guarantor Debtors").

Capital One, N.A. ("Capital One") and U.S. Bank National Association ("U.S. Bank") are the lenders under the Prepetition Lender Facility (the "Prepetition Lenders"). As of the Petition Date, approximately $6,499,733 was outstanding under the Prepetition Revolver and $16,548,500 was outstanding under the Prepetition Term Loan (collectively, the "Prepetition Lender Secured Debt"). U.S. Bank, as administrative and collateral agent for the Prepetition Lender Secured Parties (the "Prepetition Agent", and together with the Prepetition Lenders, the "Prepetition Lender Secured Parties"), asserted a security interest in and lien on substantially all of the assets of SSDA and the Guarantor Debtors (the "Prepetition Collateral") as security for the Debtors' obligations under the Prepetition Facility (the "Prepetition Liens").

b. Mezzanine Facility

SSDI and SSDA, as well as certain guarantors, as borrowers, and Stellus Capital Investment Corporation ("Stellus" or "Mezzanine Lender"), as successor by assignment to D.E. Shaw Direct Capital Portfolios, L.L.C., are parties to that certain Investment Agreement dated as of August 27, 2010 (the "Stellus Prepetition Subordinated Investment Agreement").

In connection with the Stellus Prepetition Subordinated Investment Agreement, SSDA, as borrower, issued a subordinated PIK promissory note to the Mezzanine Lender (the "Stellus Prepetition Subordinated Note") pursuant to which the Mezzanine Lender provided the Debtors with unsecured subordinated debt in the principal amount of $13 million.

The Mezzanine Lender agreed to subordinate the Stellus Prepetition Subordinated Note to the Prepetition Lender Secured Debt pursuant to a Subordination Agreement dated as of August 27, 2010 (the "Prepetition Subordination Agreement" and together with all related documents and agreements, the "Prepetition Subordinated Credit Documents").

As of the Petition Date, $16,748,577.03 was outstanding under the Prepetition Subordinated Credit Documents, comprised of $13,401,573.07 in principal, and $3,347,004.64 of accrued interest.

c. Trade Obligations[6]

As of the Petition Date, the Debtors owed approximately $6 million in unsecured trade debt, a substantial portion of which related to advertising and media provider costs.

C. Events Leading to Chapter 11 Filing

Prepetition, a number of factors increased the delay between favorable decisions in SSA Cases and VA Cases and the disbursement of related SSA Fees and VA Fees to the Debtors. First, the federal sequestration and government shutdown in 2013, while temporary, were unexpected and detrimentally impacted the speed of case dispositions and payment of SSA Fees and VA Fees, thus disrupting the Debtors' revenue stream and contributing to the Debtors' liquidity issues.

Although benefits payments under the various programs operated by the SSA were exempt from the funding cuts implemented as part of the federal sequestration, workflow disruptions at the SSA and uncertainty as to how the sequestration might impact new claims delayed the processing of claims and the payment of SSA Fees to Advocates, even for cases already successfully adjudicated. Claims processing times eventually returned to normal levels later in 2013, but the federal government shutdown in October 2013 yet again caused delays in case resolution.

During the shutdown, the SSA and VA continued to conduct hearings, but the shutdown caused significant delays in the issuance of post-hearing decisions. As a result, the Debtors' rate of successful adjudications dropped significantly in the fourth quarter of 2013, with revenues

[6] Trade Obligations does not represent the total population or amount of general unsecured claims.

falling short of projections by approximately 20%. Although the sequestration and shutdown were not recurring events, the resulting disruption in the Debtors' operating cash flow and the post-shutdown lag in case adjudication severely impacted the Debtors' operating performance and liquidity, necessitating a financial restructuring.

Second, more stringent standards in evaluating SSA Cases and VA Cases in the earlier phases have negatively impacted the speed of case disposition and payment of SSA Fees and VA Fees. For fiscal year 2013, the Debtors generated approximately $83.7 million of revenue, of which approximately $83.4 million (99.68%) came from SSA Fees and VA Fees.

Facing liquidity issues in early 2014, the Debtors engaged Lincoln International LLC to solicit incremental financing or a capital infusion. That endeavor, however, did not yield tangible results, so the Debtors retained William A. Brandt of Development Specialists, Inc. ("DSI") in July 2014 to serve as Chief Restructuring Officer to explore their strategic alternatives and to undertake an operational restructuring. In light of the Debtors' continued inability to service the Prepetition Lender Secured Debt, the Debtors determined, in an exercise of their business judgment, that it was necessary to file voluntary chapter 11 petitions and commence these Bankruptcy Cases.

V.

THE CHAPTER 11 CASES

The following is a general summary of the Bankruptcy Cases, including the stabilization of the Debtors' operations following the Petition Date, certain administrative matters addressed during the Bankruptcy Cases, and the Debtors' restructuring initiatives since the Petition Date. The information noted below was obtained from documents and case filings made by or on behalf of the Debtors and/or their professionals in the Bankruptcy Cases.

A. Continuation of Business; Stay of Litigation and Enforcement of Creditors' Rights

Since the Petition Date, the Debtors have continued to operate as debtors in possession subject to the supervision of the Bankruptcy Court. Although the Debtors are authorized to operate in the ordinary course of business, transactions out of the ordinary course of business have required Bankruptcy Court approval.

An immediate effect of the Debtors' filing their voluntary chapter 11 petitions was the imposition of the automatic stay under the Bankruptcy Code, which, with limited exceptions, enjoins the commencement or continuation of all collection efforts by Creditors, the enforcement of liens against property of the Debtors and the continuation of litigation against the Debtors. The automatic stay of an act against property of the Debtors' Estates remains in effect, unless modified by the Bankruptcy Court, until such property no longer is property of the Debtors' Estates; the stay of all other acts encompassed by the automatic stay continues until the earlier of the time the Bankruptcy Cases are closed or dismissed.

B. Parties in Interest and Advisors

Described below are the primary parties that have played significant roles in the Bankruptcy Cases to date.

1. The Bankruptcy Court

The Debtors' chapter 11 cases were filed in the United States Bankruptcy Court for the Southern District of New York, located in White Plains, New York. The Honorable Robert D. Drain, United States Bankruptcy Judge, is presiding over the Bankruptcy Cases.

2. Advisors to the Debtors

a. Bankruptcy Counsel

The Debtors retained Lowenstein Sandler LLP ("Lowenstein") as bankruptcy counsel for the Debtors. The order approving the retention of Lowenstein was entered by the Bankruptcy Court on March 9, 2015.

b. Chief Restructuring Officer

The Debtors sought authority to retain DSI and appointed William A. Brandt, Jr. of DSI as Chief Restructuring Officer. The order authorizing DSI to provide the Chief Restructuring Office and additional personnel and designating William A. Brandt, Jr. as Chief Restructuring Officer was entered by the Bankruptcy Court on January 30, 2015.

c. Ordinary Course and Other Professionals

On December 19, 2014, the Debtors sought authority to continue to employ (or retain) certain professionals to assist them on a day-to-day basis in the ordinary course of business to provide services relating to labor and employment, litigation, and corporate services, subject to monthly caps on compensation. On January 30, 2015, the Court entered an Order authorizing the Debtors to retain each of the following as ordinary course professionals: Duane Morris LLP (labor legal services); Galgano & Associates, PLLC (intellectual property legal services); Pillsbury Winthrop Shaw Pitman LLP (industry legal services); and Zinker & Herzberg, LLP (legal services related to claimant bankruptcies).

3. The Committee and Its Advisors

On January 8, 2015, the United States Trustee, pursuant to its authority under section 1102 of the Bankruptcy Code, appointed the Official Committee of Unsecured Creditors to serve in the Debtors' Chapter 11 Cases (the "Committee") [Docket No. 80]. The Committee was appointed to represent the interests of, and to serve as a fiduciary for, the Debtors' unsecured creditors.

The original members of the Committee were:

1. Stellus
2. United Service Workers Union, Local 455 IUJAT & Related Funds ("Union"),
3. T&G Industries, Inc.,
4. WB Mason Co., and
5. Teaktronics, Inc.

The Committee retained Klestadt Winters Jureller Southard & Stevens, LLP as its counsel and Getzler Henrich & Associates LLC as its financial advisors. The Bankruptcy Court approved the retention of the Committee's counsel and financial advisors by orders dated March 20, 2015 [Docket Nos. 171, 172].

The Committee was twice reconstituted. On January 30, 2015, the U.S. Trustee removed Stellus from the Committee due to its expressed interest in providing, and subsequent negotiations with the Debtors regarding, alternative DIP financing. On August 14, 2015, the U.S. Trustee removed the Union because it believed that the Union no longer had any claim against the Debtors [Docket No. 330].

Since the Committee's formation, the Debtors have consulted with the Committee concerning the administration of the Bankruptcy Cases and all significant issues that have arisen in the chapter 11 cases. The Debtors have kept the Committee informed with respect to their operations and sought the concurrence of the Committee for actions and transactions outside the ordinary course of the Debtors' business, including, without limitation (and as discussed further below), authorization to procure alternative debtor-in-possession financing.

C. First and Second Day Orders

On the Petition Date, the Debtors filed numerous "first day" motions seeking various relief intended to ensure a seamless transition between the Debtors' prepetition and postpetition business operations and to facilitate the smooth administration of the Bankruptcy Cases. The relief requested in these orders, among other things, allowed the Debtors to continue certain normal business activities that may not be specifically authorized under the Bankruptcy Code or as to which the Bankruptcy Code may have otherwise required additional Bankruptcy Court approval. Substantially all of the relief requested in the Debtors' "first day" motions was granted by the Bankruptcy Court. These motions and orders are available for review and download free of charge at the Debtors' case information website maintained by the Debtors' claims and noticing agent, BMC Group, Inc. ("BMC") (located at www.bmcgroup.com/binder).

The orders entered pursuant to the Debtors' "first day" motions authorized the Debtors to, among other things:

- jointly administer the Debtors' Chapter 11 Cases solely for procedural purposes;
- establish certain notice, case management and administrative procedures;
- obtain an extension of the time to file the Debtors' schedules and statements of financial affairs and file a consolidated list of creditors;

- retain BMC as the Debtors' noticing and claims agent;
- continue use of existing cash management system, bank accounts and business forms;
- immediately pay certain prepetition amounts: (i) certain employee wages, compensation and employee benefits, (ii) prepetition insurance obligations and (iii) certain tax and other assessments;
- continue and renew their insurance programs and insurance premium financing arrangements;
- establish an orderly, regular process for the monthly compensation and reimbursement of estate professionals; and
- establish procedures pursuant to which utilities are prohibited from discontinuing service except in certain circumstances.

D. Debtor-in-Possession Financing and Cash Collateral

Below is a summary of the Debtors' debtor-in-possession financing initiatives taken during the Bankruptcy Cases.

1. Initial Debtor-in-Possession Financing from Prepetition Lenders Capital One and U.S. Bank

On December 19, 2014, the Debtors' filed the *Debtors' Motion for Entry of Interim and Final Order (I) Approving Post-Petition Senior Secured Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Adequate Protection, and (IV) Modifying the Automatic Stay* [Docket No. 14]. The First DIP Lender Credit Agreement provided for a post-petition revolving loan in the amount of $26 million, which included a complete roll-up of the $23 million of pre-petition indebtedness outstanding under the Prepetition Lenders Secured Credit Agreement and an additional commitment of up to $3 million to fund the Debtors' operations during the Bankruptcy Cases (the "First DIP Facility").

On December 24, 2014, the Court entered an *Interim Order (I) Authorizing Debtors to Obtain Postpetition Financing; (II) Granting Liens, Security Interests and Superpriority Status; (III) Authorizing Use of Cash Collateral; (IV) Affording Adequate Protection: (V) Scheduling a Final Hearing; and (VI) Modifying the Automatic Stay* [Docket No. 50] (the "First DIP Interim Order"). Also on December 24, 2014, pursuant to the First DIP Interim Order, the Debtors entered into a Post-Petition Revolving Credit and Security Agreement dated as of December 23, 2014 (as amended, restated, supplemented, or otherwise modified from time to time, the "First DIP Lender Credit Agreement") with Capital One as a lender, US Bank as a lender and as agent ("US Bank" or "First DIP Agent"), and the lenders from time to time party thereto (collectively with US Bank and Capital One, the "First DIP Lenders").

On January 22, 2015, the Committee filed the *Objection of the Official Committee of Unsecured Creditors to Debtors' Motion for Entry of Interim and Final Orders (I) Approving*

Post-Petition Senior Secured Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Adequate Protection, and (IV) Modifying the Automatic Stay [Docket No. 93] (the "Committee DIP Objection"). Among other things, the Committee objected to (a) the First DIP Lenders' demand that the rolled-up obligations under the Prepetition Lender Secured Facility be paid in full upon confirmation of a plan, (b) the aggressive repayment schedule, (c) plan milestones that the Committee alleged guaranteed the Bankruptcy Cases were a controlled liquidation, (d) the prohibition on advertising and other going concern activities, and (e) the structure of the wind-down fund created under the First DIP Facility.

On January 26, 2015, the First DIP Lenders issued a notice that Events of Default had occurred under the First DIP Lender Credit Agreement (the "First DIP Default Letter"). The Debtors disputed the alleged Events of Default.

In light of the Debtors' determination that additional liquidity was necessary due to the continued federal payment slowdown, the impracticability of certain covenants in the First DIP Lender Credit Agreement due to the federal payment slowdown, the various issues raised in the Committee's DIP Objection and the alleged defaults asserted in the First DIP Default Letter, a hearing to consider final approval of the First DIP Facility was adjourned from January 29, 2015 until February 10, 2015. The parties agreed that the January 29 hearing would be used as a status conference. During that status conference, the Debtors discussed the need for additional liquidity and the need to modify the First DIP Lender Credit Agreement and engaged in negotiations with the First DIP Lenders and the Committee regarding those modifications.

On February 3, 2015, the Court entered an *Order (A) Extending and Amending the Interim Order (I) Authorizing Debtors to Obtain Postpetition Financing, (II) Granting Liens, Security Interests and Superpriority Status, (III) Authorizing Use of Cash Collateral, (IV) Affording Adequate Protection, (V) Scheduling a Final Hearing, and (VI) Modifying the Automatic Stay, and (B) Approving Amendment to the DIP Loan Agreement* (the "Second Interim First DIP Order") [Docket No. 122], extending the First DIP Facility on an interim basis through February 18, 2015.

2. Alternative Debtor-in-Possession Financing from Stellus Capital

Shortly after the Petition Date, the Debtors recognized a need for additional liquidity above the $3 million provided under the First DIP Lender Facility given, among other things, the significant slowdown in the payment of fees from the SSA on account of successfully adjudicated SSA Cases (a trend affecting the entire industry) and consistent levels of new SSA Cases, rather than a decrease in cases, as originally projected.

On February 10, 2015, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders (I) Approving Alternative Post-Petition Senior Secured Financing on a First-Priority Priming Basis, (II) Authorizing Use of Cash Collateral, (III) Granting Adequate Protection, and (IV) Modifying the Automatic Stay* (the "Alternative DIP Motion") [Docket No. 143]. After a contested hearing, the Court authorized the Debtors to enter into a Post-Petition Credit Agreement with Stellus (the "Alternative DIP Credit Agreement") on an interim basis on March 3, 2015 (the "Alternative DIP Order") [Docket No. 193] and on a final basis on March 20, 2015 (the "Final Alternative DIP Order") [Docket No. 211].

Pursuant to the Alternative DIP Credit Agreement and Final Alternative DIP Order, the Debtors obtained a new $6 million term loan from Stellus secured by a first-priority priming lien on all of the Debtors' assets. Of the $6 million in new money provided by the Alternative DIP Facility, $3 million was used to satisfy the balance owed on the First DIP Facility. Under the Alternative DIP Credit Agreement, the Debtors were obligated to make, in addition to excess cash sweeps, monthly amortization payments of $500,000 to Stellus and the Prepetition Lenders.

As of May 31, 2016, the principal balance of the Alternative DIP Facility ($6 million) and all accrued interest has been paid in full. However, the Alternative DIP Lenders assert Claims for unpaid professional fees and expenses incurred by the Alternative DIP Lenders' professionals, which fees and expenses are the subject of pending objections by the First DIP Lenders and the Debtors.

E. Meeting of Creditors

The first meeting of creditors (pursuant to section 341 of the Bankruptcy Code) was held on February 24, 2015 at the Bankruptcy Court, 300 Quarropas Street, White Plains, New York.

F. The Debtors' Financial Performance Since the Petition Date

Since the Petition Date, the Debtors have filed monthly operating reports ("MOR") that summarize the Debtors' cash receipts and disbursements. As described in the most recent filed MOR for the period from June 1, 2016 through June 30, 2016, the Debtors' cash on hand as of June 30, 2016 was $4,913,870.

G. Employee Benefits and Union Negotiations

As of the Petition Date, the Debtors were party to five (5) collective bargaining agreements (the "CBAs") with the Union covering just under 1,000 employees. Shortly after the Petition Date, the Debtors entered into negotiations with the Union and reached a settlement with the Union regarding assumption of the CBAs, as amended by the settlement, for a one year period.

On February 11, 2015, the Debtors filed the *Debtors' Motion for Authority to Assume Amended Collective Bargaining Agreements and Membership Agreement* (the "CBA Assumption Motion") [Docket No. 145]. On March 9, 2015, the Court entered the *Order Authorizing Debtors to Assume Amended Collective Bargaining Agreements and Membership Agreement* [Docket No. 198]. As a result of the consensual modifications to the CBAs, the Debtors have no outstanding pre-petition employee related obligations.

On January 22, 2016, the Debtors filed the *Stipulation and Agreed Order Extending the Term of the Debtors' Collective Bargaining Agreements, as Amended* [Docket No. 463], supplemented by the *Second Stipulation and Agreed Order Supplementing the Stipulation and Agreed Order Extending the Term of the Debtors' Collective Bargaining Agreements, as Amended* [Docket No. 556], extending the term of the CBAs to December 31, 2016.

H. Right-Sizing the Business

As the Debtors indicated at the outset of the Bankruptcy Cases, right-sizing the business was critical to any reorganization efforts. Accordingly, during the Bankruptcy Cases, the Debtors have closed 25 offices, with an additional 2 offices scheduled to be closed by the end of 2016. The Debtors have also reduced its workforce by thirty-seven (37%) percent.

I. Meetings with Parties Expressing Interest in a Transaction

Notwithstanding their intention to pursue a reorganization of their business, the Debtors have met with more than a dozen parties who expressed interest in either partnering with the Debtors or acquiring some or all of the Debtors' business. Present at those meetings, which took place between March and April of 2015, were the Debtors' CRO, the Debtors' professionals, Stellus and its counsel, HIG, and Harry and Charles Binder with their counsel. While none of the expressions of interest received resulted in a viable transaction, the Debtors nonetheless evaluated each with due consideration, in consultation with the various stakeholders noted above.

J. Settlement of Pending Litigations

As of the Petition Date, the Debtors were the subject of two potentially significant labor related disputes. Both matters were successfully resolved and settlements were negotiated by the Debtors' CRO with the assistance of the Debtors' other professionals. The Debtors obtained final approval of the settlements from the Bankruptcy Court.

1. California Class Action Suit

On October 9, 2012, Emmily Palomino (the "CA Class Action Plaintiff"), on behalf of herself and certain current and former employees of one of the Debtors, Binder & Binder – The National Social Security Disability Advocates (CA), LLC ("Binder CA"), filed a putative class action complaint (the "Class Action Complaint") in the Superior Court of the State of California, Orange County against Binder CA (the "CA Class Action").[7] The Class Action Complaint included various allegations that Binder CA violated California law by, among other things, allegedly failing to pay minimum wages and failing to pay overtime compensation. Binder CA vigorously disputed the allegations of the Class Action Complaint and on November 29, 2012, filed its answer to the Class Action Complaint denying all allegations and asserting numerous defenses. Prepetition, the CA Class Action Plaintiffs and Binder CA engaged in discovery including depositions, production of documents, records and communications. The parties to the CA Class Action also participated in mediation. Despite good faith attempts by both parties to resolve the matter, they could not reach a resolution. On November 6, 2014, the CA Class Action Plaintiffs filed a motion for class certification in the CA Class Action.

Upon the Debtors' bankruptcy filing, the CA Class Action, including the motion for class certification, was stayed pursuant to section 362 of the Bankruptcy Code.

[7] See *Emmily Palomino v. Binder & Binder – The National Social Security Disability Advocates (CA), LLC*, Case No. 30-2012-00603581-CU-OE-CXC (Cal. Super. Ct. Oct. 9, 2012)

After the Petition Date, the Debtors' Chief Restructuring Officer and labor counsel engaged in settlement discussions with counsel to the CA Class Action Plaintiff. Those negotiations resulted in a global settlement of the CA Class Action.

On June 29, 2015, the CA Class Action Plaintiffs and Binder CA removed the CA Class Action to the California Bankruptcy Court and thereafter filed an *ex parte* Application to Transfer Venue to the Bankruptcy Court. By Order dated July 2, 2015, venue of the CA Class Action was transferred from the California Bankruptcy Court to this Bankruptcy Court.[8]

On July 8, 2015, the Debtors filed the *Debtors' Motion Pursuant to 11 U.S.C. § 105 and Fed. R. Bank. P. 7023 and 9019 to (I) Approve a Settlement Pursuant to Fed. R. Bankr. P. 9019, (II) Certify a Class of Claimants for Settlement Purposes Only, (III) Appoint Class Counsel and Class Representative, (IV) Preliminarily Approve the Settlement Pursuant to Fed. R. Bankr. P. 7023, (V) Approve the Form and Manner of Notice to Class members of the Class Certification and Settlement, (VI) Schedule a Fairness Hearing to (A) Consider Final Approval of the Settlement and (B) Grant Final Approval of the Settlement Pursuant to Fed. R. Bankr. P. 7023 Following the Fairness Hearing, and (VII) Granting Related Relief* (the "CA Class Action Settlement Motion"). As set forth in the CA Class Action Settlement Motion, the Debtors and the CA Class Action Plaintiffs settled the CA Class Action pursuant to the terms of the Settlement Agreement annexed to the CA Class Action Settlement Motion as Exhibit A (the "Settlement Agreement"). The material terms of the Settlement Agreement included payment of $225,000 by the Debtors to putative Class Action members in exchange for a full release of all claims against the Debtors.

On November 4, 2016, the Bankruptcy Court entered the *Final Order Pursuant to Bankruptcy Rules 7023 and 9019 and Fed. R. Civ. P. Rule 23 Approving Settlement Agreement Between the Debtors and the Settlement Class and Granting Related Relief* [Docket No. 376].

2. Employment Discrimination

In July of 2015, the Debtors settled a prepetition employment related claim with a former employee. The settlement agreement and its terms were confidential and filed under seal with the Bankruptcy Court and are not disclosed herein. On June 30, 2015, the Debtors filed the *Debtors' Motion for an Order Approving Settlement Agreement with Former Employee Pursuant to Bankruptcy Rule 9019*. On July 20, 2015, the Court entered the *Order Approving Settlement Agreement with Former Employee Pursuant to Bankruptcy Rule 9019*.

K. Pursuing Fees from the Social Security Administration by Writ of Mandamus

As previously discussed, the backlog of SSA Cases and delays in receiving SSA Fees from the SSA was critical in the Debtors' decision to file bankruptcy and their need for additional postpetition financing. Continuing postpetition, those delays caused decreasing liquidity and impacted the Debtors' restructuring efforts. Accordingly, on August 7, 2015, the

[8] The CA Class Action was docketed in this Court as adversary proceeding *Emmily Palomino v. Binder & Binder – The National Social Security Disability Advocates (CA), LLC*, Adv. Pro. No. 15-08336 (RDD) (Bankr. S.D.N.Y. July 8, 2015).

Debtors filed their *Adversary Complaint for Writ of Mandamus and Turnover and Memorandum of Law in Support of the Debtors' Order to Show Cause Seeking an Expedited Hearing on the Relief Requested in the Adversary Complaint* (collectively, the "Mandamus Action").[9]

By the Mandamus Action, the Debtors sought (i) a writ of mandamus from the Bankruptcy Court, pursuant to 28 U.S.C. §§ 1361 and 1651, compelling the SSA to fulfill and complete its obligations as mandated under the Social Security Act with respect to the fees that are due and owing to the Debtors, and (ii) an Order from the Bankruptcy Court compelling the SSA to turnover, pursuant to section 541 and 542 of the Bankruptcy Code, certain fees that are undisputedly property of the Debtors' estates.

On August 25, 2015, the SSA, through the U.S. Attorney's Office for the Southern District of New York, filed Defendant's Memorandum in Opposition to Plaintiffs' Request for Emergency Relief (the "SSA Objection").

In an effort to avoid complex and potentially expensive litigation, the Debtors and SSA met and conferred on August 27, 2015, to address the backlog of SSA Cases and continued their dialogue throughout the fall of 2015. Those discussions resulted in the Debtors and the SSA working together to reduce the backlog of SSA Fees due and owing to the Debtors. The Mandamus Action is still pending before the Bankruptcy Court, as the Debtors and SSA continue to work on addressing delayed SSA Cases and payment of SSA Fees. The Mandamus Action is currently marked pending on the Court's docket.

L. Exclusivity Extensions

Under the Bankruptcy Code, a debtor has the exclusive right to file and solicit acceptances of a chapter 11 plan for an initial period of 120 days from the petition date. If the debtor files a plan within this exclusive period, the debtor has the exclusive right for 180 days from the date on which the debtor filed for voluntary relief to solicit acceptances to the plan. A bankruptcy court may extend these periods in favor of a debtor upon request of a party in interest and "for cause."

The Debtors requested and received two extensions of its exclusive periods to file and solicit acceptances of a plan. On April 14, 2015, the Bankruptcy Court granted the Debtors' motion for a further extension of exclusivity through December 14, 2015. Such extensions were contemplated and agreed to under the Alternative DIP Credit Agreement.

On September 29, 2015, the Alternative DIP Lender filed the *Stellus Capital Investment Corporation's Motion to Terminate Exclusivity Pursuant to Section 1121(d) of the Bankruptcy Code* (the "Stellus Motion to Terminate Exclusivity") [Docket No. 350]. The Debtors advised Stellus that they would not oppose the Stellus Motion to Terminate Exclusivity. On October 29, 2015, the Court entered the *Order Granting Stellus Capital Investment Corporation's Motion to Terminate Exclusivity Pursuant to Section 1121(d) of the Bankruptcy Code* [Docket No. 372].

[9] The Mandamus Action was brought under adversary proceeding captioned *Binder & Binder – The National Social Security Disability Advocates (NY), LLC, et al., v. Carolyn W. Colvin, Commissioner of the Social Security Administration*, Adv. Pro. No. 15-08345 (Bankr. S.D.N.Y. Aug. 7, 2015).

As a result, all creditors and parties in interest were free to file a plan and disclosure statement for consideration by the Bankruptcy Court.

M. Stellus's Plan Efforts

On November 18, 2015, Stellus and the Committee, as co-proponents, filed the *Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code, Proposed by Stellus Capital Investment Corporation and the Official Committee of Unsecured Creditors* (the "Stellus Plan") [Docket No. 389]. On November 23, 2015, Stellus and the Committee filed a disclosure statement in support of the Stellus Plan (the "Stellus Disclosure Statement") [Docket No. 397] and the *Joint Motion of Stellus Capital Investment Corporation and the Official Committee of Unsecured Creditors for Entry of an Order Approving (I) Disclosure Statement, (II) Form of and Manner of Notices, (III) Form of Ballots and (IV) Solicitation Materials and Solicitation Procedures* (the "Stellus Disclosure Statement Motion") [Docket No. 398]. A hearing to consider the Stellus Disclosure Statement Motion was scheduled for December 21, 2015 but was subsequently adjourned without a new date. *See* Docket No. 425.

In late December 2015, Stellus made a formal request of the Debtors for unfettered access to the Debtors' operations, headquarters and employees on the basis that Stellus, in its capacity as the Alternative DIP Agent, was entitled to such access under the Final Alternative DIP Order. Unable to come to terms with the Debtors on a consensual order providing for reasonable access, on January 7, 2016, Stellus filed the *Motion of Stellus Investment Corporation Pursuant to the Final Alternative DIP Order and Section 105 of the Bankruptcy Code for Entry of an Order (I) Enforcing the Final Alternative DIP Order; and (II) Compelling the Debtors' Compliance with Collateral Access Obligations Thereunder* ("Stellus Access Motion") [Docket No. 447].

On January 15, 2016, Stellus filed the *First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, Proposed by Stellus Capital Investment Corporation and the Official Committee of Unsecured Creditors* ("Stellus Amended Plan") [Docket No. 456]. No amended disclosure statement or motion for approval of an amended disclosure statement was ever filed.

On January 20, 2016, the Bankruptcy Court held a hearing to consider the Stellus Access Motion. During that hearing, Stellus advised the Court that its financial advisors sought limited access to the Debtors' operations and employees to vet certain financial data and Wind-down projections prepared by the CRO and the Debtors. Given the revised scope of Stellus' request for access, the Debtors did not object to such limited access, but clarified for the Court that the original request for access was much broader in scope. Based on Stellus' representation, the Court directed the Debtors to provide Stellus' financial advisors with access to the Debtors' chief financial officer and any other key employees involved in the preparation of the projections and other financial data and that Stellus' professional fees should be reimbursed by the Debtors' estates.

Over the following eight weeks, Stellus' financial advisors were present at the Debtors' headquarters as often as four days a week. They interviewed the Debtors' employees and held numerous meetings with the CRO's staff to review the Wind-Down projections and incurred more than $500,000 in professional fees and expenses.

Despite spending several months on its plan process, Stellus could not reach agreement with other stakeholders on terms of a consensual Chapter 11 plan. In early April 2016, Stellus advised the Debtors that it did not agree with the Debtors' Wind-Down projections and would file an amended Chapter plan that provided for substantially different treatment of the claims of the First DIP Lenders.

On April 11, 2016, Stellus filed the *Second Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, Proposed by Stellus Capital Investment Corporation and the Official Committee of Unsecured Creditors* ("Stellus Second Amended Plan") [Docket No. 535]. On April 12, 2016, Stellus filed the *Disclosure Statement for Second Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, Proposed by Stellus Capital Investment Corporation and the Official Committee of Unsecured Creditors* (the "Stellus Amended Disclosure Statement") [Docket No. 539]. Subsequently, on April 14, 2016, Stellus adjourned the hearing to consider the Stellus Amended Disclosure Statement to May 20, 2016. *See* Docket No. 543. The hearing scheduled for May 20, 2016 did not take place and Stellus did not file any notice with respect thereto.

Currently, no hearing is scheduled to consider approval of the Stellus Amended Disclosure Statement or confirmation of Stellus Second Amended Plan.

N. The Committee's Standing Motion

On December 2, 2015, the Committee filed the *Motion of the Official Committee of Unsecured Creditors for an Order Pursuant to 11 U.S.C. §§ 1103(c) and 1109(b) Granting Leave, Standing and Authority to Prosecute, and if Appropriate, Compromise Certain Claims on Behalf of the Debtors' Estates* (the "Standing Motion") [Docket No. 416]. Through the Standing Motion, the Committee sought derivative standing to commence an adversary proceeding against the Prepetition Lender Secured Parties, seeking a determination of the nature, extent, and validity of the Prepetition Lender Secured Parties' liens on the Debtors' SSA Fees and VA Fees not yet earned or received. In a draft complaint attached to the Standing Motion, the Committee asserted that the Prepetition Lender Secured Parties' liens do not attach to SSA Fees and VA Fees that have not yet been earned or received, and sought, among other relief, disgorgement of all interest and legal fees paid to or on behalf of the Prepetition Lender Secured Parties after the Petition Date.

The hearing on the Standing Motion was adjourned *sine die* in connection with the prosecution of the Stellus Plan. On June 17, 2016, the Committee filed a notice of hearing on the Standing Motion, with a rescheduled hearing date of July 7, 2016. The Debtors subsequently requested that the Committee agree to adjourn the hearing on the Standing Motion to a date after the hearing on the Debtors' motion to approve this Disclosure Statement and the related solicitation procedures. The Committee declined. The Debtors then requested that the Court adjourn the hearing on the Standing Motion to a later date. The Court granted the Debtors' request. Accordingly, the Standing Motion remains unresolved as of the date hereof, and the Committee has not commenced (and cannot commence) the proposed adversary proceeding.

O. The Debtors' Plan Efforts

Given Stellus' inability to move forward with a consensual Chapter 11 plan and in light of numerous requests from stakeholders and creditor constituencies in these Chapter 11 Cases, the Debtors renewed their efforts to propose and confirm their own Chapter 11 plan.

First, out of a growing concern that the mounting professional fees of Stellus and its financial professionals (for which Stellus sought reimbursement from the Debtors' estate) would impair or, worse, foreclose the Debtors' ability to consummate a restructuring plan, the Debtors filed on March 30, 2016 the *Debtors' Reservation of Rights and Objection to Professional Fees of Fraas Services III LLC and the Stellus Consultants* (the "Fraas Fee Objection") [Docket No. 515]. The Debtors believed that such fees (totaling approximately $400,000) were beyond the scope contemplated by the Court's ruling on January 20th, 2016. The First DIP Agent joined the Fraas Fee Objection. *See* Docket No. 516.

During this time period, the Debtors' collections of SSA Fees increased substantially. As a result, the Debtors were able to make additional payments to Stellus on account of the principal balance of the Alternative DIP Facility. Between April 7, 2016 and May 16, 2016 the Debtors paid Stellus a total of $3,550,000. After these payments, the balance of the Alternative DIP Facility was approximately $950,000, subject to adjustment based on pending objections to unpaid professional fees of Stellus' professionals.

On May 3, 2016, Stellus issued a *Demand for Payment and Intent to Exercise Remedies* (the "Stellus Maturity Demand") to the Debtors after a copy was filed with the Court. *See* Docket No. 563. According to the Stellus Maturity Demand, absent a Court order, on May 11th, the automatic stay would have been lifted enabling Stellus to exercise its rights under the Alternative Final DIP Order, including exercising control over the Debtors' bank accounts, terminating the Debtors' use of Alternative DIP collateral, and pursuing all other remedies under the Alternative DIP Loan documents. Such actions would effectively cripple the Debtors' operations.

On May 10, 2016, the Debtors filed a motion seeking emergent relief from the Final Alternative DIP Order and authority to continue using cash collateral notwithstanding the Stellus Maturity Default (the "Rule 60(b) Motion") [Docket No. 565]. Upon the Debtors' request for an expedited hearing, *see* Docket No. 566, the Court held a hearing on the Rule 60(b) Motion on May 17, 2016 [Docket No. 568]. During that hearing, the Court granted the Rule 60(b) Motion and directed the Debtors to pay the Alternative DIP balance in full by May 31, 2016, but did not require the Debtors to pay outstanding professional fees incurred by Stellus' professionals. By May 24, 2016, the Debtors made payments totaling $950,000 in full and final satisfaction of the Alternative DIP Obligations in accordance with the Court's instruction.

The Debtors have since attempted to engage with all major constituencies and stakeholders in these Chapter 11 Cases to negotiate a consensual Chapter 11 plan. The Plan and this corresponding Disclosure Statement are the product of those discussions and initiatives.

P. Claims Process and Bar Date

1. Schedules and Statements

On February 2, 2015, each of the Debtors filed with the Bankruptcy Court a statement of financial affairs, and schedules of assets, liabilities and executory contracts and unexpired leases (collectively, the "Schedules").

2. Bar Date

By order dated August 31, 2015, the Bankruptcy Court established October 30, 2015 as the last date for filing proofs of claims.

3. Preparation of Claims Estimates and Recoveries

The Debtors prepared a preliminary estimate of Claims and recoveries by Holders of such Claims based primarily on the following: (a) proofs of claims filed to date, (b) projections based on anticipated future Claim reconciliations and Claim objections, and (b) other legal and factual analyses unique to particular types of Claims.

The Debtors' preliminary estimates of Allowed Claims are identified in the charts set forth in Section III above and form the basis of projected recoveries. Notwithstanding the Debtors' efforts in developing their preliminary Claims estimates, the preparation of such estimates is inherently uncertain and no motions have yet been filed seeking to reduce, recharacterize, reclassify, or expunge any Claims. Accordingly, there is no assurance that such estimates will accurately predict the actual amount of Allowed Claims in the Chapter 11 Cases. As a result, the actual amount of Allowed Claims may differ materially from the Debtors' preliminary Claims estimates contained herein.

Q. Estimated Value of Debtors' Assets

After receiving input from their advisors, including the Chief Restructuring Officer, DSI and counsel, the Debtors have performed a preliminary analysis of the value of the Debtors' assets. This analysis assumes certain results from the orderly wind-down of the Debtors' current case load of SSA Cases and VA Cases and a potential sale of the Debtors' intellectual property assets.

The Debtors estimate that the value of the Debtors' assets is approximately $22 million to $25 million. The valuation is for informational purposes only and relates only to the value of the Debtors' assets as of June 9, 2016 and does not apply to any other period. The valuation is only an estimate of value for the Debtors' assets and is not a guarantee that any particular value will be realized or a value that is higher or lower than the valuation will not be realized.

VI.
SUMMARY OF THE PLAN

A. Introduction

This Article provides a summary of the terms and provisions of the Plan, including the classification and treatment of Claims and Equity Interests under the Plan and the means for implementation of the Plan. The summary is qualified in its entirety by reference to the Plan, which is attached to this Disclosure Statement as Exhibit A. The statements contained in this Disclosure Statement include summaries of the provisions contained in the Plan and in documents referred to therein. The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms of the Plan or the documents referred to therein; reference is made to the Plan and to such documents for the full and complete statements of such terms.

The Plan itself and the documents referred to therein control the actual treatment of Claims against and Equity Interests in the Debtors under the Plan and will, upon the Effective Date, be binding upon all Holders of Claims against and Equity Interests in the Debtors, their Estates and other parties in interest.

The structure of the Plan and the treatment of Claims and Equity Interests thereunder reflect the result of negotiations among the Debtors, the First DIP Lenders and other stakeholders. After careful review of the estimated recoveries in a chapter 11 reorganization scenario and a chapter 7 liquidation scenario, the Debtors have concluded that the recoveries to Creditors will be maximized by consummating and making Distributions pursuant to the Plan. The Debtors believe that their Estates have value that would not be fully realized by Creditors in a chapter 7 liquidation primarily due to: (1) the additional administrative expenses that would be incurred in a chapter 7 liquidation; (2) the impracticability of a "fire sale" of the Debtors' assets, which would not allow full value to be realized on such assets as would be realized under the Plan; and (3) the additional delay in distributions that may occur if the Debtors' chapter 11 cases were converted to cases under chapter 7.

Accordingly, the Debtors believe that the Estates are worth more to their stakeholders if the Debtors' Wind-Down is executed, and Distributions are made, pursuant to the Plan.

B. Overall Structure of the Plan

Pursuant to Article IV, the Plan provides for the substantive consolidation of the Subsidiary Debtors and the reorganization of Debtors SSDA and SSDI. As set forth in Article IV.A, all assets and liabilities of the Subsidiary Debtors shall be deemed merged or treated as though they were merged into and with the assets and liabilities of Reorganized SSDA.

Also Pursuant to Article IV, the Plan Administrator will be appointed as the sole shareholder and director of Reorganized SSDI and the sole manager of Reorganized SSDA, and shall continue in such capacities for at least so long as the Wind Down is continuing.

The Classes of Claims against and Equity Interests in the Debtors created under the Plan, the treatment of those Classes under the Plan, the means for implementation of the Plan and the Distributions to be made under the Plan are described in more detail below.

C. Classification and Treatment of Claims and Equity Interests under the Plan

1. Classification Generally

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests that are required to be designated in classes pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Professional Fee Claims, and Priority Tax Claims have not been classified and their treatment is set forth in Article II of the Plan. Classification of Claims and Equity Interests in the Plan is for all purposes, including voting, confirmation, and distribution pursuant to the Plan.

A Claim or Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class only to the extent that any portion of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is placed in a particular Class only to the extent that such Claim or Equity Interest is Allowed in that Class and has not been paid, released or otherwise settled prior to the Effective Date. Notwithstanding any Distribution provided for in the Plan, no Distribution on account of any Claim or Equity Interest is required or permitted unless and until such Claim or Equity Interest becomes an Allowed Claim or Allowed Equity Interest, as the case may be, which might not occur, if at all, until after the Effective Date.

The classification of Claims and Equity Interests set forth herein shall apply separately to each of the Debtors. All of the potential Classes for the Debtors are set forth herein. Certain of the Debtors may not have Holders of Claims or Equity Interests in a particular Class or Classes, and such Classes shall be treated as set forth in Article III.B in the Plan.

2. Unclassified Claims Under the Plan

a. Administrative Expense Claims

Pursuant to Article II.A of the Plan, each Holder (other than a Professional) of an Allowed Administrative Expense Claim shall receive, in full settlement, satisfaction and release of, and in exchange for, such Allowed Administrative Claim, (a) Cash in an amount equal to the unpaid amount of such Allowed Administrative Claim or (b) such other treatment as may be agreed upon in writing by such Holder and the Debtors or the Plan Administrator, as applicable, in each case following consultation with the First DIP Agent; provided, however, that the Plan Administrator shall be authorized to pay Allowed Administrative Expense Claims that arise in the ordinary course of the Debtors' business, in full, in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to, such transactions, post-confirmation, and in all events subject to the Budget.

Also, pursuant to Article II.A of the Plan, any Holder of an Administrative Expense Claim that is required to file a Proof of Claim for such Administrative Expense Claim must do so by the date that is the first business day that is forty-five (45) days after the Effective Date (the "Administrative Expense Claim Bar Date"). Objections to such Administrative Expense Claims must be Filed and served on the requesting party by no later than sixty (60) days after the Effective Date. In the event that the Debtors, the Plan Administrator or another party in interest objects to a Proof of Claim for such Administrative Expense Claim, the Bankruptcy Court shall determine the Allowed amount of such Administrative Expense Claim.

b. Professional Fee Claims

Pursuant to Article II.B of the Plan, any Professional seeking an award by the Bankruptcy Court of an Allowed Professional Fee Claim incurred from the Petition Date through and including the Effective Date must, no later than forty-five (45) days after the Effective Date, File a Final Fee Application for allowance of compensation for services rendered and reimbursement of expenses incurred from and after the Petition Date through and including the Effective Date. Each Holder of an Allowed Professional Fee Claim shall receive payment in full, in Cash, as soon as reasonably practicable after such claim is Allowed, in full settlement, satisfaction, and release of, and in exchange for, such Allowed Professional Fee Claim in accordance with the Plan, which provides for Professional Fee Claims to be paid in full over a period of 16 months after the Effective Date in accordance with the Budget, subject to earlier repayment in connection with a sale of the Debtors' intellectual property and related assets, but in all events subject to the Budget; provided that the Debtors, the Reorganized Debtors, the Plan Administrator, and the First DIP Agent shall have the right to object to each Final Fee Application(s) on or prior to the Professional Fee Claim Objection Deadline.

c. Priority Tax Claims

Pursuant to Article II.C of the Plan, each Holder of an Allowed Priority Tax Claim against a Debtor shall receive, (1) Cash in an amount equal to the amount of such Allowed Priority Tax Claim, (2) Cash in an amount agreed to by such Holder and agreed to and paid by the Debtors or the Plan Administrator, or (3) at the sole discretion of the Debtors or Plan Administrator, as applicable, in consultation with the First DIP Agent, Cash paid by the Reorganized Debtor in the aggregate amount of such Allowed Priority Tax Claim, payable in installment payments over a period not more than five years from the Petition Date with payment of interest at a fixed annual rate to be determined by the Bankruptcy Court, all in accordance with section 1129(a)(9)(C) of the Bankruptcy Code and the Budget.

d. Alternative DIP Facility Claims

Pursuant to the Bankruptcy Court's ruling during the May 17, 2016 hearing, the Debtors were directed to pay the outstanding principal balance of the Alternative DIP Facility in the amount of $950,000 in full by no later than May 31, 2016, in full and final satisfaction of all of the Debtors' obligations under the Alternative DIP Facility. The Debtors made all such payments and, as of May 24, 2016, all obligations under the Alternative DIP Facility were paid in full consistent with the Bankruptcy Court's ruling. The Alternative DIP Secured Parties indicated to the Debtors their intention to appeal the Court's ruling, which has not yet been

memorialized in a written order as of the date of the Plan due to the pendency of settlement discussions among the Debtors, the Alternative DIP Secured Parties, and the First DIP Lenders. The treatment of the Claims of the Alternative DIP Secured Parties reflects the result of such settlement discussions, as follows:

In full and final settlement, satisfaction, and discharge of all Claims of the Alternative DIP Secured Parties, including, without limitation, any and all accrued and unpaid interest, fees, and expenses arising under the Alternative DIP Facility and any and all Alternative DIP Secured Parties Professional Fees that remain unpaid as of the Effective Date (whether or not any objection to such Alternative DIP Secured Parties Professional Fees has been asserted or any asserted objection has been resolved), the Debtors shall, on or before the Effective Date (or at such time as is otherwise agreed to by the Debtors, the Alternative DIP Secured Parties, and the First DIP Lenders), pay Cash in the amount of $600,000 to the Alternative DIP Agent (as defined in the Final Alternative DIP Order), provided, however, that if Class 4 votes to reject the Plan or opts out of the releases set forth in Article IX.D.2 of the Plan, such $600,000 payment will not be made unless and until the First DIP Lender Secured Claims and all amounts payable to the First DIP Agent and the First DIP Lenders under the New First DIP Lender Secured Term Notes and the other New First DIP Lender Secured Term Note Documents (including all professional fees) have been paid in full in accordance with the Stellus Subordination Agreement.

If Class 4 votes to accept the Plan and does not opt out of the releases set forth in Article IX.D.2 of the Plan, then upon payment of the foregoing payment, (i) all principal indebtedness and other obligations arising under the Alternative DIP Facility (including all Alternative DIP Secured Party Professional Fees) shall be deemed paid in full, (ii) the commitments under the Alternative DIP Facility, to the extent not previously terminated, shall automatically terminate, (iii) the Alternative DIP Facility and all instruments and documents related thereto shall be deemed canceled, (iv) all Liens on property of the Debtors and the Reorganized Debtors arising out of or related to the Alternative DIP Facility shall automatically terminate, and all collateral subject to any such Liens shall be automatically released therefrom, in each case without further action by the Alternative DIP Secured Parties or the Debtors, (v) all guarantees of the Debtors and Reorganized Debtors arising out of or related to the Alternative DIP Facility Claims shall be automatically discharged and released, in each case without further action by the Alternative DIP Secured Parties or the Debtors, and (vi) the Debtors and the Reorganized Debtors shall have no further liability or obligation to the Alternative DIP Secured Parties in connection with the Alternative DIP Facility.

If Class 4 votes to reject the Plan or opts out of the releases set forth in Article IX.D.2 of the Plan, then upon the earlier to occur of (a) payment in full of the foregoing $600,000 payment and (b) entry of a final decree in the Bankruptcy Case of Reorganized SSDA (if the foregoing $600,000 payment has not been paid in full), (i) all Claims related to or arising out of the Alternative DIP Facility shall be deemed waived, discharged, and released, (ii) the commitments under the Alternative DIP Facility, to the extent not previously terminated, shall automatically terminate, (iii) the Alternative DIP Facility and all instruments and documents related thereto shall be deemed canceled, (iv) all Liens on property of the Debtors and the Reorganized Debtors arising out of or related to the Alternative DIP Facility shall automatically terminate, and all collateral subject to any such Liens shall be automatically released therefrom, in each case without further action by the Alternative DIP Secured Parties or the Debtors, (v) all guarantees of

the Debtors and Reorganized Debtors arising out of or related to the Alternative DIP Facility Claims shall be automatically discharged and released, in each case without further action by the Alternative DIP Secured Parties or the Debtors, and (vi) the Debtors and the Reorganized Debtors shall have no further liability or obligation to the Alternative DIP Secured Parties in connection with the Alternative DIP Facility.

The Plan requires the Alternative DIP Secured Parties to take all actions to effectuate and confirm such termination, release, and discharge as reasonably requested by the Debtors, the Reorganized Debtors, or the Plan Administrator.

3. Summary of Classes

The categories of Claims and Equity Interests outlined in the Plan and listed below classify Claims and Equity Interests for all purposes, including voting, confirmation and distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. Pursuant to Article III.A of the Plan, a Claim or Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class only to the extent that any portion of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is placed in a particular Class only to the extent that such Claim or Equity Interest is Allowed in that Class and has not been paid, released or otherwise settled prior to the Effective Date.

4. Classification Under the Plan

The classification of Claims and Equity Interests pursuant to the Plan follows. All of the potential Classes for the Debtors are set forth herein. Certain of the Debtors may not have Holders of Claims or Equity Interests in a particular Class or Classes, and such Classes shall be treated as set forth in Article III.B in the Plan.

a. Class 1 – Priority Non-Tax Claims

Class 2 - First DIP Lender Secured Claims

Class 3 – Other Secured Claims

Class 4 – Stellus Unsecured Claim

Class 5 – General Unsecured Claims

Class 6 – Equity Interests

Class 7 – Intercompany Claims

5. Treatment of Claims and Interests Under the Plan

Article III of the Plan provides for the following treatment of Claims and Equity Interests:

a. Class 1 –Priority Non-Tax Claims (Unimpaired, not entitled to vote)

Pursuant to Article III.B.1 of the Plan, each Holder of an Allowed Priority Non-Tax Claim shall receive, in full and final satisfaction of such Claim, one of the following treatments, in the sole discretion of the Debtors or the Plan Administrator (after consulting with the First DIP Agent): (i) full payment in Cash of its Allowed Priority Non-Tax Claim or (ii) treatment of its Allowed Priority Non-Tax Claim in a manner that leaves such Claim Unimpaired. Holders of Class 1 Priority Non-Tax Claims are Unimpaired and conclusively deemed to have accepted the Plan.

b. Class 2 – First DIP Lender Secured Claims (Impaired, entitled to vote)

Pursuant to Article III.B.2 of the Plan, the First DIP Lender Secured Claims shall be Allowed Claims and be allowed in full for all purposes of the Bankruptcy Cases and the Plan in an aggregate amount equal to $21,500,000, and shall not be subject to objection or any other challenge. Except to the extent that a Holder of an Allowed First DIP Lender Secured Claim agrees to a different treatment, each Holder of an Allowed First DIP Lender Secured Claim shall receive, in full and final satisfaction of such Claim, as the case may be:

(a) On the Effective Date, a New First DIP Lender Secured Term Notes in the following principal amounts:

U.S. Bank	$11,621,621.63, plus all accrued and unpaid interest thereon as of the Effective Date
Capital One	$9,878,378.37, plus all accrued and unpaid interest thereon as of the Effective Date

The foregoing amounts assume an Effective Date of the Plan on or before September 30, 2016 and the First DIP Agent's and the First DIP Lenders' rights are reserved to charge interest on the foregoing amounts at the default rate if the Effective Date does not occur on or before September 30, 2016.

Commencing on January 31, 2017, monthly amortization payments in the amount of $200,000 per month, due on the last day of each month, which monthly amortization payments shall increase to $300,000 per month commencing on January 31, 2018;

Cash pay interest rate of LIBOR plus 3.3% and subject to an interest rate cap of 4.25% payable monthly, provided that upon an event of default under the New First DIP Lender Secured Term Note Documents, (A) such interest rate shall, at the election of the First DIP Agent, convert to a rate based upon the prime rate and (B) the Holders of the Allowed First DIP Lender Secured Claims will be allowed to increase the interest otherwise payable under the New First DIP Lender Secured Term Loan Note to the default rate of interest, which incremental default interest shall not exceed 2% over the otherwise applicable non-default interest rate;

Commencing in January 2018, or sooner to the extent the Debtors have excess cash and the Professional Fee Claims have been paid in full, Payment of excess Cash;

Retention of the First DIP Liens on all of the existing collateral securing such Allowed First DIP Lender Secured Claims, including, without limitation, on the First DIP Collateral;

Payment of any and all outstanding professional fees of the Holders of the Allowed First DIP Lender Secured Claims to be paid in accordance with the Budget and/or the New First DIP Lender Secured Term Notes and the other New First DIP Lender Secured Term Note Documents;

Usual, customary and reasonable covenants, reporting requirements and events of default, including, without limitation, inspection rights of the Reorganized Debtors' offices, books and records;

Retention of a financial advisor at the sole cost and expense of the Reorganized Debtors, subject to an annual cap of $120,000 so long as no default or event of default has occurred and is continuing;

A maturity date of thirty-nine months concluding on December 31, 2019; and

Such other terms as may be agreed to by the Debtors, the First DIP Agent, and the First DIP Lenders and set forth in the Plan Supplement.

Entry of the Confirmation Order shall constitute approval of the foregoing which shall constitute a global settlement and compromise among the Debtors, the First DIP Agent and the First DIP Lender Parties pursuant to Bankruptcy Rule 9019.

c. Class 3 – Other Secured Claims (Unimpaired; not entitled to vote)

Pursuant to Article III.B.3 of the Plan, each Holder of an Allowed Other Secured Claim shall receive, in full and final satisfaction of such Claim, in the sole discretion of the Debtors or the Plan Administrator, after consulting with the First DIP Agent, as the case may be:

a. Payment in full in Cash;

b. Reinstatement of the legal, equitable and contractual rights of the Holder of such Claim;

c. Return of the collateral securing such Allowed Other Secured Claim;

d. A distribution of the proceeds of the sale or disposition of the Collateral securing such Claim, in each case, solely to the extent of the value of the holders' secured interest in such Collateral; or

e. such other treatment required under section 1124(2) of the Bankruptcy Code for such Claim to be rendered Unimpaired.

d. Class 4 – Stellus Unsecured Claims (Impaired; entitled to vote)

Pursuant to Article III.B.4 of the Plan, if Class 4 votes to accept the Plan and does not opt out of the releases set forth in Article IX.D.2 of the Plan, each Holder of an Allowed Stellus Unsecured Claim (A) shall be entitled to receive, in full and final settlement, satisfaction and discharge of its respective Allowed Class 4 Claim, its Pro Rata Share of (x) the Stellus Unsecured Claim Distribution in installments totaling One Million Dollars ($1,000,000) in the aggregate and (y) the Net GUC Excess Cash and (B) shall also be deemed to be an Exculpated Party, a Debtor Released Party, and a Released Party only so long as all of the conditions set forth in the definitions of such terms in the Plan are satisfied by Stellus. Commencing on the earlier of the date the GUC Distribution has been fully funded or January 31, 2018, the monthly installments of the Stellus Unsecured Claim Distribution will increase to $100,000 until such time as the Stellus Unsecured Claim Distribution has been paid in full.

If Class 4 votes to reject the Plan or opts out of the releases set forth in Article IX.D.2 of the Plan, (A) each Holder of an Allowed Stellus Unsecured Claim shall be entitled to receive, in full and final settlement, satisfaction, and discharge of its respective Allowed Class 4 Claim, its Pro Rata Share of the Stellus Unsecured Claim Distribution in installments totaling One Million Dollars ($1,000,000) in the aggregate; provided, however, that pursuant to the Stellus Subordination Agreement, no Distributions on account of any Allowed Stellus Unsecured Claim shall be paid unless and until such time as the First DIP Lender Secured Claims and all amounts payable to the First DIP Agent and the First DIP Lenders under the New First DIP Lender Secured Term Notes and the other New First DIP Lender Secured Term Note Documents (including all professional fees) are paid in full and (B) no Holder of an Allowed Stellus Unsecured Claim shall be deemed to be an Exculpated Party, Debtor Released Party, or Released Party for any purpose under the Plan.

e. Class 5 – General Unsecured Claims (Impaired; entitled to vote)

Pursuant to Article III.B.5 of the Plan, each Holder of an Allowed General Unsecured Claim in Class 5 shall be entitled to receive, in full and final settlement, satisfaction and discharge of its respective Allowed Class 5 Claim, its Pro Rata Share of (A) the GUC Distribution Fund in installments totaling $800,000 in the aggregate and (B) the Net GUC Excess Cash, if any. Commencing on the earlier of the Effective Date or October 31, 2016 and continuing each month thereafter until the GUC Distribution has been fully paid, the Plan Administrator will deposit the sum of $50,000 in Cash in monthly payments to the GUC Distribution Fund Account, and the Disbursing Agent shall make Distributions from the GUC Distribution Fund Account to Holders of Allowed General Unsecured Claims on an annual basis or such other timing as the Disbursing Agent reasonably determines..

f. Class 6 – Equity Interests (Impaired; not entitled to vote)

Pursuant to Article III.B.6 of the Plan, Holders of Equity Interests shall neither receive nor retain any property under the Plan. All Equity Interests shall be cancelled and of no further force or effect and all Claims filed on account of Equity Interests shall be deemed disallowed by

operation of the Plan. Class 6 Equity Interests are Impaired and Holders of Equity Interests are conclusively deemed to reject the Plan.

g. Class 7 – Intercompany Claims (Impaired; not entitled to vote)

Pursuant to Article III.B.7 of the Plan, Holders of Intercompany Claims shall neither receive nor retain any property under the Plan. All Intercompany Claims shall be released and of no further force or effect. Holders of Class 7 Intercompany Claims are Impaired and are conclusively deemed to reject the Plan.

D. Procedures for Resolving Disputed Claims

1. Prosecution of Objections to Claims on and after the Effective Date

Pursuant to Article VII.A of the Plan, on and after the Effective Date, objections to, and requests for estimation of any Claims may be interposed and prosecuted only by the Reorganized Debtors or the Plan Administrator. Such objections and requests for estimation shall be served on the respective claimant and filed with the Bankruptcy Court on or before the later of (a) one hundred twenty (120) days after the Effective Date and (b) such other date as may be fixed by the Bankruptcy Court upon a motion filed by the Plan Administrator served only on the Rule 2002 service list. On the Effective Date, all outstanding objections to, and requests for estimation of Claims will vest in the Reorganized Debtors and the Plan Administrator.

2. Estimation of Claims

Pursuant to Article VII.B of the Plan, the Reorganized Debtors or the Plan Administrator may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors or the Plan Administrator previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

3. No Distributions Pending Allowance

Pursuant to Article VII.C of the Plan, if any portion of a Claim is a Disputed Claim, no payment or distribution provided hereunder shall be made on account of such Claim unless and until such Disputed Claim becomes Allowed. To the extent that all or a portion of a Disputed Claim is disallowed, the Holder of such Claim shall not receive any Distribution on account of the portion of such Claim that is disallowed and any property withheld pending the resolution of such Claim shall be reallocated pro rata to the Holders of Allowed Claims in the same Class.

4. Distribution After Allowance

Pursuant to Article VII.D of the Plan, to the extent that a Disputed Claim becomes an Allowed Claim, Distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan and the Confirmation Order.

5. Preservation of Rights to Settle

Pursuant to Article VII.E of the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors and/or the Plan Administrator shall retain and may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all claims, rights, Causes of Action, suits, and proceedings, whether in law or in equity, whether known or unknown, that the Debtors or their Estates may hold against any Entity without the approval of the Bankruptcy Court (subject to the provisions of the Plan, the Confirmation Order, and any contract, instrument, release, indenture, or other agreement entered into in connection with the Plan). The Reorganized Debtors and the Plan Administrator or their successor(s) may pursue such retained claims, rights, Causes of Action, suits, or proceedings, as appropriate, in accordance with the best interests of the Reorganized Debtors, the Plan Administrator or their successor(s) who hold such rights.

6. Disallowed Claims

Pursuant to Article VII.F of the Plan, any Claim held by an Entity against whom any Debtor or the Plan Administrator has commenced a proceeding asserting a Cause of Action under section 542, 543, 544, 545, 547, 548, 549, 550, 551 and/or 553 of the Bankruptcy Code, shall be deemed a Disallowed Claim and the Holder of such Claim shall not be entitled to vote to accept or reject the Plan and shall continue to be Disallowed Claims for all purposes until such Cause of Action has been settled or resolved by Final Order and any sums due to the Debtors or the Plan Administrator from such party have been paid.

E. Treatment of Executory Contracts and Unexpired Leases

1. Executory Contracts and Unexpired Leases

Pursuant to Article V.A of the Plan, all executory contracts and unexpired leases listed on a schedule of assumed contracts and leases to be filed with the Plan Supplement shall be deemed automatically assumed by the applicable Debtor and assigned to the applicable Reorganized Debtor pursuant to the provisions of sections 365 and 1123 of the Bankruptcy Code, effective as of and subject to the occurrence of the Effective Date, except for those executory contracts and unexpired leases that (i) have already been assumed, assigned, or rejected pursuant to a Final Order of the Bankruptcy Court or (ii) are not capable of assumption pursuant to 365(c) of the Bankruptcy Code.

To the extent any provision in any executory contract or unexpired lease assumed pursuant to the Plan restricts or prevents or purports to restrict of prevent, or is breached or deemed breached by, the applicable Debtor's assumption and/or assignment of such executory contract or unexpired lease, then such provision shall be deemed modified such that the transactions contemplated by the Plan shall not entitle the non-Debtor party thereto to terminate such executory contract or unexpired lease or to exercise any other default-related rights with respect thereto.

Modifications, amendments, supplements and restatements to any prepetition executory contracts and unexpired leases that have been executed by the Debtors during the Bankruptcy Cases and actions taken in accordance therewith, (i) do not alter in any way the prepetition

nature of the executory contract and unexpired leases, or the validity, priority, or amount of any Claims against the Debtors that may arise under such executory contract or unexpired lease; (ii) are not and do not create postpetition contracts or leases; (iii) do not elevate to Administrative Expense Claims any Claims of the counterparties to the executory contracts and unexpired leases against any of the Debtors; and (iv) do not entitle any Entity to a Claim under any section of the Bankruptcy Code on account of the difference between the terms of any prepetition executory contracts or unexpired leases and subsequent modifications, amendments, supplements or restatements.

All executory contracts and unexpired leases listed on a schedule of rejected contracts and leases to be filed with the Plan Supplement shall be deemed automatically rejected by the applicable Debtor upon the occurrence of the Effective Date

2. Rejection Damages Claims

Pursuant to Article V.B of the Plan, proofs of all Claims arising out of the rejection of an executory contract or an unexpired lease pursuant to the Plan shall be filed with the Claims Agent and served upon the Plan Administrator not later than thirty (30) days after notice of the rejection of such executory contract or unexpired lease has been served. Any such Claims covered by the preceding sentence not filed within such time shall be forever barred from assertion against the Debtors, their Estates, the Reorganized Debtors, the Plan Administrator and their respective properties and interests.

F. Provisions Governing Voting and Distributions Under the Plan

1. Voting of Claims

Pursuant to Article VI.A of the Plan, each Holder of an Allowed Claim in an Impaired Class of Claims that is entitled to vote on the Plan shall be entitled to vote separately to accept or reject the Plan as provided in the Disclosure Statement Approval Order.

2. Nonconsensual Confirmation

Pursuant to Article VI.B of the Plan, to the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors reserve the right to request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code. The Debtors, reserve the right to alter, amend, modify, revoke or withdraw the Plan, the Plan Supplement or any schedule, appendix or exhibit to amend or modify it to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary and with the prior consent of the First DIP Agent.

3. Manner of Payment under the Plan

Pursuant to Article VI.C of the Plan, at the option of the Debtors, the Plan Administrator and/or Disbursing Agent, as applicable, any Cash payment to be made hereunder may be made by a check or wire transfer or as otherwise required or provided in applicable agreements. Cash payments made pursuant to the Plan in the form of checks issued by the Debtors or Plan Administrator shall be null and void if not cashed within 120 days after the date of the issuance

thereof. Requests for reissuance of any check shall be made directly to the Plan Administrator and/or Disbursing Agent.

4. Timing of Distributions

Pursuant to Article VI.D of the Plan, except as otherwise provided herein or as may be ordered by the Bankruptcy Court, Distributions to be made on account of Claims that are Allowed Claims as of the Effective Date and that are entitled to receive Distributions under the Plan shall be made on or as soon as reasonably practicable after the Initial Distribution Date. If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. Distributions on account of Claims that become Allowed after the Effective Date shall be made pursuant to Article VII.D of the Plan.

For the avoidance of doubt, the proceeds of any sale of the Potential Sale Assets shall be distributed first to pay all Allowed Administrative Expense Claims and then shall be distributed to Holders of the Allowed First DIP Lender Secured Claims in accordance with Article III.B.2, the New First DIP Lender Secured Term Notes and the other New First DIP Lender Secured Term Note Documents.

5. Distributions by Plan Administrator/Disbursing Agent

Pursuant to Article VI.E of the Plan, the Plan Administrator, or its agent, shall serve as Disbursing Agent on behalf of each of the Estates (on and after the Effective Date) under the Plan and shall make all Distributions required under the Plan.

The Disbursing Agent shall be empowered to (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan, (b) make all distributions contemplated hereby, (c) employ professionals to represent it with respect to its responsibilities, and (d) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof. Notwithstanding the foregoing, prior to taking any actions or exercising any powers vested in the Disbursing Agent (other than routine actions), the Disbursing Agent, shall consult with the First DIP Agent or obtain the First DIP Agent's and, if required, the First DIP Lender's prior consent or approval to the extent the Plan Administrator would be required to obtain such prior consent or approval in accordance with the Plan, the Confirmation Order, or any document, instrument, or agreement contained in the Plan Supplement.

Except as otherwise ordered by the Bankruptcy Court, any reasonable fees and expenses incurred by the Disbursing Agent (including taxes and reasonable attorneys' fees and expenses) on or after the Effective Date shall be paid in Cash but in all events in accordance with and subject to the Budget.

6. Delivery of Distributions and Undeliverable or Unclaimed Distributions

Except as otherwise provided in the Plan and subject to Bankruptcy Rule 9010, pursuant to Article VI.F of the Plan, all distributions to any Holder of an Allowed Claim shall be made at the address of such Holder as set forth on the Schedules filed with the Bankruptcy Court or on the books and records of the Debtors or their Claims Agent, as applicable, unless the Debtors have been notified in writing of a change of address, including, without limitation, by the filing of a Proof of Claim by such Holder that contains an address for such Holder different from the address reflected on the Schedules. In the event that any Distribution to any Holder is returned as undeliverable, the Plan Administrator or Disbursing Agent shall use commercially reasonable efforts to determine the current address of such Holder, but no Distribution to such Holder shall be made unless and until the Plan Administrator or Disbursing Agent has determined the then-current address of such Holder, at which time such distribution shall be made to such Holder without interest; provided that such Distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code upon the expiration of the later of three (3) months from the Effective Date and the date such Distribution was returned undeliverable. After such date, all unclaimed property or interest in property shall revert to the Plan Administrator for distribution on account of other Allowed Claims, and the Claim of the Holder originally entitled such unclaimed property or interest in property shall be discharged and forever barred.

7. Record Date for Distributions

Pursuant to Article VI.G of the Plan, as of the close of business on the Distribution Record Date, the transfer register for any Claims or Equity Interests, for the purposes of Distributions shall be closed, and there shall be no further changes in the record Holders of any Claims or Equity Interests. The Debtors shall have no duty to recognize the transfer of, or the sale of any interest in, any Claims or Equity Interests occurring after the close of business on the Distribution Record Date and shall be entitled for all purposes relating to the Plan to recognize, distribute to and deal with only those record Holders of Claims or Equity Interests stated on the transfer books and records as maintained by the Debtors or their Claims Agent, as the case may be, as of the close of business on the Distribution Record Date.

8. Allocation of Plan Distributions Between Principal and Interest

Pursuant to Article VI.H of the Plan, to the extent that any Allowed Claim entitled to a Distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such Distribution shall, for federal income tax purposes, be allocated to the principal amount of the Claim first and then, to the extent the Distribution exceeds the principal amount of the Claim, to the portion of such Claim representing accrued but unpaid interest.

9. Fractional Dollars; De Minimis Distributions

Pursuant to Article VI.I of the Plan, (a) the Plan Administrator or Disbursing Agent shall not be required to make Distributions or payments of fractions of dollars, and whenever any Distribution of a fraction of a dollar under the Plan would otherwise be required, the actual Distribution made shall reflect a rounding of such fraction to the nearest whole dollar (up or

down), with half dollars being rounded down and (b) the Plan Administrator /Disbursing Agent shall have no duty to make a Distribution on account of any Allowed Claim (i) if the aggregate amount of all Distributions authorized to be made on such date is less than $50,000, in which case such Distributions shall be deferred to the next Distribution date, (ii) if the amount to be distributed to that Holder on the particular Distribution date is less than $100.00, unless such Distribution constitutes the final Distribution to such Holder, or (iii) the amount of the final Distribution to such Holder is less than $25.00, in which case such Distribution shall revert to the Plan Administrator for distribution on account of other Allowed Claims.

10. No Distribution in Excess of Allowed Amount of Claims

Pursuant to Article VI.J of the Plan, no Holder of an Allowed Claim shall receive in respect of such Claim any Distributions, which individually or in the aggregate, exceed of the Allowed amount of such Claim, other than interest, fees, and other costs and charges provided for in the New First DIP Lender Secured Term Notes and the New First DIP Lender Secured Term Note Documents.

11. Setoffs

Pursuant to Article VI.K of the Plan, the Debtors or the Plan Administrator may set-off against, or recoup from, any Claim, any claims of any nature whatsoever that the Debtors, the Reorganized Debtors or the Plan Administrator may have against the Holder of such Claim, but neither the failure to do so nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtors, the Reorganized Debtors or the Plan Administrator of any such claim the Debtors, the Reorganized Debtors or the Plan Administrator may have against the Holder of such Claim.

12. Compliance with Tax Requirements

Pursuant to Article VI.L of the Plan, the Debtors and the Plan Administrator are authorized to take any and all actions that may be necessary or appropriate to comply with all tax withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority, and all Distributions pursuant to the Plan shall be subject to any such withholding and reporting requirements. The Plan Administrator shall be authorized to require each Creditor to provide it with an executed Form W-9 or similar tax form as a condition precedent to being sent a Distribution. If a Holder of an Allowed Claim does not provide the Plan Administrator with an executed Form W-9 or similar form within 90 days of written request, said Creditor shall be deemed to have forfeited their Distribution.

13. Release of Liens

Except as otherwise provided by Article III of the Plan or in any contract, instrument, release or other agreement or document created or assumed in connection with the Plan, on the Effective Date and concurrently with the applicable Distributions made pursuant to Article VI, all mortgages, deeds of trust, liens, pledges or other security interests against the property of the Debtors' Estates shall be fully released and discharged, and all of the right, title and interest of any Holder of such mortgages, deeds of trust, liens, pledges or other security interests shall revert to the applicable Estate.

14. Subordination

Pursuant to Article VI.N of the Plan, all subordination rights and claims relating to the subordination by the Debtors or the Plan Administrator of any Allowed Claim shall remain valid, enforceable and unimpaired in accordance with section 510 of the Bankruptcy Code or otherwise.

G. Conditions Precedent to Confirmation and Effective Date of the Plan

1. Conditions Precedent to Confirmation

Pursuant to Article VIII.A of the Plan, the Plan shall not be confirmed, and the Confirmation Date shall not be deemed to occur, unless and until the Confirmation Order, in form and substance acceptable to the Debtors and the First DIP Agent and the First DIP Lenders in their sole discretion, has been entered on the docket maintained by the Clerk of the Bankruptcy Court.

2. Conditions Precedent to the Effective Date

Pursuant to Article VIII.B of the Plan, the Effective Date shall not occur and the Plan shall not become effective unless and until the following conditions have been satisfied in full or waived by the Debtors and the First DIP Agent in writing:

a. the Confirmation Order, in form and substance satisfactory to the Debtors and the First DIP Agent and the First DIP Lenders in their sole discretion, shall be entered by the Bankruptcy Court, shall become a Final Order, shall be in full force and effect and shall not be subject to a stay or an injunction which would prohibit the transactions under the Plan;

b. the Confirmation Order shall, among other things, provide that all transfers of property by the Debtors (a) to the Reorganized Debtors (i) are or shall be legal, valid, and effective transfers of property, (ii) vest or shall vest the Reorganized Debtors with good title to such property free and clear of all liens, charges, claims, encumbrances or interests, except as expressly provided in the Plan or Confirmation Order, (iii) do not and shall not constitute voidable transfers under the Bankruptcy Code or under applicable non-bankruptcy law, (iv) shall be exempt from any transfer, sales, stamp or other similar tax (which exemption shall also apply to the transfers by the Plan Administrator) and (v) do not and shall not subject the Plan Administrator or Holders of Claims to any liability by reason of such transfer under the Bankruptcy Code or under applicable non-bankruptcy law, including, without limitation, any laws affecting successor or transferee liability and (b) to Holders of Claims under the Plan are for good consideration and value;

c. the final version of the Plan, the Plan Supplement and all of the documents and exhibits contained therein, including, without limitation, the New First DIP Lender Secured Notes, the New First DIP Lender Secured Term Note Documents, the Employment Agreements and the Non-Compete Agreements, shall have been Filed and in a form and substance satisfactory to the Debtors and the First DIP Lenders;

d. the final Budget shall be in form and substance satisfactory to the Debtors and the First DIP Agent in its sole discretion;

e. all actions and transfers and all agreements, instruments, or other documents necessary to implement the terms and provisions of the Plan, including all transfers to the Reorganized Debtors or the Plan Administrator, shall have been effected or executed and delivered, as applicable, in form and substance satisfactory to the Debtors and the First DIP Agent in its sole discretion; and

f. all authorizations, consents, and regulatory approvals, if any, required by the Proponents in connection with the consummation of the Plan shall have been obtained and not revoked.

3. Waiver of Conditions

Any of the conditions to Confirmation of the Plan and/or to the Effective Date set forth in Articles VIII.A and VIII.B of the Plan, other than entry of the Confirmation Order in form and substance satisfactory to the Proponents, the First DIP Agent and the First DIP Lenders, may be waived with the express written consent of the Proponents and the First DIP Agent without leave or order of the Bankruptcy Court, and without any formal action.

4. Satisfaction of Conditions

Any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred prior to the taking of any other such action. If the Debtors, the First DIP Agent and the First DIP Lenders determine that one of the conditions precedent set forth in Articles VIII.A and VIII.B of the Plan cannot be satisfied and the occurrence of such condition is not waived or cannot be waived, then the Proponents shall file a notice of the failure of the Effective Date with the Bankruptcy Court.

5. Effect of Nonoccurrence of Conditions

If each of the conditions to occurrence of the Effective Date set forth in Article VIII.B. has not been satisfied or duly waived on or before the first Business Day that is 45 days after the Confirmation Date, or such later date as shall be determined by the Debtors, the First DIP Agent, and the First DIP Lenders, the Confirmation Order may be vacated by the Bankruptcy Court upon motion of the Debtors or the First DIP Agent. If the Confirmation Order is so vacated, the Plan shall be null and void in all respects, and nothing contained in the Plan shall constitute (a) an admission or stipulation as to any fact or issue addressed herein or (b) a waiver or release of any Claims or Equity Interests against any of the Debtors or release of any claims or interests by the Debtors or the Estates.

H. Settlement, Release, Injunction and Related Provisions

1. Compromise and Settlement of Claims, Equity Interests and Controversies

On the Effective Date, pursuant to Article IX.A of the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims, Equity Interests, and controversies resolved pursuant to the Plan or relating to the contractual, legal, and subordination rights that a Holder of a Claim or Equity Interest may have with respect to any Claim or Equity Interest, or any Distribution to be made on account of such Claim or Equity Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Equity Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and Holders of Claims and Equity Interests and is fair, equitable, and reasonable. In accordance with the provisions of the Plan, pursuant to Bankruptcy Rule 9019, without any further notice to, or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Plan Administrator may, in consultation with the First DIP Agent, compromise and settle Claims against the Debtors and their Estates.

2. Discharge of the Debtors and Injunction

Except as otherwise provided in the Confirmation Order, pursuant to Article IX.B of the Plan, the rights afforded in the Plan and the payments and Distributions to be made under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims against and Equity Interests in the Debtors' assets of any kind, nature, or description, whatsoever or against any of the Debtors' assets or properties to the full extent permitted by section 1141 of the Bankruptcy Code. Except as otherwise expressly provided in the Plan, entry of the Confirmation Order (subject to the occurrence of the Effective Date) shall act as a discharge to the full extent permitted by section 1141 of the Bankruptcy Code of all Claims against and debt of, liens on, and Equity Interests in each of the Debtors' assets and their properties, arising at any time before the entry of the Confirmation Order, regardless of whether a Proof of Claim or proof of Equity Interest therefor was filed, whether the Claim or Equity Interest is Allowed, or whether the Holder thereof votes to accept the Plan or is entitled to receive a Distribution under the Plan. Upon entry of the Confirmation Order, and subject to the occurrence of the Effective Date, any Holder of such discharged Claim or Equity Interest shall be precluded from asserting against the Debtors' assets or properties any other or further Claim or Equity Interest based upon any document, instrument, act, omission, transaction, or other activity of any kind or nature that occurred before the Confirmation Date except as otherwise expressly provided in the Plan. The Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtors, subject to the occurrence of the Effective Date.

In accordance with section 524 of the Bankruptcy Code, and to the full extent permitted by section 1141 of the Bankruptcy Code, the discharge provided by Article IX.B of the Plan shall act as an injunction against the commencement or continuation of any action, employment of process, or act to collect, offset, or recover a Claim and Equity Interest against the Debtors' assets and properties which are discharged hereby. Except as otherwise expressly provided in the Plan, the Plan Supplement, or the Confirmation Order, on and after the Effective Date, all

Holders of Claims against and Equity Interests in, and all Entities who have held, hold, or may hold Claims against, or Equity Interests in, the Debtors' assets or property shall be precluded and permanently enjoined, from (a) commencing or continuing in any manner or in any place, any action or other proceeding of any kind with respect to any such Claim or Equity Interest, (b) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against the Debtors, their Estates, the Reorganized Debtors or the Plan Administrator on account of any such Claim or Equity Interest, (c) creating, perfecting, or enforcing any lien or encumbrance of any kind against the Debtors or their Estates or against the property or interests in property of the Debtors or their Estates on account of any such Claim or Equity Interest or (d) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtors or their Estates or against the property or interests in property of the Debtors or their Estates with respect to such Claim or Equity Interest. The foregoing injunction shall extend to successors of the Debtors (including, without limitation, the Reorganized Debtors and the Plan Administrator) and their respective properties and interests in property.

3. Preservation of Causes of Action

Pursuant to Article IX.C of the Plan and in accordance with section 1123(b) of the Bankruptcy Code, and except where such Causes of Action have been expressly released pursuant to the Plan, the Reorganized Debtors/Plan Administrator shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including without limitation (i) any and all Claims and Causes of Action against any Entity that fails or ceases to be a Debtor Released Party based upon the failure to satisfy any of the conditions in the definition thereof; (ii) any and all Claims and Causes of Action against Binder & Binder PC, including but not limited to Claims and Causes of Action arising out of or related to the business relationship between the Debtors and Binder & Binder PC, including but not limited to the provision of business services (including but not limited to administrative services, billing and collection services, and maintenance/information technology/computer services) by the Debtors to Binder & Binder PC, occupancy costs for shared office space, and fees awarded on account of appeals cases assigned to Binder & Binder PC by the Debtors; (iii) any and all Avoidance Actions against any Entity; and (iv) any Claims and Causes of Action specifically enumerated in the Plan Supplement, and the Plan Administrator's rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Plan Administrator may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors and the Holders of Allowed Claims in consultation with the First DIP Agent. No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or the Plan Administrator, as applicable, will not pursue any and all available Causes of Action against them. Except with respect to Causes of Action as to which the Debtors have released any Entity on or prior to the Effective Date, the Debtors or the Plan Administrator, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan. Unless any Causes of Action against an Entity is expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Plan Administrator expressly reserves all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of

res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppels (judicial, equitable or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation of the Plan.

4. Releases

The Plan contains (a) releases by the Debtors of certain Claims and Causes of Action against the Debtor Released Parties, (b) releases by certain Holders of Claims and Interests against the Released Parties, and (c) certain injunctions.

The Prepetition Lender Secured Parties and the HIG Parties are providing consideration for the releases they are receiving under the Plan. The Prepetition Lender Secured Parties have agreed to "carve out" value from their collateral to (a) fund Distributions to Holders of certain Allowed General Unsecured Claims and Allowed Stellus Unsecured Claims as consideration for a release from the holders thereof and (b) facilitate the operation of the Reorganized Debtors to complete the Wind Down. The HIG Parties have agreed to subordinate all of the HIG Claims, comprised of claims for management fees and expenses and an unsecured loan to the Debtors, in the aggregate asserted amount of more than $1.7 million, to all Allowed General Unsecured Claims, which will materially enhance the value available to fund Distributions to Holders of Allowed General Unsecured Claims.

The injunction contained in Article IX.F.1 of the Plan is an adjunct to the releases contained in the Plan, prohibiting Entities that have held, hold, or may hold Claims, Interests, Causes of Action, or liabilities that are comprised, settled, released, modified, stayed, discharged, or terminated pursuant to the Plan from taking any action against any Released Party or its property or estate on account of such Claims, Interests, Causes of Action, or liabilities.

The injunction contained in Article IX.F.2 of the Plan is intended to prohibit certain future conduct by Charles Binder and Harry Binder (the "Binders") that the Debtors believe, based upon actions taken and statements made by the Binders, is likely to occur and would have a damaging effect on the ability of the Reorganized Debtors to carry out the Wind Down and the other transactions contemplated by the Plan. The Debtors believe that the Binders have, among other things, formed a new business entity named Binder Disability Group LLC; suggested that the Bankruptcy Cases should be converted to cases under Chapter 7 of the Bankruptcy Code; and advised employees of the Debtors that the Debtors would no longer be accepting SSA Cases or VA Cases.

Counsel for the Binders advised the Bankruptcy Court on the record at the hearing on the Disclosure Statement and related solicitation procedures that the Binders are willing to effectuate the transfer of the SSA Cases and VA Cases for which they serve as named representatives to other Primary Representatives. However, because Charles Binder has repeatedly asserted that his contractual noncompetition obligations have expired, the Debtors believe that the Binders may attempt to hire away the Primary Representatives and/or directly solicit the clients in the SSA Cases and VA Cases absent an injunction barring them from doing so.

The Binders have requested that the Debtors include the following statements by the Binders in this Disclosure Statement:

The Binders dispute that that the above facts would support the issuance of any injunction. The Binders openly and repeatedly discussed and communicated with other principal stakeholders, as well as the Debtors' chief restructuring officer, that if they were terminated by the Debtors in connection with a chapter 11 plan, they would consider founding a new disability advocacy firm. By way of example, when Stellus was preparing its own plan, the Binders discussed their role in such a plan, the fact that such plan called for them to be replaced in management, and possible structures around formation by the Binders of a new advocacy firm. Concurrently with those discussions Charles Binder arranged the formation of Binder Disability Group, LLC, in contemplation of the Stellus plan moving forward and there being a global agreement between Stellus and the Binders concerning the Stellus plan, the relationship between the Binders and the Debtors post-emergence, and the relationship between a new advocacy firm and the post-emergence Debtors. After the Stellus plan was abandoned, and well before the Debtors' plan was filed, at the request of the Debtors' chief restructuring officer, the Binders floated terms for reaching closure and such terms included their formation of a new advocacy firm. At a meeting of all stakeholders the chief restructuring officer himself, on his own, floated the notion of the Binders starting a new company which would work side by side with the post-emergence Debtors. Accordingly the Binders dispute that any adverse inference can be drawn from the fact that, consistent with these and similar discussions, they took the step of having a limited liability company on the shelf and available.

The Stellus plan contemplated that the post-emergence debtors would not take on any new cases. To the Binders' understanding, that was also the case with the plan being developed by the Debtors although the Binders did not see the actual plan until after it was filed. The Debtors' Plan also was not disclosed to the Debtors key employees (primary representatives) until after it was filed. The Primary Representatives decided that, since in accordance with the proposed Plan the company was contemplating being out of business in less than four years, it was questionable as to whether they can or should take on the fiduciary duties associate with accepting new clients in their own names. The Binders sought to have the Debtors' board take up the issue of new case acceptance. Until such time as the question could be resolved, without Primary Representatives willing to take on new cases it was not possible for the Debtors to take on new cases. Rather than turn the cases away, Charles Binder arranged that the potential clients be, in effect, warehoused for a couple of weeks.

It is the Binders' position that their contractual non-solicitation and other related covenants are no longer in force, and that, if they are in force, in order to perpetuate them contractually post-emergence the Debtors would have to assume certain contracts and thereby undertake certain financial obligations to the Binders.

The Binders have never threatened to directly solicit the existing VA and SSA clients. The Binders have also never threatened to hire away Primary Representatives.

The Debtors dispute most of the foregoing assertions by the Binders.

a. Releases by the Debtors

As of the Effective Date, for good and valuable consideration, to the fullest extent permissible under applicable law, the Debtors, their Estates, and any Entity claiming by or through or otherwise seeking to exercise the rights of the Debtors or their Estates, including but not limited to the Committee, shall be deemed to forever release, waive, and discharge the Debtor Released Parties from any and all Claims, Equity Interests, Causes of Action, liens, claims, encumbrances, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever (other than the rights of the Debtors, through the Plan Administrator, to enforce the Plan and all contracts, instruments, releases, indentures, agreements and other documents delivered hereunder) whether direct or derivative, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity, or otherwise that are based in whole or in part on any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Bankruptcy Cases, the formulation, preparation, negotiation, dissemination, implementation, administration, confirmation or consummation of the Plan, the Disclosure Statement, or any other act or omission in connection with the Debtors' businesses that could have been asserted at any time, past, present, or future, by or on behalf of the Debtors, or their Estates, against any Debtor Released Party; provided, however, that nothing in this section of the Plan shall operate as a release, waiver, or discharge of (a) any Claims, Causes of Action, or liabilities arising out of any act or omission that constitutes fraud, gross negligence, willful misconduct, criminal conduct, ultra vires acts, self-dealing, or breach of the duty of loyalty by any Debtor Released Party, (b) any claim the Reorganized Debtors may have against any Debtor Released Party for trademark infringement or infringement on any other intellectual property rights of the Reorganized Debtors, (c) any Avoidance Action (other than Secured Lender Avoidance Actions, including the claims, actions and causes of action set forth in the Committee Complaint, all of which shall be released by the release in Section IX.D.I of the Plan), or (d) any defense, offset, or objection to any Claim Filed or otherwise asserted by any Entity other than the First DIP Lender Secured Claims; provided further that nothing in the Plan shall limit the liability of any lawyer to any client pursuant to N.Y. COMP. CODES R. & REGS. Title 22 § 1200.8 Rule 1.8(h)(1) (2009).

b. Releases by Holders of Claims and Interests

Pursuant to Article IX.D.2 of the Plan, notwithstanding anything contained in the Plan to the contrary, on and as of the Effective Date, the Holders of Claims and Equity Interests who (i) vote to accept the Plan or are deemed to have accepted the Plan under section 1126(f) of the Bankruptcy Code or (ii) are entitled to vote to accept or reject the Plan and who reject the Plan or abstain from voting and do not mark their Ballots to indicate their refusal to grant the releases provided in Article IX.D.2 of the Plan, shall be deemed to forever release, waive, and discharge each of the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action (including Avoidance Actions), and liabilities whatsoever in connection with or in any way relating to the Debtors, the conduct of the Debtors' businesses, the Bankruptcy Cases, the Disclosure Statement, or the Plan (other than the rights of the Debtors, the Reorganized Debtors, the Plan Administrator, or a Holder of an Allowed Claim to enforce the obligations under the Confirmation Order and the Plan and the contracts, instruments,

releases, and other agreements or documents delivered thereunder), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity, or otherwise, whether for tort, contract, violation of Federal or state law or otherwise, that are based in whole or in part on any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date; provided, however, that nothing in Article IX.D.2 of the Plan shall operate as a release, waiver, or discharge of any Causes of Action or liabilities arising out of gross negligence, willful misconduct, fraud, self-dealing, breach of the duty of loyalty, or criminal acts of any such Released Party.

5. Exculpation

Pursuant to Article IX.E of the Plan, to the fullest extent permissible under applicable law, except as otherwise provided in the Plan, the Exculpated Parties shall neither have, nor incur, any liability to, or be subject to the right of action by, any Holder of a Claim against or Equity Interest in any of the Debtors, or any other Entity or party in interest, or any of their respective agents, employees, representatives, financial advisors or attorneys acting in such capacity or any of their successors or assigns, for any act taken or omitted to be taken in connection with, relating to, or arising out of, the Bankruptcy Cases, the operation of the Debtors' businesses during the Bankruptcy Cases, the formulating, negotiating, soliciting, preparing, disseminating, implementing, confirming, or effecting the Consummation of the Plan, the Disclosure Statement, the administration of the Plan or the property to be distributed under the Plan or related to any contract, instrument, release, settlement or other agreement or document created, modified, amended, terminated or entered into in connection with the Plan through and including the Effective Date; provided, however, that the foregoing shall not affect the liability of any Entity that otherwise would result from any such act or omission to the extent such act or omission is determined by a Final Order of the Bankruptcy Court to have constituted fraud, willful misconduct, gross negligence, bad faith, self-dealing or breach of duty of loyalty; provided further, that nothing in Article IX.E of the Plan shall impact the allowance or disallowance of any Claim not expressly released under the Plan.

6. Injunction

a. Except as otherwise specifically provided in the Plan or the Confirmation Order, upon the Effective Date, all Entities who have held, hold, or may hold Claims, Interests, Causes of Action, or liabilities that (i) are subject to compromise and settlement pursuant to the terms of the Plan, (ii) have been released pursuant to the Plan, (iii) are subject to the exculpation provisions of the Plan, or (iv) are otherwise released, modified, stayed, discharged, or terminated pursuant to the terms of the Plan, are hereby enjoined and precluded, from and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind, whether directly, derivatively, or otherwise, including on account of any such Claims, Interests, Causes of Action, or liabilities, against any Released Party or its property or estate on account of or in connection with or with respect to any such Claims, Interests, Causes of Action, or liabilities; (b) enforcing, attaching, collecting, or recovering by any manner or means whatsoever any judgment, award, decree, or order against any Released Party or its property or estate on account of or in connection with or with respect to any such Claims,

Interests, Causes of Action, or liabilities; (c) taking any action to create, perfect, or enforce any Lien, Claim, or other encumbrance of any kind against any Released Party or its property or estate on account of or in connection with or with respect to any such Claims, Interests, Causes of Action, or liabilities; (d) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from any Released Party or its property or estate on account of or in connection with or with respect to any such Claims, Interests, Causes of Action, or liabilities; (e) commencing or continuing in any manner any action or other proceeding of any kind against any Released Party or its property or estate on account of or in connection with or with respect to any such Claims, Interests, Causes of Action, or liabilities; provided, however that nothing in this section shall bar any Entity from (x) obtaining the Distributions and other benefits expressly provided to such Entity under the Plan or asserting or enforcing any rights, powers or remedies provided to such Entity under the Plan, the Confirmation Order or the documents, instruments and agreements in the Plan Supplement or (y) defending against any objection to Claims such Entity has asserted against any Debtor.

b. From and including the Effective Date through and including the completion of the Wind Down, Charles Binder and Harry Binder are each enjoined and precluded from taking any action outside the ordinary course of business that would impair the ability of the Debtors or Reorganized Debtors, as applicable, to prosecute the SSA Cases and VA Cases or earn and receive SSA Fees and VA Fees on account of the SSA Cases, the VA Cases, or any previously concluded cases before the SSA or VA, including but not limited to directly or indirectly (a) soliciting any Person (including but not limited to any Primary Representative) employed by the Debtors or the Reorganized Debtors to leave the employ of the Debtors or the Reorganized Debtors prior to the completion of the Wind Down, (b) hiring any Person (including but not limited to any Primary Representative) employed by the Debtors or the Reorganized Debtors as of the Effective Date (other than any such employee whose employment is terminated by the Debtors without cause) prior to the completion of the Wind Down, without the consent of the Debtors or the Reorganized Debtors, as applicable, in their respective sole discretion, in consultation with the First DIP Agent, and (c) soliciting any of the Debtors' or the Primary Representatives' existing clients to retain anyone other than the Primary Representatives employed by the Debtors or the Reorganized Debtors to represent them in any SSA Case or VA Case.

c. Each Primary Representative shall comply with all terms and conditions of his or her respective Primary Representative Employment Agreement from and including the Effective Date through and including the completion of the Wind Down.

d. For the avoidance of doubt, nothing in this Article IX.F shall preclude or enjoin any Primary Representative from, or create any liability on the part of any Primary Representative for, performing his or her respective job duties in good faith in the ordinary course of business.

7. Binding Effect

Pursuant to Article IX.G of the Plan, upon the Effective Date, the Plan shall be binding on, and shall inure to the benefit of, the Debtors' Estates and their respective successors and

assigns. The rights, benefits, and obligations of any Entity named or referenced in the Plan shall be binding on, and shall inure to the benefit of any heir, administrator, executor, successor, or assign of such Entity, including any Holder of a Claim against or equity Interest in the Debtors, whether or not the Claim or Equity Interest of such Holder is Impaired under the Plan and whether or not such Holder has voted to accept the Plan.

I. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain jurisdiction over all matters arising in, arising under or related to the Bankruptcy Cases for, among other things, the following purposes:

a) Allow, disallow, determine, liquidate, classify, estimate, or establish the priority, Secured or unsecured status, or amount of any Claim or Equity 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 Equity Interests;

b) 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;

c) Resolve any matters related to: (i) the assumption, 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 obligations pursuant to section 365 of the Bankruptcy Code, or any other matter related to such executory contract or unexpired lease; (ii) any potential contractual obligation under any executory contract or unexpired lease that is assumed and/or assigned and (iii) any dispute regarding whether a contract or lease is or was executory or expired;

d) Ensure that Distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

e) 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;

f) Adjudicate, decide, or resolve any and all matters related to the Causes of Action;

g) 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, the Disclosure Statement or the Plan Supplement;

h) Enter and enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;

i) 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;

j) Issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with Consummation or enforcement of the Plan;

k) Resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the settlements, compromises, releases, injunctions, exculpations, and other provisions contained in Article IX and enter such orders as may be necessary or appropriate to implement such releases, injunctions, and other provisions;

l) Resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the repayment or return of Distributions;

m) Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

n) 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, the Disclosure Statement or the Plan Supplement;

o) Adjudicate any and all disputes arising from or relating to Distributions under the Plan or any transactions contemplated therein;

p) 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;

q) Determine requests for the payment of Claims and Interests entitled to priority pursuant to section 507 of the Bankruptcy Code;

r) Hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Plan Supplement or the Confirmation Order, including disputes arising under agreements, documents, or instruments executed in connection with the Plan or the Plan Supplement;

s) Hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

t) Hear and determine all disputes involving the existence, nature, or scope of the Debtors' release, including but not limited to any dispute relating to any liability

arising out of the termination of employment or the termination of any employee benefit program, regardless of whether such termination occurred prior to or after the Effective Date;

u) Enforce all orders previously entered by the Bankruptcy Court;

v) Hear any other matter not inconsistent with the Bankruptcy Code;

w) Enter an order concluding or closing the Bankruptcy Cases; and

x) Enforce the injunction, release, and exculpation provisions set forth in Article IX.

VII.
MEANS OF IMPLEMENTATION OF THE PLAN

A. Financial Projections

Financial projections with respect to the Reorganized Debtors' operations after the Effective Date through the completion of the Wind Down (the "Financial Projections") are attached hereto as **Exhibit C**. The Financial Projections are based on an assumed Effective Date of September 30, 2016. To the extent that the Effective Date occurs after September 30, 2016, recoveries on account of Allowed Claims could be impacted. The Financial Projections are based upon the Debtors' best available estimates of the fees and expenses associated with the Wind Down and the SSA Cases and VA Cases, including with respect to timing of the receipt of SSA Fees and VA Fees. The Financial Projections are not a guarantee of the receipt of SSA Fees or VA Fees or the timing thereof, and are subject to change based upon numerous factors outside of the Debtors' control, including but not limited to staffing levels at the SSA and VA; federal budgetary concerns such as the prior federal sequestrations; shifts in program priorities at the SSA and VA; and the availability of funding for the SSA and VA programs in which the SSA Cases and VA Cases arise.

B. Substantive Consolidation

Pursuant to Article IV.A of the Plan, the Estates of all of the Debtors other than SSDI shall be substantively consolidated for the purposes of confirming and consummating the Plan, including but not limited to voting, confirmation, and Distributions. Accordingly, (a) all assets and liabilities of the Subsidiary Debtors shall be deemed merged or treated as though they were merged into and with the assets and liabilities of Reorganized SSDA, (b) each and every Claim filed or to be filed in the Bankruptcy Cases against any Debtor shall be considered filed against Reorganized SSDA and shall be considered one Claim against and obligation of Reorganized SSDA on and after the Effective Date, (c) no Distributions shall be made under the Plan on account of Intercompany Claims among the Debtors, (d) no Distributions shall be made under the Plan on account of any Equity Interests in any of the Subsidiary Debtors, (e) all joint obligations of two or more Debtors, and all multiple Claims against such Entities on account of such joint obligations, shall be considered a single claim against Reorganized SSDA, and (f) all guaranties by any of the Debtors of the obligations of any other Debtor arising prior to the Effective Date shall be deemed eliminated under the Plan so that any Claim against any Debtor

and any guaranty thereof executed by any other Debtor and any joint and several liability of any of the Debtors shall be deemed to be one obligation of Reorganized SSDA.

As discussed above, substantive consolidation results in all of the assets of all of the Debtors being treated as a single common pool of assets, and all of the claims against any of the Debtors being treated as claims against a single, substantively consolidated entity. Substantive consolidation is an equitable remedy employed by Bankruptcy Courts to provide for the equitable treatment of creditors of multiple affiliated debtors where (1) creditors did business with affiliated debtors as though those debtors were a single enterprise, and did not rely on the various entities' separate identities in extending credit, or (2) the affairs of the multiple affiliated debtors are so entangled that consolidation will benefit all creditors of the debtors whose estates are being substantive consolidation. See, e.g., In re Augie/Restivo Baking Co., 860 F.2d 515, 518 (2d Cir. 1988).

Courts consider a variety of factors in ascertaining whether to substantively consolidate multiple affiliated debtors due to the interconnectedness of their activities. See, e.g., In re Drexel Burnham Lambert Group, Inc., 138 B.R. 723, 764 (Bankr. S.D.N.Y. 1992). The Debtors believe a number of the Drexel factors are present here. Here, the Debtors presented themselves to the outside world as a single, unified enterprise. The Debtors do not believe that their creditors relied on any Debtor's separate identity as a basis for extending credit thereto. Substantially all of the Debtors' operations and financing occurred at SSDA, which employed all of the Debtors' employees, incurred and serviced the Debtors' funded indebtedness, received and disbursed all cash that flowed through the Debtors' business, and performed all management functions for all of the Debtors.

In addition, when ascertaining whether a group of affiliated debtors should be treated as a single economic unit, courts consider several other benefits to creditors, including (among others), "potential savings in costs and time by eliminating the need to disentangle the records and accounts of the debtors"; "elimination of duplicate claims and the need to adjudicate which debtor is liable"; and "financial benefit from consolidating the operations of the debtors[.]" Id. The Debtors believe that substantive consolidation of their estates will result in significant cost savings by eliminating the need for intercompany reconciliation, collapsing the duplicate claims numerous creditors filed against multiple debtors (presumably out of an abundance of caution) into a single claim per creditor, and allowing Reorganized SSDA to exit bankruptcy and complete the Wind-Down as a single, consolidated entity instead of the existing, needlessly complex network of Debtors.

The foregoing is intended only as a summary of the reasons the Debtors believe substantive consolidation is appropriate in the Bankruptcy Cases. Holders of Claims against or Equity Interests in any of the Debtors should consult with counsel prior to voting to accept or reject the Plan to ascertain whether substantive consolidation will impact their Claims or Equity Interests.

C. Vesting of Assets and Dissolution

Pursuant to Article IV.B of the Plan, on the Effective Date, the Assets of SSDI, including but not limited to all Interests in SSDA, shall vest in Reorganized SSDI, and the Assets of SSDA

and the Subsidiary Debtors, including but not limited to any and all Fee Agreements and all Causes of Action, shall vest in Reorganized SSDA, in each instance free and clear of all Claims, Equity Interests, liens, charges, or other encumbrances, except as set forth in the Plan.

On the Effective Date, the Plan Administrator will be appointed the sole shareholder, member, director, and/or officer, as applicable, of Reorganized SSDI and the sole manager of Reorganized SSDA. From and after the Effective Date, the Plan Administrator is authorized and, without the need for any further action or formality which might otherwise be required under applicable non-bankruptcy laws, to dissolve the Reorganized Debtors or to merge any or all of the Reorganized Debtors; provided, the Plan Administrator shall obtain the First DIP Agent's consent prior to taking any such action.

As of the Effective Date, the respective formation documents and by-laws of each of the Reorganized Debtors shall be deemed amended to the extent necessary to carry out the transactions contemplated by the Plan. The amended formation documents and by-laws of the Reorganized Debtors, if any, shall be included in the Plan Supplement.

As of the Effective Date, or as soon as practicable thereafter, and without the need for any further order of the Bankruptcy Court, action or formality that might otherwise be required under applicable non-bankruptcy laws, any Subsidiary Debtors not substantively consolidated pursuant to the Plan may be (a) dissolved without the need for any filings with the Secretary of State or other governmental official in each Subsidiary Debtor's respective state of incorporation or (b) merged into or with the Reorganized SSDA; provided that the Plan Administrator shall first obtain the First DIP Agent's consent prior to taking any such action.

On or prior to the Effective Date or as soon as practicable thereafter, the Debtors or the Plan Administrator, as applicable, shall consummate, pursuant to section 1123(a)(5)(D) of the Bankruptcy Code, those transactions and sales of property, if any, set forth in the Plan Supplement. The Terms of any sale of property, the documents evidencing such sale, and the proposed buyer in any such sale transaction must be acceptable to the First DIP Agent and the First DIP Lenders in their sole discretion.

D. Plan Administrator

Pursuant to Article IV.C of the Plan, on the Effective Date, the Plan Administrator shall be vested with the authority described below and in such other documentation as may be included in the Plan Supplement. The Plan Administrator shall have the authority and right on behalf of each of the Reorganized Debtors, without the need for Bankruptcy Court approval (unless otherwise indicated), but in each case after consulting with the First DIP Agent (unless otherwise indicated, including in those circumstances where the First DIP Agent's and, if required, the First DIP Lenders' prior consent or approval is required in accordance with the Plan, the Confirmation Order, or any document, instrument, or agreement contained in the Plan Supplement, in which case the Plan Administrator shall first obtain such consent or approval prior to taking such actions), to carry out and implement all provisions of the Plan, including, without limitation to:

(i) effectuate and oversee the Wind-Down in order to fund the Distributions contemplated by the Plan;

(ii) make Distributions to Holders of Allowed Claims in accordance with the Plan;

(iii) control and effectuate the analysis and reconciliation of all Filed Claims, including to object to, compromise, or settle any and all Claims against the Debtors or the Reorganized Debtors subject to Bankruptcy Court approval and prior written consent of the First DIP Agent;

(iv) exercise its reasonable business judgment to direct and control the liquidation, sale and/or abandonment of any assets of the Debtors or the Reorganized Debtors in accordance with applicable law as appropriate to maximize the Distributions to Holders of Allowed Claims; provided any liquidation, sale and/or abandonment of any material assets of the Reorganized Debtors shall be subject to prior approval of the First DIP Agent and the First DIP Lenders;

(v) commence, prosecute, settle or compromise any and all Causes of Action; provided for the avoidance of doubt, the commencement, prosecution, settlement or compromise of any material Cause of Action shall require the prior approval of the First DIP Agent/First DIP Lender Secured Parties;

(vi) review and, if warranted, File and prosecute objections to any Professional Fee Claims;

(vii) make payments on account of any Allowed Professional Fee Claims approved and awarded to any Professional pursuant to a Final Order of the Bankruptcy Court, and in all cases subject to the Budget;

(viii) appoint and oversee the Reorganized Debtors Management Team;

(ix) in consultation with the Reorganized Debtors Management Team, maintain the books, records and accounts of the Reorganized Debtors;

(x) invest Cash of the Reorganized Debtors, including any Cash proceeds from the monetization or liquidation of any assets of the Reorganized Debtors, any Causes of Action and any income earned thereon;

(xi) incur and pay reasonable, necessary expenses in connection with the performance of its duties under the Plan, including the reasonable fees and expenses of professionals retained by the Plan Administrator, in accordance with the Budget;

(xii) administer each of the Debtors' and Reorganized Debtors' tax obligations, if any, including (A) the filing of tax returns, including final tax returns for SSDI and paying tax obligations, if any; (B) request an expedited tax determination of any unpaid tax liability of each Debtor or its Estate under section 505(b) of the Bankruptcy Code for all taxable periods of such Debtor ending after the Petition Date

through the Effective Date; and (C) represent the interests of each Debtor, its Estate or any Reorganized Debtor before any taxing authority in all matters including any action, proceeding or audit;

(xiii) oversee the preparation and filing of any and all information returns, reports, statements or disclosures relating to the Reorganized Debtors that are required under the Plan, by applicable law or by any Governmental Unit;

(xiv) seek authority from the Bankruptcy Court to close any Chapter 11 Case for any of the Debtors after any such Chapter 11 Case has been fully administered, in accordance with the Bankruptcy Code and the Bankruptcy Rules; and

(xv) perform all other duties, functions and obligations that are consistent with the implementation and consummation of the Plan.

E. Reservation of Rights Regarding Causes of Action

From and after the Effective Date, all Causes of Action that have been asserted or could be asserted by or on behalf of the Debtors or the Estates shall vest with the Reorganized Debtors. Pursuant to Article IV.D of the Plan, the Debtors and, after the Effective Date, the Plan Administrator on behalf of the Reorganized Debtors, reserve the rights to pursue any and all Causes of Action, and the Debtors hereby reserve the rights of the Plan Administrator, on behalf of the Reorganized Debtors, to pursue, administer, settle, litigate, enforce and liquidate consistent with the terms and conditions of the Plan such Causes of Action. The Plan Administrator shall, pursuant to Section 1123 and all applicable law, have the requisite standing to prosecute, pursue, administer, settle, litigate, enforce and liquidate any and all Causes of Action.

Unless Causes of Action against an Entity are expressly waived, relinquished, released, compromised or settled in the Plan, or any Final Order, the Debtors (before the Effective Date) and the Plan Administrator, on behalf of the Reorganized Debtors (after the Effective Date), expressly reserve all Causes of Action for later adjudication and, therefore, no preclusion doctrine or other rule of law, including, without limitation, the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Causes of Action upon, after, or as a result of the confirmation or Effective Date of the Plan, or the Confirmation Order. All Causes of Action held by the Debtors' Estates shall survive Confirmation of the Plan and the commencement and prosecution of any Causes of Action shall not be barred or limited by any estoppel (judicial, equitable or otherwise). The Reorganized Debtors' and the Plan Administrator's right to commence and prosecute Causes of Action shall not be abridged, limited or altered in any manner by reason of Confirmation of the Plan. No defendant party to any Cause of Action (including Avoidance Actions) shall be permitted or entitled to assert any defense based, in whole or in part, upon Confirmation of the Plan, and Confirmation of the Plan shall not have any *res judicata* or collateral estoppel or preclusive effect upon the commencement and prosecution of Causes of Action. In addition, the Debtors and the Plan Administrator, on behalf of the Reorganized Debtors and any successors in interest thereto, expressly reserve the right to pursue or adopt any Causes of Action not so waived, relinquished, released, compromised or settled that are alleged

in any lawsuit in which the Debtors are a defendant or an interested party, against any Entity, including, without limitation, the plaintiffs and co-defendants in such lawsuits.

F. Directors/Officers/Equity Interests/Professionals of the Debtors on the Effective Date

Pursuant to Article IV.E of the Plan, on the Effective Date, the authority, power and incumbency of the Persons then acting as directors and officers of the Debtors shall be terminated and such directors and officers shall be deemed to have resigned.

On the Effective Date, all of the Equity Interests in the Debtors (including all instruments evidencing such Equity Interests) shall be canceled and extinguished without further action under any applicable agreement, law, regulation or rule.

On the Effective Date, the Debtors shall issue one share of stock in the Reorganized SSDI and the Reorganized SSDA to the Plan Administrator, who will hold such share(s) of stock for the benefit of the Holders of Allowed Claims, and such share(s) of stock will remain outstanding until the Reorganized Debtors are dissolved in accordance with the Plan.

On the Effective Date, the Professionals for the Debtors shall be deemed to have completed their services unless they are retained by the Plan Administrator, but they shall be able to file Final Fee Applications for reasonable compensation and reimbursement of expenses through the Effective Date as permitted or required by the Plan.

G. Operations of the Debtors Between the Confirmation Date and the Effective Date

Pursuant to Article IV.F of the Plan, during the period from the Confirmation Date through and until the Effective Date, the Debtors shall continue to operate their businesses as debtors in possession, subject to the oversight of the Bankruptcy Court as provided in the Bankruptcy Code, the Bankruptcy Rules, and all orders of the Bankruptcy Court that are then in full force and effect.

H. Terms of Injunctions or Stays

Pursuant to Article IV.G of the Plan, unless otherwise provided, all injunctions or stays provided for in the Bankruptcy Cases pursuant to sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Bankruptcy Cases are closed.

I. Corporate Action

Pursuant to Article IV.H , the entry of the Confirmation Order shall constitute the approval of the authorization for the Debtors to take or cause to be taken all corporate actions necessary or appropriate to implement all provisions of, and to consummate, the Plan and any documents contemplated to be executed therewith, prior to, on and after the Effective Date, and all such actions taken or caused to be taken shall be deemed to have been authorized and

approved by the Bankruptcy Court without further approval, act or action under any applicable law, order rule or regulation.

J. Cancellation of Existing Agreements and Existing Common Stock

Pursuant to Article IV.I, on the Effective Date, except to the extent otherwise provided herein, all notes, stock, instruments, certificates, and other documents evidencing any Claims or Equity Interests shall be canceled, shall be of no further force, whether surrendered for cancellation or otherwise, and the obligations of the Debtors thereunder or in any way related thereto shall be discharged.

K. Authorization of Plan-Related Documentation

Pursuant to Article IV.J of the Plan, all documents, agreements and instruments entered into and delivered on or as of the Effective Date contemplated by or in furtherance of the Plan, including, but not limited to, the Plan Supplement documents and any other agreement or document related to or entered into in connection with the Plan or Plan Supplement documents, shall become, and shall remain, effective and binding in accordance with their respective terms and conditions upon the parties thereto, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order or rule or the vote, consent, authorization, or approval of any Entity (other than as expressly required by such applicable agreement).

Also pursuant to Article IV.J of the Plan, the Chief Restructuring Officer or a director of the Debtors shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan all of which shall be in form and substance acceptable to the First DIP Agent.

L. Sale as a Going Concern

The Debtors have reserved the right to consider bids for their business as a going concern as an alternative to bids solely for the Debtors' intellectual property, information technology, and other assets and may consider such bids in consultation with the First DIP Agent, the First DIP Lenders, and the Primary Representatives. Accepting such a bid, if any, would significantly alter the Financial Projections accompanying this Disclosure Statement as **Exhibit C**. Accordingly, the Debtors reserve the right to update this Disclosure Statement and the accompanying Financial Projections if necessary.

M. Conclusion of the Wind Down / Resolution of the SSA Cases and VA Cases

If the Plan Administrator determines at any point during the course of the Wind-Down, in his business judgment and in consultation with the Primary Representatives, the First DIP Agent and First DIP Lenders, that the Reorganized Debtors' clients and Holders of Allowed Claims would be best served by transferring the then-remaining SSA Cases and VA Cases to an alternative service provider, the Plan Administrator and the Primary Representatives will use commercially reasonable efforts to effectuate such transfer in the manner they deem, in

consultation with the First DIP Agent and First DIP Lenders, most likely to ensure the clients in such SSA Cases and VA Cases continue to receive effective and competent representation.

N. Dissolution of Committee

The Committee shall continue in existence through and including the Effective Date to exercise those powers and perform those duties specified in section 1103 of the Bankruptcy Code and shall perform such other duties as it may have been assigned by the Bankruptcy Court or in the Plan or the Confirmation Order prior to the Effective Date. On the Effective Date, the Committee shall be deemed dissolved, and its members shall be deemed released of all their duties, responsibilities and obligations in connection with the Bankruptcy Cases or the Plan and its implementation, and the retention or employment of the Committee Professionals shall terminate, provided, however that the Committee shall remain in existence, and the Committee Professionals shall continue to be retained, after the Effective Date for the exclusive purpose of prosecuting and defending the Final Fee Applications of the Committee Professionals and opposing the Final Fee Applications of any other Entity (subject to the provisions of Article I.C of the Plan).

O. Exemption from Certain Fees and Taxes

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant to the Plan shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment.

VIII.
CERTAIN FACTORS TO BE CONSIDERED

ALL HOLDERS OF IMPAIRED CLAIMS AND EQUITY INTERESTS SHOULD READ AND CAREFULLY CONSIDER THE FACTORS SET FORTH BELOW AS WELL AS THE OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT AND THE PLAN PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN.

A. Financial Information; Disclaimer

Although the Debtors have used their best efforts to ensure the accuracy of the financial information provided in this Disclosure Statement, the financial information contained in this Disclosure Statement, and in the Financial Projections attached hereto as Exhibit C, has not been audited and is based upon an analysis of data available to the Debtors at the time of the preparation of the Plan and Disclosure Statement. While the Debtors expect that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to warrant or represent that the information contained herein and attached hereto is without inaccuracies.

In addition, the Reorganized Debtors may not be able to achieve their projected financial results. The Financial Projections set forth in this Disclosure Statement represent the Debtors' management team's best estimate of the Reorganized Debtors' future financial performance, which is necessarily based on certain assumptions regarding the future performance of the Reorganized Debtors' operations during the Wind Down. While the Debtors believe that the Financial Projections contained in this Disclosure Statement are reasonable, risk factors that may negatively impact the projected financial results include (i) a deterioration in the "win rate" for SSA Cases and VA Cases; (ii) adverse changes in the political climate that could affect the prosecution and completion of the SSA Cases and VA Cases; (iii) loss of key employees; (iv) inability to monetize the VA cases and business; (v) inability to achieve modified real estate lease terms; (vi) future negotiations with the Union and possible contract extensions; and (vii) income tax assessments that exceed those in the Financial Projections.

B. Failure to Confirm Plan

Even if the impaired Classes accept or could be deemed to have accepted the Plan, the Plan may not be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, (1) that the confirmation of the Plan not be followed by liquidation or a need for further financial reorganization, unless, as is the case here, the Plan provides for such liquidation or reorganization, (2) that the value of distributions to dissenting holders not be less than the value of distributions to such holders if the Debtors were liquidated under chapter 7 of the Bankruptcy Code, and (3) that the Plan and the Debtors, as proponents of the Plan, otherwise comply with the applicable provisions of the Bankruptcy Code. Although the Debtors believe that the Plan will meet all applicable tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

C. Nonconsensual Confirmation

Pursuant to the "cramdown" provisions of section 1129(b) of the Bankruptcy Code, the Bankruptcy Court can confirm the Plan notwithstanding the nonacceptance of the Plan by an Impaired Class of Claims or Equity Interests if at least one other Impaired Class has accepted the Plan (with such acceptance being determined without including the acceptance of any insider (as defined in section 101(31) of the Bankruptcy Code) in such Class) and, as to each Impaired Class which has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to Impaired Classes. In accordance with section 1129(a)(8) of the Bankruptcy Code, the Debtors intend to request confirmation of the Plan in accordance with section 1129(b) of the Bankruptcy Code.

Although the Debtors believe that the Plan satisfies the requirements of section 1129(b), there is no guaranty that the Bankruptcy Court will reach that conclusion. Moreover, although the Debtors encourage all Creditors in an impaired Class to vote in favor of the Plan and the Debtors believe that they are likely to have at least one impaired Class vote in favor of the Plan, there is no guaranty that this will occur. If no impaired Class votes in favor of the Plan, the Plan cannot be confirmed as written.

D. Delays of Confirmation or Effective Date

Any delays of either confirmation or effectiveness of the Plan could result in, among other things, increased administrative costs, including professional fee claims. These negative effects of delays of either confirmation or effectiveness of the Plan could endanger the ultimate approval of the Plan by the Bankruptcy Court.

E. Certain Bankruptcy Considerations

Although the Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the resolicitation of votes. In addition, although the Debtors believe that the Effective Date will occur during the third calendar quarter of 2016, there can be no assurance as to such timing.

F. Certain Tax Considerations

There are a number of material United States federal income tax considerations, risks and uncertainties associated with consummation of the Plan. Interested parties should read carefully the discussion set forth in Article IX of this Disclosure Statement (*"Certain United States Federal Income Tax Consequences of the Plan"*) for a discussion of the material United States federal income tax consequences and risks for Holders of Claims resulting from the transactions occurring in connection with the Plan.

G. The Debtors Have No Duty to Update

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

H. No Representations Outside This Disclosure Statement Are Authorized

No representations concerning or related to the Debtors, the chapter 11 cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement should not be relied upon by you in arriving at your decision.

I. Claims Could Be More Than Projected, Assets Could Be Less Than Projected

The Allowed amount of Claims in each Class could be greater than projected, which in turn, could cause the amount of distributions to creditors to be reduced substantially. Likewise,

the amount of cash realized for the liquidation of the Debtors' assets could be less than projected, which could cause the amount of distributions to creditors to be reduced substantially.

J. No Legal Or Tax Advice Is Provided To You By This Disclosure Statement

The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each Claim or Equity Interest Holder should consult his, her, or its own legal counsel and accountant as to legal, tax, and other matters concerning his, her, or its Claim or Equity Interest.

This Disclosure Statement is not legal advice to you. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

IX. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. ALL HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE PLAN AND THE OWNERSHIP AND DISPOSITION OF CLAIMS INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN (NON-US) TAX LAWS AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

This discussion is provided for information purposes only, and is based on provisions of the Internal Revenue Code of 1986, as amended (the "IRC"), Treasury Regulations promulgated thereunder, judicial authorities, and current administrative rulings and practice, all as in effect on the date hereof. Legislative, judicial, or administrative changes or interpretations enacted or promulgated after the date hereof could alter or modify the analyses set forth below with respect to the United States federal income tax consequences of the Plan. Any such changes or interpretations may be retroactive and could significantly, and adversely, affect the United States federal income tax consequences of the Plan. To the extent that the following discussion relates to the consequences to holders of Claims or Equity Interests, it is limited to holders that are United States persons within the meaning of the IRC. For purposes of the following discussion, a "United States person" is any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States or any state or political subdivision thereof;
- an estate, the income of which is subject to federal income taxation regardless of its source; or
- a trust that (a) is subject to the primary supervision of a United States court and which has one or more United States fiduciaries who have the authority to control

all substantial decisions of the trust, or (b) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to a particular holder in light of its particular facts and circumstances, or to certain types of holders subject to special treatment under the IRC. Examples of holders subject to special treatment under the IRC are governmental entities and entities exercising governmental authority, foreign companies, persons who are not citizens or residents of the United States, banks and certain other financial institutions, broker-dealers, insurance companies, tax-exempt organizations, real estate investment trusts, small business investment companies, regulated investment companies, holders that are or hold their Claims or Equity Interests through a partnership or other pass-through entity, dealers in securities or foreign currency, persons that have a functional currency other than the U.S. dollar, and persons holding Claims that are a hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale, or conversion transaction. This discussion does not address other U.S. federal taxes or the foreign, state, or local tax consequences of the Plan. Furthermore, this discussion generally does not address the U.S. federal income tax consequences to holders that are unimpaired under the Plan.

The tax treatment of holders of Claims or Equity Interests and the character, amount and timing of income, gain or loss recognized as a consequence of the Plan and the Distributions provided for by the Plan may vary, depending upon the following factors, among others: (i) whether the Claim or portion thereof constitutes a Claim for principal or interest; (ii) the type of consideration, if any, received by the holder in exchange for the Claim, and whether the holder receives Distributions under the Plan in more than one taxable year; (iii) whether the holder is a citizen or resident of the United States for tax purposes, is otherwise subject to U.S. federal income tax on a net basis, or falls into any special class of taxpayers, such as those that are excluded from this discussion as noted above; (iv) the manner in which the holder acquired the Claim; (v) the length of time that the Claim has been held; (vi) whether the Claim was acquired at a discount; (vii) whether the holder has taken a bad debt deduction or a worthless securities deduction with respect to the Claim or any portion thereof in the current or prior taxable years; (viii) whether the holder has previously included in gross income accrued but unpaid interest with respect to the Claim; (ix) the method of tax accounting of the holder; (x) whether the Claim is an installment obligation for U.S. federal income tax purposes; (xi) whether the Claim is considered a "security" for U.S. federal income tax purposes; and (xii) whether the "market discount" rules apply to the holder. Therefore, each holder should consult such holder's own tax advisor for tax advice with respect to that holder's particular situation and circumstances, and the particular tax consequences to such holder of the transactions contemplated by the Plan.

A significant amount of time may elapse between the date of the Disclosure Statement and the receipt of a final Distribution under the Plan. Events occurring after the date of the Disclosure Statement, such as new or additional tax legislation, court decisions, or administrative changes, could affect the U.S. federal income tax consequences of the Plan and the transactions contemplated thereunder. No ruling has been or will be sought from the IRS with respect to any of the tax aspects of the Plan, and no opinion of counsel has been or will be obtained by the

Debtors with respect thereto. No representations are being made regarding the particular tax consequences of the confirmation or implementation of the Plan as to any holder of a Claim or Equity Interest. This discussion is not binding upon the IRS or other taxing authorities. No assurance can be given that the IRS or another authority would not assert, or that a court would not sustain, a different position from any discussed herein.

THE FOLLOWING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FOLLOWING DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, EACH HOLDER IS STRONGLY URGED TO CONSULT SUCH HOLDER'S TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, AND LOCAL INCOME TAX CONSEQUENCES, AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES, OF THE PLAN.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS OF CLAIMS OR EQUITY INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS OF CLAIMS OR EQUITY INTERESTS UNDER THE IRC; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS OR EQUITY INTERESTS SHOULD SEEK ADVICE BASED ON EACH HOLDER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR

A. Federal Income Tax Consequences to Holders of Claims and Interests

A holder of an Allowed Claim will generally recognize ordinary income to the extent that the amount of Cash or property received (or deemed received) under the Plan is attributable to interest that accrued on a Allowed Claim but was not previously paid by the Debtors or included in income by the holder of the Allowed Claim. A holder of an Allowed Claim will generally recognize gain or loss equal to the difference between the holder's adjusted basis in its Allowed Claim and the amount realized by the holder in respect of its Allowed Claim. The amount realized generally will equal the sum of Cash and the fair market value of other consideration received (or deemed received) by the holder under the Plan on the Effective Date or a subsequent distribution date in respect of the holder's Allowed Claim, less the amount, if any, attributable to accrued but unpaid interest.

The character of any gain or loss that is recognized as such will depend upon a number of factors, including the status of the holder, the nature of the Allowed Claim in the holder's hands, whether the Allowed Claim was purchased at a discount, whether and to what extent the holder has previously claimed a bad debt deduction with respect to the Allowed Claim, and the holder's

holding period of the Allowed Claim. If the Allowed Claim in the holder's hands is a capital asset, the gain or loss realized will generally be characterized as a capital gain or loss. Such gain or loss will constitute long-term capital gain or loss if the holder held such Allowed Claim for longer than one year, or short-term capital gain or loss if the holder held such Allowed Claim for one year or less. Any capital loss realized generally may be used by a corporate holder only to offset capital gains, and by an individual holder only to the extent of capital gains plus $3,000 of ordinary income in any single taxable year.

A holder of an Allowed Claim who receives, in respect of the holder's Allowed Claim, an amount that is less than that holder's tax basis in such Allowed Claim may be entitled to a bad debt deduction under IRC Section 166(a) or a worthless securities deduction under IRC Section 165(g). The rules governing the character, timing, and amount of bad debt or worthless securities deductions place considerable emphasis on the facts and circumstances of the holder, the obligor, and the instrument with respect to which a deduction is claimed. Holders of Allowed Claims, therefore, are urged to consult their tax advisors with respect to the ability to take either deduction. A holder that has previously recognized a loss or deduction in respect of that holder's Allowed Claim may be required to include in gross income (as ordinary income) any amounts received under the Plan to the extent such amounts exceed the holder's adjusted basis in such Allowed Claim.

Holders of Allowed Claims who were not previously required to include any accrued but unpaid interest with respect to an Allowed Claim may be treated as receiving taxable interest income to the extent any consideration they receive under the Plan is allocable to such interest. A holder previously required to include in gross income any accrued but unpaid interest with respect to an Allowed Claim may be entitled to recognize a deductible loss to the extent such interest is not satisfied under the Plan.

A holder of an Allowed Claim constituting an installment obligation for tax purposes may be required to currently recognize any gain remaining with respect to such obligation if, pursuant to the Plan, the obligation is considered to be satisfied at other than at face value or distributed, transmitted, sold or otherwise disposed of within the meaning of IRC Section 453B.

The holders of certain Allowed Claims are expected to receive only a partial Distribution with respect to their Allowed Claims. Whether the holder of such a Claim will recognize a loss, a deduction for worthless securities or any other tax treatment will depend upon facts and circumstances that are specific to the nature of each holder and its Claim. Accordingly, a holder of such a Claim should consult such holder's own tax advisor.

Under backup withholding rules, a holder of an Allowed Claim may be subject to backup withholding with respect to payments made pursuant to the Plan unless such holder (i) is a corporation or is otherwise exempt from backup withholding and, when required, demonstrates this fact, or (ii) provides a correct taxpayer identification and certifies under penalty of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of failure to report all dividend and interest income. Any amount withheld under these rules will be credited against the holder's federal income tax liability. Holders of Allowed Claims may be required to establish an exemption from backup withholding or to make arrangements with regard to payment of any backup withholding.

Holders of Disallowed Claims or Equity Interests will not receive any Distribution as part of the Plan. Accordingly, because such a holder may receive an amount that is less than that holder's tax basis in such Claim or Equity Interest, such holder may be entitled to a bad debt deduction under IRC Section 166(a) or a worthless securities deduction under IRC Section 165(g). The rules governing the character, timing, and amount of bad debt or worthless securities deductions place considerable emphasis on the facts and circumstances of the holder, the obligor, and the instrument with respect to which a deduction is claimed. Holders of Disallowed Claims or Equity Interests, therefore, are urged to consult their tax advisors with respect to the ability to take either deduction.

B. Federal Income Tax Consequences to Debtors

Under the IRC, a taxpayer generally must include in gross income the amount of any cancellation of indebtedness income ("COD Income") realized during the taxable year. Section 108 of the IRC provides an exception to this general rule, however, if the cancellation occurs in a case under the Bankruptcy Code, but only if the taxpayer is under the jurisdiction of the bankruptcy court and the cancellation is granted by the court or is pursuant to a plan approved by the court.

Section 108 of the IRC requires the amount of COD Income so excluded from gross income to be applied to reduce certain tax attributes of the taxpayer. The tax attributes that may be subject to reduction include the taxpayer's net operating losses and net operating loss carryovers (collectively, "NOLs"), certain tax credits and tax credit carryovers, capital losses and capital loss carryovers, tax bases in assets, and passive activity loss carryovers. Attribute reduction is calculated only after the tax for the year of the discharge has been determined. Section 108 of the IRC further provides that a taxpayer does not realize COD Income from cancellation of indebtedness to the extent that payment of such indebtedness would have given rise to a deduction.

Under the Plan, holders of certain Allowed Claims are expected to receive less than full payment on their Claims, and holders of Disallowed Claims are expected to receive no payments. The Debtors' liability to the holders of such Claims in excess of the amount satisfied by Distributions under the Plan will be cancelled and therefore will result in COD Income to the Debtors. The Debtors should not realize any COD Income, however, to the extent that payment of such Claims would have given rise to a deduction to the Debtors had such amounts been paid. In addition, any COD Income that the Debtors realize should be excluded from the Debtors' gross income pursuant to the bankruptcy exception to section 108 of the IRC described above, because the cancellation will occur in a case under the Bankruptcy Code, while the taxpayer is under the jurisdiction of the bankruptcy court, and the cancellation is granted by the court or is pursuant to a plan approved by the court. The exclusion of the COD Income, however, will result in a reduction of certain tax attributes of the Debtors, such as the NOLs, as described above. Because attribute reduction is calculated only after the tax for the year of discharge has been determined, the COD Income realized by the Debtors under the Plan should not diminish the NOLs and other tax attributes that may be available to offset any income and gains recognized by the Debtors in the taxable year that includes the Effective Date.

X.

PROCESS OF VOTING AND CONFIRMATION

The following is a brief summary regarding the voting procedures and the requirements for confirmation of the Plan. Holders of Claims and Holders of Equity Interests are encouraged to review the relevant provisions of the Bankruptcy Code or to consult their own attorneys. Additional information regarding voting procedures is set forth in the Confirmation Hearing Notice accompanying this Disclosure Statement.

A. Voting Instructions

This Disclosure Statement, accompanied by a Ballot to be used for voting on the Plan, is being distributed to Holders of Allowed Claims in Classes 2, 4, and 5. Only such Holders of Allowed Claims are entitled to vote to accept or reject the Plan, and may do so by completing the Ballot and returning it to the Voting Agent:

Via Post office:

BMC Group, Inc.
Attn: Binder & Binder Ballot Tabulation
P.O. Box 90100
Los Angeles, CA 90009

Via FedEx or hand-delivery:

BMC Group, Inc.
Attn: Binder & Binder Ballot Tabulation
3732 West 120th Street
Hawthorne, CA 90250

In light of the benefits to be attained under the Plan by the Holders in each Impaired Class of Claims, the Debtors recommend that Holders of Claims in the Impaired Classes vote to accept the Plan and return the Ballot prior to the Voting Deadline referred to below.

BALLOTS MUST BE RECEIVED BY THE VOTING AGENT ON OR BEFORE THE VOTING DEADLINE OF SEPTEMBER 6, 2016 AT 4:00 PM (EASTERN TIME). ANY BALLOTS RECEIVED AFTER THE FOREGOING TIME MAY NOT BE COUNTED. ANY BALLOT WHICH IS EXECUTED BY THE HOLDER OF AN ALLOWED CLAIM BUT WHICH DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN SHALL NOT BE COUNTED AS AN ACCEPTANCE OR REJECTION OF THE PLAN. A BALLOT TRANSMITTED TO THE VOTING AGENT BY FACSIMILE, EMAIL OR OTHER ELECTRONIC METHOD WILL NOT BE COUNTED.

Except to the extent permitted by the Bankruptcy Court, Ballots received after the Voting Deadline will not be accepted or counted by the Debtors in connection with the Debtors' request for confirmation of the Plan. The Proponents expressly reserve the right to amend, at any time

and from time to time, the terms of the Plan (subject to compliance with the requirements of section 1127 of the Bankruptcy Code). If the Proponents make a material change to the terms of the Plan or waive a material condition thereof, the Debtors will disseminate additional solicitation materials and will extend the Voting Deadline, in each case to the extent required by law.

If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other Person acting in a fiduciary or representative capacity, such Person must so indicate and, unless otherwise determined by the Debtors, must submit evidence satisfactory to the Debtors of such Person's authority.

Except as provided below or as ordered by the Bankruptcy Court, unless the Ballot being furnished is timely submitted on or prior to the Voting Deadline, the Debtors may, in their discretion, reject such Ballot as invalid and decline to recognize such Ballot in connection with confirmation of the Plan by the Bankruptcy Court.

In the event that a Claim is disputed or a designation is requested under section 1126(e) of the Bankruptcy Code, any vote cast to accept or reject the Plan with respect to such Claim will not be counted for purposes of determining whether the Plan has been accepted or rejected, unless the Bankruptcy Court orders otherwise.

The method of delivery of Ballots to be delivered to the Voting Agent is at the election and risk of each Holder of a Claim. Except as otherwise provided in herein, such delivery will be deemed made only when actually received by the Voting Agent. Instead of effecting delivery by mail, it is recommended that such Holders use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery.

Any Holder of Impaired Claims that has delivered a valid Ballot may withdraw its vote solely in accordance with Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

Subject to any contrary order of the Bankruptcy Court, the Debtors reserve the absolute right to reject any and all Ballots not proper in form and the acceptance of which would, in the opinion of the Debtors or its counsel, not be in accordance with the provisions of the Bankruptcy Code. Subject to contrary order of the Bankruptcy Court, the Debtors further reserve the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot unless otherwise directed by the Bankruptcy Court. Unless waived or as ordered by the Bankruptcy Court, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine. Neither the Debtors, nor any other Entity, will be under any duty to provide notification of defects or irregularities with respect to the delivery of Ballots and neither the Debtors, nor any other Entity, will incur any liability for failure to provide such notice. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots as to which any irregularities have not theretofore been cured or waived will not be counted.

B. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires that the Bankruptcy Court, after notice, hold a hearing on confirmation of a plan (the "Confirmation Hearing"). Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of such plan.

The Confirmation Hearing in respect of the Plan has been scheduled for September 13, 2016 at 2:00 PM (Eastern Time), or as soon thereafter as counsel may be heard, before the Honorable Robert D. Drain, United States Bankruptcy Judge, in the United States Bankruptcy Court for the Southern District of New York, 300 Quarropas Street, White Plains, New York 10601. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for any announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

Objections to confirmation of the Plan must be filed and served on or before September 6, 2016 at 4:00 PM (Eastern Time) in accordance with the Notice accompanying this Disclosure Statement. UNLESS OBJECTIONS TO CONFIRMATION OF THE PLAN ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE DISCLOSURE STATEMENT APPROVAL ORDER, THEY WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

C. Statutory Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of section 1129 of the Bankruptcy Code have been satisfied. If so, the Bankruptcy Court shall enter the Confirmation Order. The Debtors believe that the Plan satisfies or will satisfy the applicable requirements, as follows:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or to be made under the Plan for services or for costs and expenses in or in connection with the Debtors' chapter 11 cases has been disclosed to the Bankruptcy Court and any such payment made before the confirmation of the Plan is reasonable or if such payment is to be fixed after the confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court.
- With respect to each Class of Impaired Claims, either each Holder of a Claim in such Class had accepted the Plan or each such Holder will receive or retain under the Plan on account of such Claim property of a value as of the Effective Date of the Plan that is not less than the amount that such Holder would receive or retain

if the Debtors were liquidated on such date under chapter 7 of the Bankruptcy Code.

- Each Class of Claims that is entitled to vote on the Plan has either accepted the Plan or is not impaired under the Plan.

- Except to the extent that the Holder of a particular Claim agrees to a different treatment of such Claim, the Plan provides that Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Non-Tax Priority Claims and Allowed Secured Claims will be paid in full on the Effective Date or as soon thereafter as practicable.

- At least one Class of Impaired Claims (not including any acceptance of the Plan by any Insider (as defined in section 101(31) of the Bankruptcy Code) holding a Claim in such Class) has accepted the Plan.

- Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan.

- All fees of the type described in 28 U.S.C. § 1930, including the fees of the United States Trustee, will be paid as of the Effective Date.

The Debtors believe that (1) the Plan satisfies or will satisfy all of the statutory requirements of chapter 11 of the Bankruptcy Code; (2) they have complied or will have complied with all of the requirements of chapter 11 of the Bankruptcy Code; and (3) the Plan has been proposed in good faith.

1. Best Interests of Creditors Test

Before the Plan may be confirmed, the Bankruptcy Court must find (with certain exceptions) that the Plan provides, with respect to each Class, that each Holder of a Claim in such Class either (a) has accepted the Plan or (b) will receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain if the Debtors liquidated under chapter 7 of the Bankruptcy Code.

In chapter 7 liquidation cases, unsecured creditors and equity interest holders of a debtor are paid from available assets generally in the following order, with no lower class receiving any payments until all amounts due to senior classes have been paid fully or payment has been provided for:

- Secured creditors (to the extent of the value of their collateral).

- Priority creditors.

- Unsecured creditors.

- Debt expressly subordinated by its terms or by order of the Bankruptcy Court.

- Equity interest holders.

This is a chapter 11 plan with many characteristics of a liquidating plan. In any event, whether by the Plan Administrator, or a chapter 7 trustee, the Debtors' existing business will be wound-down through the Plan and the Estates' assets will be monetized. Accordingly, there is no reorganization value to be calculated, or distribution scenarios related thereto. In addition, the activities of the Plan Administrator after the Effective Date are substantially similar to those that would be pursued by a chapter 7 trustee.

After careful review of the estimated recoveries in a chapter 11 liquidation scenario and a chapter 7 liquidation scenario, the Debtors have concluded that the recoveries to Creditors will be maximized by completing the Wind-Down of the Debtors' existing business under chapter 11 of the Bankruptcy Code and making distributions pursuant to the Plan. The Debtors believe that the Debtors' Estates have value that would not be fully realized by Creditors in a chapter 7 liquidation primarily because, among other reasons, (i) additional administrative expenses would be incurred in a chapter 7 liquidation, specifically those of a chapter 7 trustee charging statutory fees of up to 3% of disbursements and any costs of counsel to the chapter 7 trustee to become familiar with the facts and circumstances of these cases, and (ii) the additional delay in distributions that would occur if the Debtors' chapter 11 cases were converted to a case under chapter 7 due to the nature of the Debtors' businesses, the complexity of the SSA and VA disability programs and claims processes and the industry in which they operate.

D. Plan Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successors to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan. The Plan provides for a controlled, orderly Wind-Down of the Debtors' business and distribution of the Cash proceeds to creditors in accordance with the priority scheme of the Bankruptcy Code and the terms of the Plan. While the Reorganized Debtors will not be accepting new SSA Cases or VA Cases after the Effective Date, they will continue to operate during the Wind-Down.

While the ability to make the distributions described in the Plan does not depend on future going-concern operations of the Debtors, it does depend on the orderly Wind-Down of the Debtors' existing business in order to monetize the Debtors' existing SSA Cases and VA Case and fund the distributions to the holders of Allowed Claims against the Debtors. Accordingly, the Debtors believe that the Plan is feasible and meets the requirements of section 1129(a)(11) of the Bankruptcy Code.

E. Section 1129(b): Unfair Discrimination and the "Fair and Equitable" Test

The Debtors will request Confirmation of the Plan under section 1129(b) of the Bankruptcy Code, and they have reserved the right to modify the Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification. The Bankruptcy Court may confirm the Plan over the rejection or deemed rejection of the Plan by an

Impaired Class of Claims or Equity Interests if the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such Class.

1. No Unfair Discrimination

The "unfair discrimination" test applies to Impaired Classes of Claims or Equity Interests that are of equal priority and are receiving disparate treatment under the Plan. The test does not require that the treatment of such Classes be the same or equivalent, but only that the treatment be "fair." The Plan does classify separately Claims against the Debtors, into two or more Impaired Classes of equal priority, but does not do so unfairly.

The Stellus Unsecured Claims, Class 4, and the General Unsecured Claims, Class 5, are impaired, of equal priority and classified separately. The estimated allowed amount of the Stellus Unsecured Claims is $17,025,861, which accounts for approximately 69% of the estimated total unsecured claims against the Debtors. Prepetition, Stellus served as Mezzanine Lender and was party to the Stellus Prepetition Subordinated Investment Agreement with the First DIP Lenders. Any and all claims and causes of action pursuant to the Stellus Prepetition Subordinated Investment Agreement are to be resolved consensually pursuant to the Plan. Postpetition, Stellus served as the Alternative DIP Lender and was a co-proponent of the Stellus Plan, Stellus Amended Plan, and Stellus Second Amended Plan.

Based on the significantly different positions of Stellus and other general unsecured creditors, including the desire to resolve any and all causes of action in connection with the Stellus Prepetition Subordinated Investment Agreement, separate classification of the Stellus Unsecured Claims and General Unsecured Claims is appropriate. Accordingly, the Plan does not unfairly discriminate and satisfies the "unfair discrimination" test. As such, there is no basis for any Claimant to assert otherwise.

2. Fair and Equitable Test: "Cramdown"

The Bankruptcy Code provides a non-exclusive definition of the phrase "fair and equitable." The Bankruptcy Code establishes "cramdown" tests for dissenting classes of secured creditors, unsecured creditors and equity holders. As to each dissenting class, the test prescribes different standards, depending on the type of claims or equity interests in such class:

Secured Creditors. With respect to each class of secured claims that rejects the plan, the plan must provide (i)(a) that each older of a Secured Claim in the rejecting class retain the liens securing those claims, whether the property subject to those liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such secured claim and (b) that the Secured Creditor receives on account of its secured claim deferred cash payments having a value, as of the effective date of the plan, of at least the value of the allowed amount of such secured claim; (ii) for the sale of any property that is subject to the liens securing the claims included in the rejecting class, free and clear of such liens, with such liens to attach to the proceeds of the sale, and the treatment of such liens on proceeds under clause (i) or (iii) of this subparagraph; or (iii) for the realization by the Secured Creditor of the "indubitable equivalent" of its Secured Claim.

Unsecured Creditors. With respect to each Impaired Class of unsecured Claims that rejects the plan, the plan must provide (A) that each holder of a claim in the rejecting class will receive or retain on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (B) that no holder of a claim or interest that is junior to the claims of such rejecting class will receive or retain under the Plan any property on account of such junior claim or interest.

Equity Interests. With respect to each Impaired Class of equity interests that rejects the plan, the plan must provide (I) that each holder of an equity interest included in the rejecting class receive or retain on account of that equity interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such equity interest; or (II) that no holder of an equity interest that is junior to the equity interests of such rejecting class will receive or retain under the plan any property on account of such junior interest.

The Debtors believe that the Plan may be confirmed pursuant to the above-described "cramdown" provisions, over the dissent of certain Classes of Claims and Equity Interests, in view of the treatment proposed for such Classes. The Debtors believe that the treatment under the Plan of the Holders of Classes 2, 4, 5, 6, and 7 will satisfy the "fair and equitable" test. Additionally, as noted above, the Debtors do not believe that the Plan unfairly discriminates against any dissenting Class because all dissenting Classes of equal rank are treated equally under the Plan.

XI.
ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Liquidation Under Chapter 7

If no chapter 11 plan can be confirmed, the Debtors' chapter 11 cases may be converted to a case under chapter 7 of the Bankruptcy Code to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under chapter 7 would result in lower distributions being made to creditors than those provided for in the Plan because, among other reasons, (1) additional administrative expenses would be incurred in a chapter 7 liquidation, specifically those of a chapter 7 trustee charging statutory fees of up to 3% of disbursements and any costs of counsel to the chapter 7 trustee to become familiar with the facts and circumstances of these cases, and (2) the additional delay in distributions that would occur if the Debtors' chapter 11 cases were converted to a case under chapter 7.

B. Alternative Plan of Reorganization

The Debtors, with the assistance of their professionals, have considered their options and have concluded that the Plan offers the best and highest recoveries for Creditors. The Debtors have concluded that the Plan provides greater potential recoveries for Creditors than any feasible alternative.

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RECOMMENDATION

In the opinion of the Debtors, the Plan is preferable to the alternatives described herein. It provides for larger distribution to the Holders than would otherwise result in a liquidation under chapter 7 of the Bankruptcy Code. In addition, any alternative other than confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in smaller distributions to the Holders of Claims. Accordingly, the Debtors recommend that Holders of Claims entitled to vote to accept or reject the Plan support confirmation of the Plan and vote to accept the Plan.

Dated: August 1, 2016

Respectfully submitted,

By: */s/ William A. Brandt, Jr.*
William A. Brandt, Jr.
Chief Restructuring Officer