

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION**

In re:)	
)	Case No. 3:16-bk-09189
IMAG VIDEO/AV, INC.,)	Chapter 11
)	Judge Randal S. Mashburn
Debtor.)	

**DISCLOSURE STATEMENT TO ACCOMPANY DEBTOR’S
PLAN OF REORGANIZATION**

IMAG Video/AV, Inc. (“**IMAG**” or “**Debtor**”) submits this Disclosure Statement for use in soliciting acceptances of its Plan of Reorganization (the “**Plan**”). All capitalized terms not defined in this Disclosure Statement are defined in Debtor’s Plan.

INTRODUCTION

IMAG is an Arizona corporation headquartered in Nashville, Tennessee, with an additional domestic warehouse in Las Vegas, Nevada. IMAG is owned by Steven C. Daniels (“**Daniels**”), who also serves as its CEO. IMAG has been a leading provider of audio-visual and video equipment, light-emitting diode (“**LED**”) displays, entertainment solutions, and skilled technical installation at both client and remote sites since 1990. IMAG has thirteen (13) employees, and utilizes contract and subcontract labor for its site-based operations. Debtor’s primary debts are operational and are the result of external market forces. Debtor made significant investment in LED technology at substantial cost, only to have the sales *and* rental markets crater upon the entry of cheaper LED into the market, as well as the introduction of new technologies. As a result, IMAG owes millions of dollars on inventory now worth just a fraction of its acquisition cost, and has been unable to make necessary debt service payments due to declining revenues since the debt was incurred.

On December 31, 2016, Debtor filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. The commencement of a Chapter 11 case creates an “estate” comprised of all the legal and equitable interests of Debtor. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may remain in possession of its property and continue to operate its business as a “debtor in possession.” Formulation of a plan of reorganization is the principal purpose of a Chapter 11 case. The plan is the vehicle for satisfying the holders of claims against and equity interests in a debtor.

The Disclosure Statement describes Debtor’s assets and liabilities, current business, and various transactions contemplated under the Plan. The purpose of this Disclosure Statement is to enable holders of Impaired Claims against Debtor who are entitled to vote under the Plan to make an informed decision with respect to the Plan before exercising their rights to vote to accept or reject the Plan. The Bankruptcy Court’s approval of this Disclosure Statement does not constitute either

a guarantee of the accuracy or completeness of the information contained herein or an endorsement of any of the information contained in this Disclosure Statement or the Plan.

Holders of Claims should read this Disclosure Statement and the Plan in their entirety before voting on the Plan. No solicitation of votes with respect to the Plan may be made except pursuant to this Disclosure Statement. No statement or information concerning Debtor (particularly as to results of operations or financial condition, or with respect to distributions under the Plan) or any of the assets or properties of Debtor given to solicit acceptances or rejections of the Plan is authorized, other than as set forth in this Disclosure Statement. In the event of any inconsistencies between the provisions of the Plan and this Disclosure Statement, the provisions of the Plan shall control.

ARTICLE I. PROGRESS OF THE CHAPTER 11 CASE

1.01 Description of Debtor's Business

Daniels co-founded IMAG in 1990. Upon acquiring all shares of IMAG, Daniels grew the business from a spin-off of Video West AV to an international enterprise, installing video equipment for the Olympics, presidential inaugurations, sold-out stadium concerts, and hotels, as well as conventions, fairs, concert tours and smaller scale office installations. IMAG has handled contracts for Ryman Hospitality, the Beijing, London and Rio Olympics, and concerts for acts as diverse as Jimmy Buffett and the Backstreet Boys. In addition to this rental business, IMAG sells and installs LED into bars, event spaces, casinos, hotels and churches. IMAG also dry-hires, or box-rents, its equipment to competitors when the competitors are low on stock. IMAG deploys a workforce of skilled technicians to manage and install its temporary and permanent LED and AV solutions. Daniels and IMAG have developed relationships with venues, tour promoters, event coordinators and hospitality clients both domestically and around the world, and IMAG has access to the latest video and LED technologies available, or soon to be available, in the market today.

IMAG's primary value is derived from its ongoing operations and relationships with its vendors and customers, as well as IMAG's sizable existing inventory. IMAG's current revenue and operating projections are derived from its ability to obtain new contracts for temporary rental and permanent installations. Without the reputation, experience and industry know-how brought to bear by Daniels and IMAG's employees, IMAG would not have a reasonable likelihood of reorganization. IMAG does have tangible assets in the form of cash, property, and equipment. IMAG's Statements and Schedules included an annual year-end inventory of IMAG's assets, which valued the equipment at \$16,884,277.52 on a recent cost basis. However, a recent appraisal by Certified Consulting Group, LLC determined that the actual value of IMAG's inventory, in the event of a liquidation, is between \$1.7 million and \$2.7 million.

As of the Petition Date, IMAG held approximately \$83,290.62 in cash, was due \$262,358.85 in receivables, and owned \$55,500 worth of automobiles and warehouse machinery, which assets are encumbered in part. As of the Petition Date, Debtor's Liabilities were estimated as \$12,808,686.19. Any party in interest is directed to review Debtor's monthly operating reports to assess any change to Debtor's assets and liabilities since the Petition Date.

1.02 Events Leading to Chapter 11 Filings

IMAG grew from \$1 million in revenue in 1990 to nearly \$12 million in revenue in 2008. IMAG used this revenue to invest heavily in acquiring the latest, top-of-the-line European LED technology, both with cash-on-hand and through financing arrangements. IMAG anticipated that its industry experience and expansive inventory would keep it poised for continued revenue growth, making satisfaction of its growing debt load a matter of course. However, the downturn in the U.S. economy drastically cut IMAG's revenue by half in 2009 and subsequent years. IMAG was unable to meet its bank-owned debt obligations, and made interest-only payments through 2012, at which point Daniels used \$3.4 million in personal funds to pay off Debtor's secured debt.

Contemporaneous with the domestic economic tailspin, IMAG faced pressure from international market forces. In about 2009, LED manufactured in Korea and China entered the marketplace. By 2012, Asian manufactured LED had almost 100% market share. However, this LED equipment was nearly ten times (10x) less expensive than the European LED purchased by IMAG just a few years earlier. IMAG saw competition increase, due to lower costs of entry, but continued to expand its operations.

IMAG developed a close business relationship with Panasonic after working together for several cycles on projects related to the Olympics. As evidenced in Debtor's inventory, IMAG purchased millions of dollars in LED product from Panasonic. When IMAG's relationship with Panasonic began, IMAG's European LED had aged significantly, and IMAG viewed its Panasonic relationship as an opportunity to acquire refresh its inventory at a price point that IMAG deemed favorable. Eventually, IMAG's relationship with Panasonic became even more extensive, including an agreement to bring OEM Chinese LED product to the U.S. market through lease-purchase agreements.

IMAG anticipated that the LED market hit bottom at some point in 2014, but its optimism was not rewarded. Instead, product that IMAG purchased for \$4,200 per meter in 2014 is now being sold at \$2,400 per meter. Combined with additional product coming to market, the drastic cut in retail and resale value of IMAG's LED stock has created a perfect storm of insolvency. IMAG's rental margins have decreased by twenty-five to thirty percent (25-30%) over the past two years due to lower entry costs, higher product availability, and increased commoditized competition. Further, because the cost of new LED product is so low, IMAG has had a more difficult time realizing any revenue from the sale of its used LED.

IMAG's financial stress was aggravated by serious internal problems. IMAG's long-time bookkeeper embezzled over \$1 million in company funds, now the subject of a confidential settlement agreement. In addition, IMAG's former accounting service, Conserv, mismanaged IMAG's books and records, including its payroll, operating expenses, and accounts payable and receivable, leading to numerous overpayments, unaccounted payments, and accounting gaps. IMAG is still endeavoring to discover the extent of its losses attributable to Conserv.

As of the Petition Date, IMAG was facing real pressure to make payments that IMAG could not afford, with respect to inventory that was worth just over half of its original value.

1.03 Post-Petition Operations

Debtor has remained Debtor-in-Possession and in control of its affairs since the Petition Date. There has been no examiner, restructuring officer, or other professional appointed to control Debtor's affairs. Debtor has continued to operate as usual and to seek out new business opportunities with current and prospective clients. Debtor has filed all monthly operating reports, which are available electronically to any party in interest. These reports indicate the cash flow of the IMAG relative to Debtor's costs, expenses, and debt service obligations under the Plan.

Prior to filing this Chapter 11, IMAG retained Steve Curnutte as Chief Restructuring Officer. Curnutte has significant experience in restructuring both small and large companies and has performed an in-depth financial analysis to assist Debtor's restructuring efforts, identify and remedy inefficiencies, and ensure that IMAG is adhering to a sustainable business model. IMAG also, prior to the Petition Date, hired a new Chief Operations Officer, Seth Elliott. Elliott has worked extensively to assist IMAG in recovering from and discovering the losses occasioned by Conserv, to streamline IMAG's operations, improve its accounting procedures, and increase accountability for expenses. IMAG, with the assistance of Elliott and Curnutte, has located and reduced its operational inefficiencies. IMAG is rebuilding its financial reporting and accounting procedures, tightened and restricted the expenses for its traveling sales and technician team, and has explored other cost-saving measures.

IMAG's 2016 revenues were better than 2015, but needs the fresh start provided by the Bankruptcy Code in order to preserve its operations and reorganize. IMAG will continue to focus on building and maintaining customer relationships in the event and installation marketplaces, while also diversifying its product and service offerings in order to obtain a niche in an increasingly competitive and commoditized market.

IMAG's 2017 year-to-date revenues have been less than anticipated. Debtor faced increased competition in 2017, with many of its competitors using Debtor's bankruptcy as a tool to recruit Debtor's customers. Debtor was also unable to commit to certain projects due to an uncertainty about what equipment it would, and would not, be able to retain post-bankruptcy. However, Debtor has been able to navigate the bankruptcy with a minimal operating loss. Within the past few months, Debtor has accumulated significant AR, landed several promising jobs that will pay out over the next few years, and resolved a dispute with a competitor and former employee that will provide Debtor with certainty regarding its customer contacts and limited interference from unfair competition. Debtor has also secured ongoing access to the inventory acquired from Panasonic at a highly favorable price, and has located additional sources of inventory and equipment. Debtor anticipates that it will be able meet or exceed its projections on a go-forward basis.

ARTICLE II. PROGRESS OF THE CHAPTER 11 CASE

2.01 Filing of Petition.

On December 31, 2016 (the "**Petition Date**"), Debtor filed a voluntary petition seeking relief under Chapter 11, Title 11 of the Bankruptcy Code.

2.02 First Day Administration & Relevant Proceedings

Shortly after the Petition Date, Debtor filed several motions (the “First Day Motions”), including the following:

1. an Expedited Motion to Provide Adequate Assurance to Utility Companies and Establishing Procedures for Resolving Requests for Additional Assurance (Doc. No. 7); and
2. an Expedited Motion to Pay Pre-Petition Wages and Expenses (Doc. No. 8), as amended by Supplemental Exhibit (Doc. No. 14);

The Court granted Debtor’s Utilities and Pre-Petition Wages Motions on an interim basis. By final order, the Court granted Debtor’s Pre-Petition Wages Motion (Doc. No. 35) and Utilities Motion (Doc. No. 36).

The Debtor sought and obtained Court approval to employ Dunham Hildebrand, PLLC as Debtor’s attorney (Doc. No. 53) and to employ Steve Curnutte *nunc pro tunc* (Doc. No. 112). The Debtor also obtained Court approval to employ Rachel Thomas as special counsel to litigate and resolve state law litigation matters relating to unfair competition (Doc. No. 71). Ms. Thomas’ work led to the Motion to Approve Compromise between Debtor and Doug Green, and between Debtor and Atema Partners Corporation, filed in this Court on September 8, 2017. Debtor’s resolution of the Doug Green and Atema dispute resolves Debtor’s perceived issues with losing customers due to unfair competition and its claim against Doug Green for pre-petition misappropriation of funds.

On April 13, 2017, Debtor and PNC Equipment Finance filed a joint motion to approve adequate protection payments, which Agreed Order was approved by the Court on May 3, 2017 (Doc. No. 69). Debtor continues to make adequate protection payments to PNC, and will continue to do so through the confirmation of Debtor’s Plan.

The past few months of Debtor’s bankruptcy have been tied up in litigation and negotiations with Panasonic. On April 28, 2017, Panasonic filed motions to compel lease rejection (Doc. No. 63) and for relief from the automatic stay (Doc. No. 64). Debtor and Debtor’s professionals spent much of the next four months in negotiations with Panasonic relating to: (1) the parties competing interpretations of the applicable contracts as leases versus finance purchases; (2) Debtor’s right to continue in possession of the Panasonic inventory, which was critical to Debtor’s continued operations; (3) the amount of Panasonic’s claim, which was then in excess of \$6 million, that Debtor would agree to pay in exchange for the equipment that was worth significantly less; and (4) how the parties would handle the structure and timing of any resolution. On August 29, 2017, Panasonic filed an agreed order resolving the consolidated motions, which required that IMAG file a Plan and Disclosure Statement incorporating the terms of the parties’ negotiated settlement agreement. Those terms are set forth in the treatment provided to Classes 4 and 5 under the Plan.

2.03 Schedules of Assets and Liabilities and Monthly Operating Reports

Pursuant to the Bankruptcy Rules and the requirements of the United States Trustee’s Office, Debtor filed its Schedules of Assets and Liabilities and the Statement of Financial Affairs on

January 19, 2017 (Doc. No. 27). Debtor has filed Monthly Operating Reports for each month since the Petition Date. In addition to the information provided herein, the Schedules, Statements and Monthly Operating Reports may be consulted and inspected by all interested persons. Copies of these and any other filings in this Chapter 11 Case may be obtained electronically by those authorized to participate in the PACER program by accessing the Bankruptcy Court's website, www.tnmb.uscourts.gov, or by writing to Debtor's counsel.

2.04 Deadline for Filing Proofs of Claim

Debtor filed a motion asking the Bankruptcy Court to set a general Claims Bar Date. By Order entered January 30, 2017, the Bankruptcy Court set **May 3, 2017** as the general Claims Bar Date, the deadline by which all proofs of claim for unsecured debts or for debts scheduled as disputed, contingent, or unliquidated had to be filed with the Clerk of the Bankruptcy Court. For unexpired leases rejected as a matter of law pursuant to § 365(d)(4) of the Bankruptcy Code (which Debtor does not anticipate in this case) and those contracts or leases deemed rejected by the Plan, the deadline for filing a claim is set by the Plan to be 30 days from the Effective Date. Should Debtor amend its Schedules in the future to change the amount of any claim or change a claim to disputed, contingent, or unliquidated, the Plan provides that the holder of such Claim shall have 30 days from service of notice of the change to file a proof of Claim. The deadline for all governmental creditors to file a proof of claim was set as **June 29, 2017**.

ARTICLE III. DEBTOR'S ASSETS AND OPERATIONS

The identity and value of the estate's assets are contained in Debtor's schedules of assets. (*See* Docket No. 27) Please also refer to Debtor's financial history set forth in the monthly operating reports. Based on this operating history, Debtor anticipates that it will be able to successfully complete its obligations under the Plan and that the Plan is feasible.

3.01 Cash

As of August 31, 2017, Debtor's Operating Debtor-in-Possession account with Pinnacle Financial Partners had an ending book balance of \$93,332.88.

3.02 Receivables

As of the December 31, 2016 Petition Date, Debtor had outstanding receivables of \$262,358.85, including an allocation of doubtful accounts of \$129,094.60, categorized as follows:

- | | | |
|----|-------------|--------------|
| 1. | Current: | \$104,236.25 |
| 2. | 1-30 Days: | \$27,412.50 |
| 3. | 31-60 Days: | \$33,425.50 |
| 4. | 61-90 Days: | \$8,190.00 |
| 5. | 91+ Days: | \$89,094.60 |

As of August 31, 2017, Debtor had outstanding receivables of \$678,249, categorized as follows:

1. Current: \$123,745
2. 31-60 Days: \$119,964
3. 61-90 Days: \$280,744
4. 91+ Days: \$2,254

Debtor does not currently list an allowance for doubtful accounts.

3.03 Inventory

Debtor owns an extensive inventory of audio visual equipment, including LED panels, speakers, projectors, as well as staging equipment, display trucks, and other equipment useful in Debtor's operations. Debtor's Monthly Operating Report for month-ending August 31, 2017 includes Debtor's inventory at a net value of \$1,925,000. A full inventory list is attached as Exhibit 2 to Debtor's Statements and Schedules, and has been valued by Certified Consulting Group, LLC at between \$1.7 million and \$2.7 million. Debtor also owns a fork lift, valued at \$15,000.

3.04 Real Property

Debtor does not own any real property.

3.05 Office Furniture and Equipment

Debtor's Nashville office is fully furnished, including desks, chairs and computers, most of which are nearing the end of their respective life cycles. Debtor does not believe that there is significant value in its office furniture and office supplies above that attributed to Debtor's other assets.

3.06 Insurance Policies.

Debtor has the following insurance policies currently in effect, as of August 31, 2017:

1. Private Company Protection Plan (Employment Practices Policy) issued by Philadelphia Insurance Companies, in effect through April 1, 2018. The annual premium for this policy is \$1,969.00.
2. Entertainment Equipment Property (inland marine) policy issued by The American Insurance Company/Fireman's Fund Insurance Company in effect through April 1, 2018. The annual premium for this policy is \$17,874.00.
3. Commercial General Liability, Auto Insurance, Property, and Crime policies issued by The American Insurance Company/Fireman's Fund Insurance Company, in effect through April 1, 2018. The annual premium for this policy is \$24,460.
4. Umbrella policy issued by The American Insurance Company/Fireman's Fund Insurance Company, in effect through April 1, 2018. The annual premium for this policy is \$7,272.

5. Workers' Compensation and Employers' Liability policy issued by The American Insurance Company/Fireman's Fund Insurance Company in effect through April 1, 2018. The annual premium for this policy is \$17,616.
6. State of New York Disability Benefits Law Policy through Standard Security Life Insurance Company. The policy does not have a termination date, and remains in effect so long as the annual policy premium of \$60 is paid.
7. Combined Crisis Coverage policy issued by the Underwriters at Lloyd's. The policy expires on April 1, 2018 and has an annual premium of \$1,009.68.

3.07 Miscellaneous Assets.

Debtor owns certain miscellaneous assets, including the following:

1. Internet domain rights to www.i-magvideo.com;
2. Trade name rights to IMAG Video/AV, Inc.;
3. IP rights in the IMAG Video/AV, Inc. logo; and
4. Proprietary, confidential customer lists and vendor lists.

Debtor does not currently anticipate any material value derived from these assets, apart from Debtor's value as a going concern.

Debtor also holds an insurance claim on its Inland Marine policy with respect to 100 meters of 2.8mm Uniview LED that was purchased by Debtor in May 2017. Debtor has made a down payment of approximately \$71,000 on the equipment. The equipment was damaged in transit and Debtor has received possession of the equipment, but the damage is such that Debtor believes the equipment was received at a total loss. Debtor currently estimates the value of this insurance claim, for liquidation purposes, at approximately \$60,000. The insurance claim receipt is variable as Debtor is still working with its insurance agency and adjuster. Debtor intends to salvage the equipment upon resolution of the insurance claim.

3.08 Executory Contracts and Leases.

As of the Petition Date, Debtor had rights and duties pursuant to the executory contracts and unexpired leases listed below. All executory contracts and unexpired leases are intended to be assumed under the Plan unless specifically rejected by Debtor by the deadline set in the Plan, regardless of whether the leases are identified in this Disclosure Statement.

(a) Real Estate Leases:

1. **Nashville Warehouse** – 193 Polk Avenue, Suite H, Nashville, Tennessee 37210, leased from Nashboro/Polk Avenue, LLC. Debtor's monthly lease payments are \$6,500, and the lease expires in 2019. Debtor did not assume the lease within the

timeline provided by the Bankruptcy Code, such that the lease has been deemed rejected. However, Debtor is currently in negotiations with the landlord on the terms of a new lease that will provide the Debtor with stability going forward.

2. **Las Vegas Warehouse** – 4065 West Mesa Vista Boulevard, Suite B, Las Vegas, Nevada 89118, leased from Mesa Vista Parc, LLC. Debtor’s lease of the Las Vegas Warehouse expires on October 31, 2019, and the monthly lease payments are \$4,645.20 in monthly base rent, subject to yearly increases, and \$1,493.10 in monthly CAM expenses. Debtor is current on its lease of the Las Vegas Warehouse.

(b) Employment Contracts:

Debtor intends to assume all employment contracts and continue its employment of all persons employed as of the Petition Date.

(c) Other Executory Contracts:

Debtor has the following service providers, which may be classified as executory contracts. To the extent each is an executory contract, and in the interest of full disclosure, Debtor intends to assume all obligations under any agreements pertaining to the following services:

1. Comcast – Internet service at Nashville location;
2. Cox Communications – Internet services at Las Vegas Warehouse;
3. Panasonic System Solutions – Lease of Fuji copy machine;
4. Republic Services – Trash service at Las Vegas warehouse;
5. TYCO – Security system and service in Nashville; and
6. Windstream – Phone service at Las Vegas Warehouse.

Debtor also has rights and responsibilities pursuant to the terms of a confidential settlement agreement with Sandra Dee Grooms, a former employee. Debtor also has restrictive covenant agreements with former employees, including Doug Green and Josh Collins. Debtor intends to assume all such agreements in existence. Debtor intends to assume each of its obligations and enforce all rights under such agreement.

3.09 Causes of Action.

Debtor reserves the right to pursue all available Causes of Action, including Avoidance Actions under the Plan. Debtor has identified one potential avoidance action that will result in material recovery, as identified below.

Section 547 of the Bankruptcy Code creates a cause of action for avoidance of preferential transfers, i.e. transfers to or on behalf of a creditor on account of antecedent debt to the extent such

transfer was made in the 90 days before the Petition Date or, if made to or on behalf of an insider, in the one year prior to the Petition Date. There are additional elements to be proven in order to avoid a transfer, and there are several defenses available to creditors to prevent avoidance.

In this case, substantially all payments made by Debtor during the 90-day period prior to the Petition Date were made to employees and vendors that provided labor or materials in support of Debtor's operations, on account of Debtor's debt servicing requirements, or were payments in advance for Debtor's real property leases. Debtor's Statements and Schedules identified certain wire transfers as potential preference payments, but subsequently discovered that those payments were internal transfers between IMAG accounts at Wells Fargo.

To the extent any payment or other transfer of an interest in property by Debtor on account of antecedent debt in the 90-day period prior to the Petition Date constitutes a preferential transfer under § 547(b) of the Bankruptcy Code, Debtor anticipates that creditors will possess multiple defenses under § 547(c) of the Bankruptcy Code, including without limitation, ordinary course of business, contemporaneous exchange for new value, and/or subsequent new value. Likewise, Debtor believes that payments to insiders, including Daniels, on account of antecedent debt during the one-year period prior to the Petition Date will be protected from avoidance by defenses under § 547(c) of the Bankruptcy Code, including the ordinary course of business and/or subsequent new value defenses. Please refer to Debtor's Statements and Schedules for a full discussion of amounts paid to recipients of transfers during this period.

Notwithstanding the foregoing, all recipients or beneficiaries of a potentially avoidable transfer under § 547 of the Bankruptcy Code and all immediate or mediate transferees of such transfers are on notice that Debtor may seek to avoid and recover such transfers from them pursuant to §§ 547 and 550 of the Bankruptcy Code.

Debtor reserves and retains all causes of action. For clarity and without limitation of the scope of reserved § 547 claims, (i) all creditors who received payment or payments on account of antecedent debt from Debtor in the 90-day period prior to the Petition Date that aggregated at least \$6,225 and (ii) all insiders receiving payments on account of antecedent debt from Debtor in the year prior to the Petition Date that aggregated at least \$6,225 should take notice that such payments may be subject to avoidance and recovery. Recipients of such payments known by Debtor were identified in response to Form 207 to Debtor's Statements and Schedules. Debtor reserves its right to amend the lists and identify additional transfers to the identified creditors or to identify additional creditors who received potentially avoidable transfers.

Debtor has identified potential Causes of Action against Sandra Dee Grooms, Yvette Moore, Christine Small and Conserv Business Services relating to fraudulent invoices, defalcation of duty, and/or embezzlement and conversion. Debtor is currently investigating each of these causes of action and exploring the viability of each. Debtor expressly reserves and retains each of these causes of action, and any additional causes of action that it may discover during this case. Debtor does not expect any significant recovery from these causes of action, but to the extent any recovery is made during the term of the Plan, Debtor reserves the right to make distributions in accordance with the priorities in the Plan.

ARTICLE IV. DEBTOR'S LIABILITIES

4.01 Administrative Expenses.

Administrative Claims are any claim that is defined in § 503(b) of the Bankruptcy Code as being an “administrative expense” and granted priority under § 507(a)(2) of the Bankruptcy Code, including:

1. a Claim for any cost or expense of administration in connection with the Case, including any actual, necessary cost or expense of preserving Debtor’s estate and of operating the business of Debtor incurred on or before the Effective Date;
 2. the full amount of all Allowed Claims for compensation for legal, accounting and other services or reimbursement of costs under §§ 330, 331 or 503 of the Bankruptcy Code;
 3. all fees and charges assessed against Debtor’s estate under Chapter 123 of Title 28 of the United States Code; and
 4. any allowed post-petition taxes and related items, including any interest and penalties on such post-petition taxes.
- (a) **United States Trustee Quarterly Fees.** Debtor is current, and will remain current, with payments to the United States Trustee through the entry of a final decree closing the bankruptcy case.
- (b) **Ordinary Course Expenses.** All amounts incurred by Debtor for services provided, or materials or goods purchased, in the ordinary course of Debtor’s business are entitled to administrative expense priority. Debtor pays these amounts on a regular basis in the ordinary course of its business. Debtor will continue to pay ordinary course business expense claims after the Effective Date, unless disputed by Debtor.
- (c) **Executory Contract and Lease Cure Claims.** Debtor will pay all amounts necessary to cure past due amounts on all assumed executory contracts and leases of real estate which are owed as of the Effective Date on the Effective Date of the Plan.
- (d) **Payments to Professionals.** Debtor will pay all professional fees owed on the Effective Date of the Plan, or otherwise as required by Court order pursuant to an approved application for payment.

4.02 Priority Claims.

Debtor is not currently aware of any claims meeting the definition of Priority Claims under the Bankruptcy Code. To the extent such claims (to include wage claims) exist, and arise or are discovered after the filing of the Plan, such claims will be paid by Debtor in accordance with the Bankruptcy Code.

4.03 Claims Subject to a Security Interest.

Based on Debtor's review of the documents under its control, the following creditors have claims secured by property of the estate as of the Petition Date. The specific collateral subject to each lien is described in more particularity in Debtor's Statements and Schedules.

1. PNC Equipment Finance has a valid, perfected UCC-1 lien against specific inventory owned by Debtor. PNC's claim is secured in the amount of \$131,250.00.
2. Western Equipment Finance has a valid, perfected UCC-1 lien against specific inventory owned by Debtor. Western Equipment Finance's claim is deemed secured in the amount of its proof of claim, \$12,598.00.

4.04 Unsecured Claims.

The general Claims Bar Date was May 3, 2017. Debtor has completed a review of the filed claims for variances from, or additions to, the amounts scheduled.

A detailed listing of Debtor's unsecured claims, together with the amount in which unsecured claim is proposed to be Allowed, is attached hereto as **Exhibit A**. If an asserted Unsecured Claim is not contained on this list, or if a creditor believes the amount is inaccurate, Debtor shall be considered to either object to the allowance of, or the amount of, the Claim. The hearing on the objection will be consolidated with the hearing on confirmation of the Plan.

Unsecured claims scheduled by Debtor or for which proofs of claim were filed and that remain unpaid total approximately \$12,493,853. These Claims are further described in Schedule E/F to Debtor's Schedules. However, due to the Debtor's Plan resolving the dispute with Panasonic, the amounts of unsecured claims are actually less under the Plan than otherwise would be the case in the event of a Chapter 7 liquidation.

If Debtor rejects any executory contract or unexpired lease, the other party to the contract/lease will have rejection damages that will add to the unsecured claim pool. Debtor does not anticipate rejecting many, if any, contracts or leases as part of its Plan. Rejection of all contracts and leases would be likely in any liquidation. Therefore, the unsecured claim pool in a Chapter 7 liquidation would be higher than if Debtor's Plan is confirmed.

4.05 Post-Petition Claims.

As of August 31, 2017, Debtor owed \$32,097 in accounts payable for expenses and materials incurred in the ordinary course of Debtor's business, all of which was within 30-day terms. It is expected that Debtor's accounts payable claims will be paid in the ordinary course on or before the Effective Date of the Plan.

ARTICLE V. FINANCIAL INFORMATION AND FUTURE OPERATIONS

5.01 Disclaimer.

The financial information described below was compiled by Debtor based on its internal books and records. This financial information has not been subjected to an audit. The financial projections are forward-looking projections and are based upon numerous assumptions derived from the business experience of Debtor's officers and management, Debtor's historical operations, and Debtor's upcoming contracts. Many assumptions of future performance involve business, economic, and other market conditions that are beyond Debtor's control and are inherently subject to uncertainty. Such assumptions involve elements of subjective judgment that may or may not prove to be accurate, and consequently, no assurances can be made regarding the analyses or conclusions derived from analyses based upon such assumptions.

5.02 Historical and Post-Petition Financial Information and Results of Operations.

Debtor prepares and maintains internal financial statements on an annual basis. Debtor's most recent financial reports reflect that in 2014, Debtor had gross revenues of \$3,900,000, of \$5,100,000 in 2015, and of \$7,200,000 in 2016.

Debtor's monthly operating reports reflect the results of Debtor's operations since the Petition Date and are available for review. Debtor's monthly operating reports for month ending August 31, 2017 show that IMAG has collected revenues of \$1,853,388 from the Petition Date, with a net loss of \$288.

5.03 Debtor's Future Operations.

Attached as **Exhibit B** to this Disclosure Statement are certain financial projections of Debtor's future performance. Debtor believes that this Exhibit B reflects a fair and reasonable representation of its anticipated future operations, but there can be no guarantee that the projections will prove accurate. Exhibit B reflects Debtor's anticipation that substantially all of its cash flow will be required to pay regular business expenses and make the payments due under the Plan.

Debtor based its projections on historical trends and current business models, and Debtor's best estimate of anticipated future business, including IMAG making progress with diversifying its product and installation offerings, differentiating itself in an increasingly crowded market, and offering new and exciting technologies to customers. Debtor's projections are also based on eliminating operating inefficiencies and limiting discretionary expenses for Debtor's employees.

Debtor has, during this bankruptcy, operated on its lowest revenue level in quite some time, all while sustaining a minimal operating loss. Debtor attributes this to the work of its professionals in identifying and eliminating inefficiencies and excess costs. Debtor intends to continue this trend while adding to its revenue stream in the coming months. Debtor has, during Q3 of 2017, added additional projects and contracts which will enable Debtor to meet or exceed the revenue projections set forth in Exhibit B. Debtor's newly renegotiated debt load, debt repayment structure,

and upcoming projects leave Debtor in a much better position post-Effective Date than it was in on the Petition Date.

In the event that Debtor is successful in attracting and retaining new customers, improving its relationships with vendors, and increasing the efficiency of its operations, Debtor may be able to complete Plan payments earlier than scheduled.

5.04 Employment.

Debtor intends to continue to employ all employees, including “insiders” under 11 U.S.C. § 101(31) that were employed as of the Petition Date. This explicitly includes the continued employment of Steven Daniels as CEO. Debtor anticipates that it will maintain the current level of compensation provided to insiders throughout the Plan period, subject to minor adjustments. Debtor and its advisors believe that Debtor’s compensation structure is reasonable and firmly within industry standards and is designed to retain Debtor’s experienced employees with the technical know-how necessary for IMAG to compete in the industry. Compensation to Debtor’s employees is subject to change, at Debtor’s discretion, in the ordinary course of business. Debtor anticipates that it will make only modest changes, such as cost of living raises.

ARTICLE VI. SUMMARY OF PLAN CLASSIFICATIONS

6.01 Class 1 consists of all Allowed Priority Claims against Debtor, excluding any such Claims that were paid prior to the Effective Date. This Class of claims is Impaired under the Plan. Debtor is not aware of any Claims in this Class.

6.02 Class 2 consists of the Allowed Secured Claim of PNC Equipment Finance, LLC in the amount of \$131,250.00. This Class is Impaired under the Plan.

6.03 Class 3 consists of the Allowed Secured Claim of Western Equipment Finance, Inc. in the amount of \$12,598.00. This Class is Impaired under the Plan.

6.04 Class 4 consists of the Allowed, Deemed Secured Claim of Panasonic Systems Solutions – Asia Pacific in the amount of \$240,000. This Class is Impaired under the Plan.

6.05 Class 5 consists of the Post-Petition Lease Claim of Panasonic Systems Solutions – Asia Pacific in the amount of \$300,000. This Class is Impaired under the Plan.

6.06 Class 6 consists of the Allowed Unsecured Claims owed to issuers of revolving credit lines with recourse against third parties. The Class 6 Claims total \$178,000. *See* Exhibit A to this Disclosure Statement for a detail of the Class 6 Claims. This Class is Impaired under the Plan.

6.07 Class 7 consists of the general Allowed Unsecured Claims against Debtor, other than those Claims in Classes 5, 6, 8 and 9, which Claims total \$1,611,198. *See* Exhibit A to this Disclosure Statement for a breakdown of the Class 7 Claims. This Class is Impaired under the Plan.

6.08 Class 8 consists of the Allowed Unsecured Claims against Debtor owed to insiders of Debtor, which claims total \$3,600,000. This Class is Impaired under the Plan.

6.09 Class 9 consists of the Administrative Convenience Class of Allowed Unsecured Claims against Debtor owed to holders of Claims of less than \$5,000, individually. *See* Exhibit A to this Disclosure Statement for a detail of the Class 9 Claims. Claims in this Class total \$7,885. This Class is not Impaired under the Plan.

6.10 Class 10 consists of Steven C. Daniels' ownership interests in IMAG Video/AV, Inc. This Class is not Impaired under the Plan.

ARTICLE VII. TREATMENT OF CLAIMS

Classes 1, 9 and 10 are not Impaired as determined pursuant to 11 U.S.C. § 1124. All other classes are Impaired. The following is a summary of the treatment provided in the Plan to each Class of Claims and Interests:

7.01 Unclassified Claims.

Under the Bankruptcy Code, the payment of certain types of Claims is accomplished without the requirement of classification of those Claims into Classes. Administrative Claims, which include professional fees and fees to the Office of the U.S. Trustee, and Priority Tax Claims are not classified under § 1123(a)(1) of the Bankruptcy Code for purposes of voting or receiving distributions under the Plan. The procedures for payment of Administrative Claims and Priority Tax Claims are discussed later in this Disclosure Statement and are detailed in the Plan.

(a) Administrative Claims. Except as set forth below, Debtor shall pay in full all Administrative Expense Claims on or before the Effective Date.

1. General Allowed Administrative Claims. Each holder of an Administrative Claim, except as otherwise set forth in subsections (2) through (5) below shall receive either: (i) with respect to Administrative Claims which are Allowed Claims on the Effective Date, the amount of such holder's Allowed Claim in cash on the Effective Date; (ii) with respect to Administrative Claims which become Allowed Claims after the Effective Date, the amount of such holder's Allowed Claim in one cash payment within thirty (30) calendar days after such Claim becomes an Allowed Administrative Claim; or (iii) such other treatment agreed upon by the Debtor and such holder; provided that any such Administrative Claim representing a liability incurred in the ordinary course of business by any of the Debtor shall be paid in accordance with the terms and conditions of the particular transaction giving rise to such liability and any agreements relating thereto. Any person or Entity that asserts an Administrative Claim, other than those Administrative Claims specifically identified below and in Debtor's Disclosure Statement, that is not paid on the Effective Date shall file with the Court an application for payment of such asserted Administrative Claim and to serve notice thereof on all parties entitled to such notice. Any such Claims must be filed within 90 days from the Effective Date. The failure to file timely the application as required under section 2.1(a) of the Plan may result in the Claim being forever barred and discharged. An Administrative Claim with respect to which an application has been properly Filed pursuant to the

Plan and to which no objection has been filed or an objection has been filed but overruled by the Court, shall become an Allowed Administrative Claim to the extent such Claim is allowed by Final Order.

2. Fee Claims of Professionals. Unless otherwise excepted by authorization of the Court, each professional person whose retention in this Case has been approved by the Bankruptcy Court or who holds, or asserts, an Administrative Claim that is a Fee Claim may file with the Bankruptcy Court a final fee application within ninety (90) days after the Effective Date and serve notice thereof on all parties entitled to such notice pursuant to applicable Bankruptcy Rules and in accordance with any orders entered in these cases regarding the compensation of professionals. Payments of Court-approved compensation shall be made promptly after the order approving such compensation becomes a Final Order.
3. Cure Claims. For all executory contracts and real property leases assumed by Debtor pursuant to the Plan, Debtor shall pay all cure amounts specified in Section 3.08 of this Disclosure Statement. Debtor shall pay all real property lease Cure Claims in full on the Effective Date.
4. Post-Effective Date Expenses. Debtor shall have the right to pay Post-Effective Date Expenses in the ordinary course of business, without the necessity of any Court approval. In the event that Debtor notifies a person demanding payment of a Post-Effective Date Expense that the creditor's demand is Disputed, then the Person seeking payment must file and serve a motion or application for allowance of such expense in accordance with L.B.R. 9013-1 within thirty (30) days after the date on which written notice of the dispute is served by Debtor, or that Post-Effective Date Expense shall be deemed disallowed. Payment of any such expense shall be made promptly after a Final Order resolving the motion and determining the appropriate amount of the Post-Effective Date Expense.
5. Administrative Tax Claims. Each holder of an Administrative Claim for Taxes for which Debtor is responsible and any other Taxes of Debtor payable pursuant to Section 507(a)(1) of the Bankruptcy Code shall be paid the Allowed Amount of such holder's Claim in cash, in full, on the latest of: (i) the Effective Date, (ii) if Disputed or unknown to Debtor, the date such Claim is Allowed by Final Order, or (iii) the date such payment is due under applicable law. The Allowance of an Administrative Claim for Taxes is not conditioned on the Claimants filing of any proof of claim, except to the extent such Claim is not paid as of the Effective Date, as set forth below.

Any person or Entity that asserts an Administrative Claim for Taxes that is not paid on the Effective Date shall file with the Court an application for payment of such asserted Administrative Claim and to serve notice thereof on all parties entitled to such notice. Any such Claims must be filed within ninety (90) days from the Effective Date. The failure to file timely the application as required under this Plan may result in the Claim being forever barred and discharged. An Administrative

Claim for Taxes with respect to which an application has been properly filed pursuant to this Plan and to which no objection has been filed or an objection has been Filed but overruled by the Court, shall become an Allowed Administrative Claim to the extent such Claim is allowed by Final Order. Debtor shall satisfy its primary obligation under this Section, to the Internal Revenue Service, prior to the Effective Date.

6. Payment of Fees to U.S. Trustee. All fees payable under 28 U.S.C. § 1930 shall be paid in cash in full when due until a final decree is entered. Debtor will timely file all quarterly post-confirmation reports.

(b) Secured *ad valorem* Tax Claims. Unless otherwise agreed to by Debtor and any taxing authority, Debtor shall pay in full all Allowed Tax Claims over a period ending not later than five years after Petition Date. Debtor may, in its sole discretion, choose to make partial payments on Allowed Tax Claims, which payments shall be applied as indicated by Debtor. Any unpaid portion of such Allowed Claims shall bear interest from the Effective Date until the date of payment at the minimum rate required by the Bankruptcy Code.

1. Tax Liens. All pre-petition liens (which Debtor does not believe exist in this case) arising from Secured Tax Claims and Priority Tax Claims shall continue until such Claims are paid in full.
2. Penalties and Allowed Claims. Except as provided herein, no Governmental Authority shall be entitled to receive any penalties for any period of time after the Petition Date nor shall any Allowed Tax Claim include any post-petition interest or pre-petition or post-petition penalties except as provided herein. Each Disputed Tax Claim shall become an Allowed Tax Claim only upon entry of, and only to the extent such claim is allowed by, a Final Order or agreement of Debtor.

(c) Priority Tax Claims. Debtor shall pay in full all other Allowed Priority Tax Claims arising from its operations or ownership of retained property over a period ending not later than five years after Petition Date. Debtor may, in its sole discretion, choose to make partial payments on Allowed Priority Tax Claims, which payments shall be applied as indicated by Debtor. If any Allowed Tax Claim is not paid in cash in full on the latest of (i) the Effective Date; (ii) the date a Disputed Tax Claim is Allowed in whole or in part by Final Order; or (iii) the date such payment is due under applicable law, then the unpaid portion of such Allowed Tax Claims shall bear interest after the Effective Date until the date of payment at the at the applicable non-bankruptcy interest rate charged on delinquent taxes, but no Governmental Authority shall be entitled to receive any penalties for any period of time after the Petition Date; provided, however, that no Allowed Priority Tax Claim shall include any post-petition interest or penalties, all of which interest and penalties shall be (i) deemed disallowed and (ii) fully discharged on the Confirmation Date. Each Disputed Priority Tax Claim shall become an Allowed Priority Tax Claim only upon entry of, and only to the extent such claim is allowed by, a Final Order. All pre-petition liens arising from Priority Tax Claims shall continue until such Claims are paid in full.

- (d) **Payment of Tax Claims.** Debtor anticipates, based on the proofs of claim and debts scheduled by Debtor, that it will pay all Allowed Tax Claims in full on the Effective Date.

7.02 Class 1 – Priority Claims Other Than Priority Tax Claims.

Each person or entity holding a Class 1 Claim shall be paid the Allowed Amount of such Claim in cash, in full, on the latest of: (i) the Effective Date; (ii) the date such Claim is allowed by Final Order; or (iii) the date such payment is due under applicable law. Each Disputed Priority Claim shall become an Allowed Priority Claim only upon entry of, and only to the extent such claim is allowed by, a Final Order. If any Allowed Priority Claims are not paid in cash in full on the latest of the dates set forth above, then the unpaid portion of such Allowed Priority Claims shall bear interest from the Effective Date until the date of payment at the Legal Rate. Debtor is not aware of any Claimants in this Class.

7.03 Class 2 – Allowed Secured Claim of PNC Equipment Finance, LLC.

The Class 2 Claim shall be satisfied by Debtor's resumption of monthly payments to PNC Equipment Finance pursuant to the parties' pre-petition agreements, subject to the modifications in the Plan. The principal amount of Debtor's note payable to PNC Equipment Finance shall be equal to the amount of its Class 2 Allowed Secured Claim, less adequate protection payments made during the pendency of this case. Beginning on the Effective Date, and for the first day of each month thereafter, Debtor shall make equal monthly payments of principal and interest sufficient to pay the Class 2 Claimant in full over five (5) years. The principal balance of Debtor's obligations to PNC Equipment Finance shall bear interest from the Effective Date at a rate of five and one-half percent (5.5%) per annum. Debtor may pay the remaining balance of its obligations to PNC Equipment Finance in whole or in part at any time without penalty.

As security, the Class 2 Claimant shall retain all Liens held as of the Petition Date, without the need for the execution of any new guaranties, deeds of trust, mortgages, financing statements or security agreements. Provided Debtor is not in default of its obligations to the Class 2 Claimant, Debtor shall have the right to sell any of the collateral securing the Class 2 claim to unaffiliated third parties for fair market value; provided however, that Debtor shall pay to PNC Equipment Finance the Net Proceeds remaining after payment of reasonable sale costs, including any commission related to the sale, up to the remaining balance owed on the Class 2 Claim. Any such payment received by the Class 2 Claimant shall be applied to reduce the outstanding principal due, provided that Debtor is not in default on its obligations. Except as modified herein, all remaining terms of Debtor's pre-petition agreements with PNC Equipment Finance shall remain in full force and effect.

Notwithstanding anything herein to the contrary, PNC Equipment Finance shall forbear from pursuing or enforcing any claims, including any claims that arose Pre-Petition, against any third party guarantor so long as PNC Equipment Finance is paid the amounts it is owed pursuant to the parties' Pre-Petition agreements, as modified by the Plan.

7.04 Class 3 – Allowed Secured Claim of Western Equipment Finance, Inc.

The Class 3 Claim shall be satisfied by Debtor's resumption of monthly payments to Western Equipment Finance pursuant to the parties' pre-petition agreements, subject to the modifications in the Plan. The principal amount of Debtor's note payable to Western Equipment Finance shall be equal to the amount of its Class 3 Allowed Secured Claim. Beginning on the Effective Date, and for the first day of each month thereafter, Debtor shall make equal monthly payments of principal and interest sufficient to pay the Class 3 Claimant in full over five (5) years. The principal balance of Debtor's obligations to Western Equipment Finance shall bear interest from the Effective Date at a rate of five and one-half percent (5.5%) per annum. Debtor may pay the remaining balance of its obligations to Western Equipment Finance in whole or in part at any time without penalty.

As security, the Class 3 Claimant shall retain all Liens held as of the Petition Date, without the need for the execution of any new guaranties, deeds of trust, mortgages, financing statements or security agreements. Provided Debtor is not in default of its obligations to the Class 3 Claimant, Debtor shall have the right to sell any of the collateral securing the Class 3 claim to unaffiliated third parties for fair market value; provided however, that Debtor shall pay to Western Equipment Finance the Net Proceeds remaining after payment of reasonable sale costs, including any commission related to the sale, up to the remaining balance owed on the Class 3 Claim. Any such payment received by the Class 3 Claimant shall be applied to reduce the outstanding principal due, provided that Debtor is not in default on its obligations. Except as modified herein, all remaining terms of Debtor's pre-petition agreements with Western Equipment Finance shall remain in full force and effect.

Notwithstanding anything herein to the contrary, Western Equipment Finance shall forbear from pursuing or enforcing any claims, including any claims that arose Pre-Petition, against any third party guarantor so long as Western Equipment Finance is paid the amounts it is owed pursuant to the parties' Pre-Petition loan documents, as modified by the Plan.

7.05 Class 4 – Allowed Deemed Secured Claims of Panasonic Systems Solutions – Asia Pacific.

The Class 4 Claim of Panasonic Systems Solutions – Asia Pacific ("Panasonic") is derived from the agreement reached between Debtor and Panasonic. As of the Petition Date, Debtor was indebted to Panasonic in the amount of \$6,656,620 through several different equipment contracts, all generally tied to work performed by Debtor at the Summer or Winter Olympics. Debtor understood each contract to be a financed purchase, while Panasonic understood each contract to be a financed lease. During the pendency of this bankruptcy, Debtor and Panasonic engaged in extensive negotiations, eventually arriving at the solution evidenced by Classes 4 and 5 in the Debtor's Plan.

The Class 4 Claim is Deemed Allowed in the amount of \$300,000, and shall be secured by a first priority lien on all of Debtor's inventory purchased or otherwise acquired from Panasonic, other than D8-RZ 8mm screens. Beginning on the Effective Date, Debtor shall make equal monthly payments of principal and interest sufficient to satisfy the Class 4 Claim, in full, over three (3)

years, at an interest rate of five percent (5%) per annum.

As security, the Class 4 Claimant shall be granted a first priority lien on all equipment acquired by Debtor from Panasonic prior to the Petition Date, other than the equipment subject to Class 5, without the need for the execution of any guaranties, deeds of trust, mortgages, financing statements or security agreements. The Class 4 Claimant shall be authorized to file any necessary UCC-1 documents to perfect this lien. Provided Debtor is not in default of its obligations to the Class 4 Claimant, Debtor shall have the right to sell any of the collateral securing the Class 4 claim to unaffiliated third parties for fair market value; provided however, that Debtor shall pay to Panasonic the Net Proceeds remaining after payment of reasonable sale costs, including any commission related to the sale, up to the remaining balance owed on the Class 4 Claim. Any such payment received by the Class 4 Claimant shall be applied to reduce the outstanding principal due, provided that Debtor is not in default on its obligations.

In addition, the Class 4 Claimant shall, in exchange for the payments provided under Class 4 and Class 5 of this Plan, forego any other entitlement or demand for payment from Debtor on account of any debt arising prior to the Petition Date.

7.06 Class 5 – Allowed Post-Petition Lease with Panasonic Systems Solutions – Asia Pacific.

The Class 5 Claim of Panasonic consists of Debtor's lease of 400 meters of D8-RZ 8mm screen from Panasonic for a term of twenty-seven (27) months, beginning on the Effective Date. The total Allowed amount of the Class 5 Claim is \$300,000, of which \$120,000 represents the agreed cure amount owed by Debtor to Panasonic for the Class 5 Claim. Debtor has agreed to pay the Cure Amount by way of three (3) equal monthly payments beginning on October 31, 2017 and continuing on November 30, 2017 and December 31, 2017.

Beginning on the Effective Date, Debtor shall pay the remaining \$180,000 of the Class 5 Claim by way of twenty-seven (27) equal monthly payments of principal and interest. The Class 5 Claim shall bear interest at a rate of five percent (5%) per annum. On or before March 31, 2020, Debtor shall return the D8-RZ 8mm screen to Panasonic. Notwithstanding the foregoing, Debtor shall have the option to purchase 100 meters of the D8-RZ at an agreed fair market value on or before March 31, 2020. Other than as modified herein, all other non-payment terms of Debtor's pre-petition lease agreement with Panasonic regarding the D8-RZ equipment shall remain in full force and effect.

In exchange for the payments provided to Panasonic in Class 4 and Class 5 of this Plan, Panasonic agrees to forego any other entitlement or demand for payment from Debtor on account of any debt arising prior to the Petition Date.

7.07 Class 6 – Allowed Unsecured Claims of Revolving Credit Claimants.

This Class consists of the Allowed Unsecured Claims of issuers of revolving credit to Debtor, which creditors also have third party guarantees of the debt in Class 6, as specified in Exhibit A hereto. This Class of creditors is essential to the success of Debtor's ongoing operations. The Claims of the Class 6 Claimants shall be Allowed in full.

The principal balance of the Class 6 Claims shall bear interest from the Effective Date at a rate of three and one-half percent (3.5%) per annum. Beginning on the first business day of the first month after the Effective Date, Debtor shall make equal monthly amortized payments of principal and interest sufficient to pay the Class 6 Claims in full over a period of ten (10) years.

Notwithstanding anything herein to the contrary, the Class 6 Claimants shall forbear from pursuing or enforcing any claims, including any claims that arose Pre-Petition, against any third party guarantor so long as the Class 6 Claimants are paid pursuant to the Plan.

7.08 Class 7 – General Unsecured Claims.

This Class consists of all Allowed Unsecured Claims against Debtor, other than those creditors holding a Claim in Classes 5, 6, 8 or 9.

Beginning on the first business day of the first month after the Effective Date, Debtor shall make equal monthly amortized payments of principal and interest sufficient to pay the Allowed Class 7 Claims a pro rata share of twenty percent (20%) of the total value of the Class 7 Claims over a period of ten (10) years. As of the date of this Disclosure Statement, each holder of an Allowed Unsecured Claim shall receive a pro rata share of \$324,003 over the course of the Plan.

The Class 7 Claimants shall be entitled to payment only after their Claim becomes an Allowed Claim. Upon entry of a Final Order creating an Allowed Claim from a Disputed Claim, the Class 7 Claimants shall be paid promptly the total amount of installment payments that would have been due on their Claims if they had been Allowed as of the Effective Date.

7.09 Class 8 – Allowed Unsecured Insider Claims.

This Class consists of all Claims held by insiders of Debtor, which Claims shall be Allowed in full. Debtor shall make no distributions to any holders of Claims in this Class.

7.10 Class 9 – Administrative Convenience Class of Allowed Unsecured Claims.

This Class consists of all Claims held by holders of Allowed Unsecured Claims to which each individual creditor is owed less than an aggregate of \$5,000 on all Claims against Debtor's estate. Debtor shall pay, in full, each holder of a Class 9 Claim on the Effective Date.

7.11 Class 10 – Ownership Interests.

The Class 10 Claims shall consist of Steven C. Daniels' ownership interests of and in Debtor. Daniels shall retain all ownership interests in the Reorganized Debtor, and Debtor shall retain its

ownership interest in all assets owned by Debtor prior to the Petition Date, except as transferred pursuant to the provisions of the Plan. In consideration for Daniels' ownership interest, Daniels will waive all rights to payment on all shareholder loans, which constitute Class 8, and shall contribute all amounts necessary to enable Debtor to make all payments due on the Effective Date, which amount is currently estimated at \$40,000.

ARTICLE VIII. MEANS FOR PLAN EXECUTION AND IMPLEMENTATION

8.01 Effective Date Status. Debtor has remained Debtor-in-Possession and in control of its affairs since the Petition Date. There has been no examiner, restructuring officer, or other professional appointed to control Debtor's affairs. The identity and book value of the estate's assets are listed in **Article III** of this Disclosure Statement, as well as Debtor's Statements and Schedules. Please also refer to Debtor's financial history set forth in the monthly operating reports. Debtor anticipates that it will be able to successfully complete its obligations under the Plan and that the Plan is feasible.

8.02 Effective Date. The Effective Date of Debtor's Plan shall be March 1, 2018. Debtor needs this additional time to pay the pre-Effective Date payments required to be paid to Panasonic and to build sufficient operating capital to enable Debtor to meet its Plan obligations.

8.03 Payments Funded by Ongoing Operations. Cash generated from Debtor's continued operations will generate sufficient cash flow to make all payments due under the Plan. *See Article V* of this Disclosure Statement for a more detailed description of Debtor's future operations.

8.04 Employment. Debtor intends to retain all employees and staff after the Effective Date, including insiders, but reserves its rights to hire and dismiss its employees as deemed necessary in Debtor's sole discretion. Debtor's Plan does not contemplate any substantial increases in salary or compensation to its employees, including insiders.

8.05 Employment of Professionals. In the period after the Confirmation Date but before closing of the case, Debtor may continue to utilize the services of professional persons whose employment was approved at or prior to the Confirmation Date in completing administration of the case and in the consummation and performance of the Plan. Debtor is authorized to pay these Post-Effective Date expenses, including the fees of any accountants, employees, or agents, as such expenses come due pursuant to the Orders of the Court approving such appointment.

8.06 Assumption of Leases. All leases of real property and executory contracts to which Debtor is a party that have not, as of ten (10) days following the Effective Date, been specifically rejected shall be deemed contracts that Debtor intends to assume. Any party to an unexpired lease or executory contract that is assumed in connection with this Plan that asserts that Debtor has defaulted under that contract and whose cure amount is not stated by Debtor or who disagrees with Debtor's proposed cure amount shall file with the Court an application for allowance and payment of Cure Claim, identifying the amount allegedly due to cure any such defaults in accordance with § 365(b)(1)(A) of the Bankruptcy Code. Any such application must be filed prior to the Effective Date. The failure to file timely the application shall be deemed a full waiver of any rights available to the affected Claimant pursuant to § 365(b)(1)(A) of the Bankruptcy Code. All Cure Claims

asserted pursuant to Debtor's Plan to which no objection is Filed or to which an objection is Filed but overruled by a Final Order of the Court shall become Allowed Cure Claims, unless Debtor timely files a Notice of Rejection Pursuant to the Plan. Notwithstanding anything in this section to the contrary, Debtor may reject any executory contract in the event Debtor determines that any Allowed Cure Claim renders assumption of that contract not in Debtor's best interest, and the other party to the contract shall be entitled to file a Class 7 Claim for damages arising from the rejection.

8.07 Causes of Action. Debtor will be responsible for evaluating, funding and pursuing any or none of the Causes of Action based on its reasonable business judgment and shall fund such amounts as Debtor, in its discretion, shall deem appropriate and reasonable. After the Effective Date, Debtor shall, in its sole and absolute discretion, be authorized to compromise and settle any of the Causes of Action, without Court approval or notice to any party, at any time, and for any consideration that Debtor believes to be in its best interest. Any recovery from any Cause of Action, including Avoidance Actions, either from litigation or settlement, will be used by Debtor or Reorganized Debtor for operations and/or to fund the payments due under the Plan.

ARTICLE IX. TREATMENT OF CLAIMS AND DISTRIBUTIONS ON CLAIMS

9.01 No Distributions Pending Allowance or Estimation of Claims. No payments or distributions shall be made with respect to all or any portion of a Disputed Claim unless and until such Claim becomes an Allowed Claim as determined by Final Order.

9.02 Deadline for Objections to Claims. Debtor or any other party in interest may file with the Bankruptcy Court, within 90 days after the Effective Date, which date may be extended by Bankruptcy Court order, a written objection to the allowance or classification of any Claim in any Class, which objection shall be served upon the Claimant and any other known parties in interest. The failure to object to or to examine any Claim shall not be deemed a waiver of such party's right to object to, or re-examine, the Claim in whole or in part within the above-described time period.

9.03 Objections to Claims. Debtor's Plan expressly objects to the Claims filed by any creditor not referenced in the Plan or this Disclosure Statement, including Exhibit A hereto. Debtor's Plan expressly objects to the amount of any Claim in excess of any amount identified in the Plan or this Disclosure Statement, including Exhibit A hereto. Debtor proposes to resolve any claim objections, if disputed by such alleged Claimants, in connection with the confirmation hearing of the Plan. Debtor or any party in interest may file an objection to any Claim in any class on or before the Claims Objection Deadline. Objections not filed within such time will be deemed waived. If any Claim or portion thereof is challenged by an objection or otherwise, distribution may, in Debtor's sole discretion, be made on any portion of such disputed Claim which is undisputed pending resolution of the Claim allowance as a whole.

Debtor is not aware of any Claims subject to this Section. Nonetheless, ALL HOLDERS OF UNSECURED CLAIMS ARE ADVISED TO REVIEW THE EXHIBITS TO THIS DISCLOSURE STATEMENT TO DETERMINE THE AMOUNT OF THEIR ALLOWED CLAIM FOR PURPOSES OF THE PLAN. IN THE EVENT ANY HOLDER OF AN UNSECURED CLAIM DISPUTES THE AMOUNT OF THEIR CLAIM AS SCHEDULED BY DEBTOR IN THIS DISCLOSURE STATEMENT, THAT CLAIMANT IS ADVISED TO (1)

NOTIFY DEBTOR'S COUNSEL TO DETERMINE WHETHER ANY DISCREPANCY WAS INTENTIONAL, AND IF SO, THE BASIS THEREFORE; AND (2) SHOULD THE DISCREPANCY REMAIN UNRESOLVED, THAT CLAIMANT MAY FILE AN OBJECTION TO DEBTOR'S PLAN ON THAT BASIS. EXCEPT AS OTHERWISE IDENTIFIED IN THIS DISCLOSURE STATEMENT, DEBTOR'S PLAN AND DISCLOSURE STATEMENT ARE INTENDED TO GOVERN THE ALLOWED AMOUNTS OF ALL UNSECURED CLAIMS.

9.04 Distribution Address and Mailing Method. Any distribution or payment to a creditor shall be sent by first class mail to the creditor's address indicated on the proof of claim filed by that creditor in the Case or, if no proof of claim has been filed, to that creditor's most recent address indicated on Debtor's Schedules or known to Debtor. If a creditor holds an Allowed Claim by virtue of a transfer of such Claim pursuant to Rule 3001 of the Federal Rules of Bankruptcy Procedure, then distributions to the holder of such Claim shall be sent to the address set forth in evidence of the transfer filed with the Bankruptcy Court. creditors may change the address to which distributions are sent through amendment of their proof of claim or written notice delivered to Debtor's counsel. creditors are responsible for keeping Debtor informed of their current address for receipt of distributions or other payments under the Plan.

9.05 Unclaimed Property/Forfeit Distributions. If any distribution remains unclaimed and/or uncashed for a period of ninety (90) days after it is sent by Debtor, then the creditor to whom such distribution was sent will be deemed to have forfeited the distribution and all future distributions, and such creditor's Claim shall no longer be deemed to be Allowed, but rather, such Claim shall be deemed disallowed and expunged for all purposes, and such person shall be deemed to have no further Claim in respect of such distribution and shall not participate in any further distributions under the Plan. Any undeliverable or forfeit distribution shall be returned to Debtor.

9.06 Claims Subject to Insurance Coverage. With respect to any Claim for which Debtor has insurance coverage, the Claim will be treated as an Allowed Claim only to the extent that the holder of the Claim can establish that such Claim is not recoverable to any extent under Debtor's insurance. Unless the holder obtains a Final Order establishing that the Claim is not recoverable to any extent under Debtor's insurance, such Claim is automatically disallowed and will be entitled to no distribution.

9.07 Precluded Distributions. No distribution shall be made in violation of Bankruptcy Code § 502(d) to an Entity or transferee liable for recoverable property for an avoidable transfer. Debtor shall notify each affected creditor of any contention that Bankruptcy Code § 502(d) prohibits any distribution to such creditor. If such notice is given, the Claim held by such creditor will be treated as a Disputed Claim hereunder.

9.08 Treatment of Contingent or Unliquidated Claims. Until such time as a contingent Claim becomes fixed and Allowed, such Claim shall be treated as a Disputed Claim for purposes related to voting, allowance, and distributions under the Plan. Upon request of Debtor or any other party in interest, the Bankruptcy Court shall, in a summary proceeding for each such contingent Claim or unliquidated Claim, by estimation determine the allowance of each such contingent or unliquidated Claim for purposes of voting on the Plan. This paragraph does not apply to payments made pursuant to Class 6.

9.09 Payment Dates. Whenever any payment or distribution to be made under the Plan shall be due on a day other than a Business Day, such payment or distribution shall instead be made, without interest, on the next business day.

9.10 No Tax or Filing Fee. No governmental entity may tax any transfer of property pursuant to or in furtherance of the Plan, or charge any tax or fee for the recording of, any release, deed, transaction or other document executed pursuant to or in furtherance of the Plan.

9.11 No Interest or Attorney's Fees. Except as expressly provided for in the Plan, or allowed by the Court, no interest, penalty, late charge or attorney's fees is to be Allowed on any Claim subsequent to the Filing Date.

9.12 Setoff. Except as specifically provided in the Plan, no creditor shall retain any contractual or statutory right to set off any asset in which Debtor has an interest in satisfaction of that creditor's Claim.

9.13 Suspension of Payments. Upon motion and for cause shown, Debtor may at any time move the Court to grant a moratorium or extension of distributions to Claimants in any of the classes set out herein for a reasonable period of time. Additionally, Debtor may propose amendments to or modifications of the Plan at any time prior to Confirmation of the Plan. After Confirmation of the Plan, Debtor, with approval of the Court, and so long as it does not materially or adversely affect the interests of Claimants, may remedy any defect or reconcile any inconsistencies in the Plan or in the Confirmation Order in such manner as may be necessary to carry out the purposes and effect of the Plan.

9.14 Prepayment of Plan Obligations. Debtor shall be permitted without penalty to prepay any obligation under the Plan prior to the due date or maturity date of such obligation. There shall be no penalty for any such prepayment.

9.15 Payments Due Only on Business Days. Whenever any payment or distribution to be made under the Plan shall be due on a day other than a business day, such payment or distribution shall instead be made, without interest, on the next business day.

9.16 Security Deposits. To the extent Debtor has posted security deposits (with utilities or otherwise) pre-petition, those amounts may be set off against Allowed Claims only upon the written consent of Debtor or upon entry of a Final Order authorizing such offset. To the extent Debtor has posted security deposits (with utilities or otherwise) post-petition, the deposit shall be returned to Debtor or otherwise applied as directed by Debtor.

ARTICLE X. SUMMARY OF OTHER PROVISIONS OF PLAN

10.01 Vesting of Property, Free and Clear. On the Effective Date, all of Debtor's property shall vest in Debtor, free and clear of all Liens, claims and encumbrances except for those Liens created or preserved as provided in the treatment of creditors under the Plan. There are no restrictions in the Plan on Debtor's use of cash generated from the operation of Debtor's business. The Plan provides Debtor with the flexibility to use cash from operations to maximize the value of its

business and to use proceeds from the sale of Debtor's real estate to pay past due taxes, on-going property taxes on other retained properties, and its secured debt.

10.02 No Restrictions Upon Operations. After the Confirmation Date, Debtor shall operate and conduct its affairs free of any restrictions and notice requirements of the Bankruptcy Code and the Bankruptcy Rules (including, but not limited to, the employment and compensation of professionals, employees, managers, and independent contractors). Debtor may further execute such promissory notes, deeds, deeds of trust (including amendments, restatements or modifications thereof) or any other documents necessary to effectuate the terms of the Plan, provided that such actions do not violate the terms of any covenants expressly assumed by the Plan.

10.03 Pre-Petition Security Agreements. The Plan provides that certain, but not all, of Debtor's pre-petition creditors shall retain security interests in the same priority as existed prior to the Petition Date without the need for execution of new security agreements or financing statements, and as of the Confirmation Date, existing security and other agreements between Debtor and creditors holding claims in Classes 2 through 6 shall be superseded by the terms of the Plan to the extent modified by the Plan.

10.04 Legal Binding Effect; Release of Claims. Confirmation of the Plan will bind Debtor and all creditors and interest holders, whether or not they accept the Plan. The Distributions provided for in the Plan will be in exchange for and in complete settlement and satisfaction of all Claims and Interests, including any Claim for interest after the Petition Date. On the Confirmation Date, all creditors shall be precluded from asserting any Claim against Debtor or its property based upon any transaction or other activity of any kind that occurred prior to the Confirmation Date.

10.05 Modification of the Plan. Debtor may propose amendments to or modifications of the Plan at any time prior to the Confirmation Date, provided that the amended Plan satisfies the requirements of the Bankruptcy Code. If the circumstances warrant, after the Confirmation Date and before Consummation of the Plan, Debtor may modify the Plan, provided that the Plan, as modified, meets the requirements of the Bankruptcy Code, and the Court, after a hearing, confirms the Plan as modified. Unless, within the time fixed by the Court, a creditor changes its previous acceptance or rejection of the Plan, such previous election shall be deemed applicable to the amended Plan.

10.06 Request for Relief under Section 1129(b). In the event any Impaired Class of Claims shall fail to accept the Plan in accordance with § 1129(a) of the Bankruptcy Code, Debtor requests the Bankruptcy Court to confirm the Plan in accordance with the provisions of § 1129(b) of the Bankruptcy Code.

10.07 Effect on Third Parties. Nothing contained in the Plan or in the documents to be executed in connection with the Plan shall affect any creditor's or party in interest's rights against any third party, except as otherwise expressly provided in the Plan, except that any creditor or party in interest may only recover from any third-party guarantor or co-obligor the amount owed to it in excess of the amount to be paid on the underlying obligation pursuant to the Plan.

- (a) **Forbearance and Third-Party Stay.** Notwithstanding anything herein to the contrary, the holders of Claims in Classes 2, 3, 4, 5, and 6 shall forbear from pursuing or enforcing any claims, to specifically include any claims that arose pre-petition, against Debtor or Daniels so long as each creditor is paid the amounts each is owed pursuant to its Pre-Petition Agreements with Debtor, as modified by the Plan.

10.08 Permanent Injunction. Except as otherwise expressly provided in, or permitted under, the Plan, the Confirmation Order shall provide, among other things, that all creditors and persons who have held, hold or may hold Claims that existed prior to the Effective Date, are permanently enjoined on and after the Effective Date against the: (i) commencement or continuation of any judicial, administrative, or other action or proceeding against Debtor or any of its owned entities on account of Claims against Debtor, or on account of claims released pursuant to the Plan; (ii) enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree, or order against either of Debtor or any assets or property of same; or (iii) creation, perfection or enforcement of any encumbrance of any kind against either of Debtor arising from a Claim. This provision does not enjoin the prosecution of any claims that arise on or after the Effective Date nor does it enjoin the determination in the Bankruptcy Court of the Allowed Amount of any Claims that arose prior to the Effective Date. Parties asserting entitlement to payment of Administrative Expenses incurred Prior to the Confirmation Date and holders of Claims shall be permanently enjoined from asserting any Claim against Debtor or its Retained Assets based upon any act or omission, transaction or other activity that occurred prior to the Confirmation Date, except as otherwise provided in the Plan, whether or not a proof of claim or interest was filed and whether or not such Claim or Interest is allowed under § 502 of the Bankruptcy Code.

10.09 Exculpation. Except as otherwise provided in the Plan or Confirmation Order, Debtor, its officers and directors, and the professionals for all of the foregoing shall neither have nor incur any liability to any Entity for any act taken or omitted to be taken (exclusive of an act constituting fraud, gross negligence or intentional misconduct) in connection with or related to this Chapter 11 Case, including without limitation actions related to the formulation, preparation, dissemination, implementation, administration, Confirmation or consummation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan. Notwithstanding anything herein to the contrary, neither the Plan nor the Confirmation Order affects any claims or causes of action against current or former officers, directors, shareholders or employees of Debtor arising prior to or as of the Petition Date under 11 U.S.C. §§ 544, 547, 548, 549 or 550.

10.10 Quarterly Fees. All fees payable under 28 U.S.C. § 1930, for quarters ending prior to the entry of the Final Decree shall be paid in full by the Reorganized Debtor.

10.11 Confirmation Order and Plan Control. To the extent the Confirmation Order and/or the Plan is inconsistent with the Disclosure Statement, any other agreement entered into between or among Debtor and any third party, the Plan controls the Disclosure Statement and any such agreements and the Confirmation Order (and any other Orders of the Court) shall be construed together and consistent with the terms of the Plan.

10.12 Post-Confirmation Notice. After the Confirmation Date, no creditor or other party-in-interest shall be entitled to general notice of pleadings filed in the Chapter 11 Case or other notices required by the Bankruptcy Code or Bankruptcy Rules, unless such party already receives notice through the Court's CM/ECF system or such party requests post-confirmation notice by filing a request with the Court and serving same on Debtor's counsel. All pre-Confirmation requests for notice and orders requiring or limiting notice shall have no effect post-Confirmation, except with regard to continued service through the Court's CM/ECF system.

10.13 Case Closing. Debtor shall be responsible for preparing and filing any required motion to close the Chapter 11 Case. Debtor intends to seek closure of their Chapter 11 Case as soon as possible after the Effective Date, and this Chapter 11 Case may be closed notwithstanding the pendency of any claims objections, other Disputed motions, Causes of Action or Avoidance Actions, over which the Court shall retain jurisdiction.

10.14 Destruction of Records. After the Effective Date, and in accordance with applicable law, Debtor shall have the right to destroy or cause to be destroyed records that they determine to no longer be needed. Any objection to the destruction of such records must be raised as an objection to confirmation of the Plan or shall be deemed to be waived.

10.15 Headings. All heading utilized in the Plan and this Disclosure Statement are for convenience and reference only, and shall not constitute a part of the Plan for any other purpose.

10.16 Due Authorization. Each Claimant electing to participate in the distributions provided for herein warrants that such Claimant is authorized to accept, in consideration of such Claim against Debtor, the distributions provided for in the Plan and that there are not outstanding commitments, agreements, or understandings, expressed or implied, that may or can in any way defeat or modify the rights conveyed or obligations undertaken by such Claimant under the Plan.

10.17 Further Acts, Assurances and Authorizations. Debtor may, but shall not be obligated to, take any action or commit any act that they determine to be necessary to facilitate the consummation, implementation, effectuation and execution of the Plan. Debtor, if and to the extent necessary, shall seek such orders, judgments, injunctions, and rulings that may be required to carry out further the intentions and purposes, and to give full effect to the provisions, of the Plan. All terms and provisions of the Plan shall be construed in favor of Debtor.

10.18 Notice of Default; Cure. In the event of any alleged default under the Plan, any creditor or party-in-interest must give a written default notice to Debtor, with copies to counsel of record for Debtor, specifying the nature of the default. Upon receipt of the default notice, Debtor shall have ten (10) days to cure such default from the time of receipt of the default notice. If such default has not been cured within the applicable time period, the default may be brought to the attention of the Court or any other court of competent jurisdiction.

10.19 Applicable Law. Except to the extent that the Bankruptcy Code or other federal law is applicable, the rights, duties and obligations arising under the Plan shall be governed by and construed and enforced in accordance with the internal laws of the State of Tennessee without reference to the laws of other jurisdictions.

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

10.21 Notices. All notices, requests, elections or demands in connection with the Plan shall be in writing and shall be deemed to have been given when received or, if mailed, five (5) days after the date of mailing provided such writing shall have been sent by registered or certified mail, postage prepaid, return receipt requested.

10.22 Retention of Jurisdiction. The Court shall retain exclusive jurisdiction over this Chapter 11 case for the purpose of determining any matters pertaining to the Plan or the Confirmation Order, as well as determining all disputes, suits or controversies arising out of the Plan and its interpretation, enforcement or consummation. Persons reading this Disclosure Statement should refer to the Plan for a more detailed discussion of the Court's continuing jurisdiction over Debtor and this case.

10.23 Consent to Jurisdiction. By accepting any distribution or payment under or in connection with the Plan, by filing any Proof of Claim, by filing any Cure Claim or objection to the assumption or assignment of any assumed contract, by voting on the Plan, or by entering an appearance in the Case, all creditors and other parties in interest have consented, and will be deemed to have expressly consented to the jurisdiction of the Bankruptcy Court for all purposes with respect to any and all matters relating to, arising under or in connection with the Plan or the Case, including the matters and purposes set forth in the Plan.

10.24 Post-Confirmation Reporting. All post-confirmation reporting shall be made by Debtor in accordance with the Local Rules of Court.

ARTICLE XI. LIQUIDATION ANALYSIS

If any holder of an Allowed Claim in any Impaired Class does not accept the Plan, then Debtor must establish that the Plan affords that Class of creditors an amount that is not less than the amount that would be received by that creditor if Debtor were liquidated under Chapter 7 of the Bankruptcy Code. Because the Plan offers the potential for the greatest realization from its assets, the greatest of which is the goodwill and reputation maximized by Debtor's ongoing operations, Debtor is confident that this test is met and that the Plan, therefore, is in the best interests of creditors. Debtor does not believe that liquidation in the context of a Chapter 7 case would afford the holders of Claims a return as great as may be achieved under the Plan.

The starting point in determining the amount which creditors of each class of unsecured claims and interest would receive in a Chapter 7 case is to estimate the amount that would be generated from a forced liquidation of Debtor (the "**Liquidation Proceeds**").

The Liquidation Proceeds of Debtor would consist of the proceeds from the sale of all of the assets of Debtor, plus cash held by Debtor, collection of Debtor's receivables, and recoveries on any actions against other parties. The Liquidation Proceeds would first be used to pay allowed secured claims, then be reduced by the cost of the liquidation. Costs of liquidation of Debtor would likely include the fees of the Chapter 7 Trustee, as well as those of counsel and other professionals that

would be retained by the Trustee, actual selling expenses, any unpaid expenses incurred by Debtor during its reorganization under this Chapter 11 (such as fees for attorneys and accountants), and any claims arising by reason of the Trustee's rejection of any contractual or lease obligations of Debtor. These claims, and such other claims which are likely to arise during the liquidation process under Chapter 7, will result in a diminution of the Liquidation Proceeds available to pay unsecured creditors. If there are any proceeds from the liquidation of Debtor's assets after payment of the secured claims and Chapter 7 administrative expenses, those proceeds would be applied to any administrative expenses of the Chapter 11 case, then to priority claims, before any distribution to unsecured creditors.

Debtor asserts that the present value of the distributions which could be anticipated from the net Liquidation Proceeds should be compared with the present value offered to each of the classes of Unsecured Claims and interests under the Plan. Debtor's physical assets and cash are presently valued at between \$1.7 and \$2.7 million.

Debtor's other assets include its accounts receivable; Debtor expects to collect a substantial percentage of its accounts receivable, provided Debtor continues in business. However, if Debtor were to liquidate in a Chapter 7, Debtor's ability to collect its receivables diminishes. Payment on any projects or installations that are not finished as of the conversion date would face delays and possible non-payment. Debtor's estate also includes Causes of Action. Debtor is not sure what, if any, recovery its causes of action will net, as it anticipates that the current interest of Debtor is in preventing further competition, rather than recovering for substantial past harm. Therefore, Debtor's liquidation analysis is not significantly benefitted by the presence of any Cause of Action.

If Debtor's assets were liquidated by a Chapter 7 Trustee, the costs of liquidation would be substantial, including auction costs, marketing costs, and value lost due to the entrance of new technologies during the marketing period. The lesser proceeds that might be obtained in a liquidation sale will result in Secured creditors having unsecured deficiency claims, increasing and diluting the unsecured claim pool and reducing, if not eliminating, the amounts that unsecured creditors would receive. For example, Debtor understands that PNC Equipment would have a deficiency claim. Further, in the event of a liquidation, Debtor's agreement with Panasonic would terminate, permitting Panasonic to repossess its equipment and enforce the full amount of its claim against Debtor, reducing the assets available for distribution and sale and increasing the unsecured claim pool. In contrast, under the Plan, every class of Secured Claims receives payments equal to the full present value of its Allowed Secured Claim. Further, the Plan provides a better treatment to holders of Allowed Unsecured Claims than such creditors would likely receive in the event of a Chapter 7 liquidation.

Attached hereto as **Exhibit C** is a Liquidation Analysis prepared by Debtor in conjunction with its Plan. As demonstrated by Debtor's Liquidation Analysis, the amount proposed to be paid to unsecured claimants is at least equal to the average between the high and low recovery in the event of a liquidation. Debtor submits that this meets the requirements of the Code.

For these reasons, Debtor believes that all creditors of Debtor will receive as much or more under the Plan than they would receive in a Chapter 7 case.

ARTICLE XII. FEASIBILITY

Another requirement for confirmation involves the feasibility of the Plan, which means that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further reorganization, of Debtor or any successor to Debtor under the Plan.

There are at least two important aspects of a feasibility analysis. The first aspect considers whether Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses which are entitled to be paid on such date. Debtor asserts that this aspect of feasibility is satisfied because its cash on hand will be sufficient to pay all fees or expenses due on the Effective Date. The second aspect of feasibility concerns whether Debtor will have enough cash over the life of the Plan to make the required Plan payments. Debtor has provided projections that demonstrate Debtor's anticipated cash flow, and monthly operating reports in this case demonstrate Debtor's typical monthly income and operating expenses. Debtor will be able to continue maximizing the efficiency and earnings of its operations. Debtor believes that its revenue forecast is reasonable and based on past performance and an insider's understanding of the industry. While Debtor cannot anticipate all disruptive technologies or events, Debtor anticipates that its industry experience and reputation will enable it to fulfill all obligations under the Plan and emerge a stronger enterprise.

Please refer to the monthly operating reports filed in this case for Debtor's relevant financial statements and Debtor's *Pro Forma*, filed as **Exhibit B** hereto. YOU ARE ADVISED TO CONSULT WITH YOUR ACCOUNTANT OR FINANCIAL ADVISOR IF YOU HAVE ANY QUESTIONS PERTAINING TO THESE FINANCIAL STATEMENTS.

ARTICLE XIII. REQUEST FOR RELIEF UNDER SECTION 1129(B)

13.01 Requirements for "Cramdown." Section 1129(b) of the Bankruptcy Code provides that the Bankruptcy Court may confirm a plan, even if it is not accepted by all impaired Classes, if the Plan has been accepted by at least one impaired Class of Claims and the Plan meets the "cramdown" provisions set forth in that Section. The "cramdown" provisions require that the Bankruptcy Court find that a plan "does not discriminate unfairly" and is "fair and equitable" with respect to each non-accepting impaired Class. In the event that all impaired Classes do not vote to accept the Plan, Debtor will request that the Bankruptcy Court confirm the Plan pursuant to the provisions of § 1129(b) of the Bankruptcy Code.

The Bankruptcy Court may find that the Plan is "fair and equitable" with respect to a Class of non-accepting Secured Claims, only if, under the Plan, (a) the holder of each Secured Claim in such Class retains such holder's lien and receives deferred cash payments totaling at least the Allowed amount of such Secured Claim and having a value, as of the Effective Date of the Plan, equal to or in excess of the value of such holder's interest in the estate's interest in the collateral for the Secured Claim, (b) the collateral for such Secured Claim is sold, the lien securing such Claims attached to the proceeds, and such liens on proceeds are afforded the treatment described under clause (a) or (c) of this sentence, or (c) the holders of such Secured Claims realize the "indubitable equivalent" of their claims.

Debtor asserts that the rate of interest proposed to be paid on Secured Claims provides secured creditors with a future payment stream having a present value equal to each creditor's Allowed Secured Claim. The requirements of § 1129(b) are easily met with respect to Debtor's Secured Creditors.

The Bankruptcy Court may find that the Plan is "fair and equitable" with respect to a Class of non-accepting impaired Unsecured Claims only if (a) each impaired unsecured creditor receives or retains under the Plan property of a value as of the Effective Date of such Plan equal to the amount of its Allowed Claim, or (b) the holder of any Claim or Interest that is junior to the Claims of the dissenting Class will not receive or retain any property under the Plan, unless that holder provides consideration in the form of new value.

If all of the provisions of § 1129(b) of the Bankruptcy Code are met, the Bankruptcy Court may enter an order confirming the Plan.

13.02 The Plan is Confirmable Under Section 1129(b) of the Bankruptcy Code. Debtor asserts that the Plan also meets the "best interest of creditors" test and is "feasible". In addition, if any Class of Claims rejects the Plan, the Plan can nevertheless be confirmed because it meets the "cramdown" standard with respect to such Class.

- (a) **The Plan Meets the "Best Interest of Creditors" Test.** The "best interest of creditors" test requires that the Bankruptcy Court find that the Plan provides to each non-accepting holder of a Claim treated under the Plan a recovery which has a present value at least equal to the present value of the distribution that such person would receive if Debtor's assets were liquidated under Chapter 7 of the Bankruptcy Code. An analysis of the likely recoveries and effect on creditors in the event of liquidation under Chapter 7 of the Bankruptcy Code is contained in **Article X** of this Disclosure Statement. Debtor submits that, in a Chapter 7 liquidation, recovery by Debtor's unsecured creditors is less than that offered in Debtor's Plan. As such, Debtor believes that this test is easily satisfied.
- (b) **The Plan is Feasible.** As a condition to confirmation of a plan, the Bankruptcy Court must find that confirmation is not likely to be followed by a liquidation or a need for further financial reorganization except as proposed in that plan. Debtor has proven its ability to pay the amounts that will be due under the Plan on the Effective Date and thereafter, as verified in Debtor's Pro Forma, attached as Exhibit B to this Disclosure Statement. Debtor believes that the information contained in Debtor's Pro Forma realistically reflects anticipated operations, and provides creditors with a reasonable snapshot from which to evaluate the prospects for Debtor's long-term success. Exhibit B is based on historical revenues, expenses, and operating trends, as adjusted for changes and improvements made to Debtor's operations. Information about Debtor's operations during the pendency of this case may be found in Debtor's monthly operating reports, which are available electronically through the Court's website.
- (c) **The Plan Meets the Cramdown Standard with Respect to Any Impaired Class of Claims Rejecting the Plan.** In the event any impaired Class of Claims rejects the Plan, the Plan can be confirmed. The Plan satisfies the provisions for cramdown under § 1129(b)(2)

of the Bankruptcy Code. Secured creditors are either retaining their liens and receiving the value of their interest in Debtor's property in deferred cash payments totaling the allowed amount of their Claims or receiving all property secured by their Liens. Priority and Unsecured creditors are receiving more than they would receive if this Case were a Chapter 7 liquidation. In the event an impaired Class rejects the Plan, the Plan shall be deemed a motion for cramdown of such Class under the Bankruptcy Code.

- (d) **Absolute Priority Rule.** The only Classes of Claims that is not being paid in full are the holders of Claims in Class 7, which Claimants are receiving a pro rata share of 15% of their Allowed Unsecured Claims, and Class 8, which Claimant is not receiving any distribution. Debtor submits that Daniels, as the holder of a Class 8 Claim, is foregoing valuable consideration and is making a personal distribution in the amount of at least \$40,000, which amount is necessary to enable Debtor to make payments due on the Effective Date and reasonably equivalent to the value of Daniels' interest in the Reorganized IMAG. As shown on the Pro Forma attached hereto, IMAG's net income in the first three years under the Plan will total approximately \$32,000.

In the event Daniels does not make the contribution, IMAG will be unable to make Effective Date payments and fund its Plan while also maintaining sufficient funds to sustain operations. Further, if Daniels' \$3.4 million personal loan to IMAG – which amount enabled IMAG to stay in business for over four additional years and went directly to pay off IMAG debt – was included in Class 7, the *pro rata* distribution to Class 7 Claimants would substantially. Therefore, Debtor submits that the Plan satisfies the new value corollary to the Absolute Priority Rule.

ARTICLE XIV. TAX CONSEQUENCES

The following discussion summarizes certain anticipated federal income tax consequences of implementation of the Plan to holders of Claims and to Debtor. It does not address all federal income tax consequences of the Plan nor does it address the state or local income tax or other state or local tax consequences of implementation of the Plan to holders of Claims or to Debtor.

PERSONS READING THIS DISCLOSURE STATEMENT SHOULD BE AWARE THAT NEITHER DEBTOR NOR THEIR COUNSEL HAVE INTENDED TO ANSWER THE ABOVE TAX-RELATED ISSUES BUT RATHER ARE ONLY ATTEMPTING TO IDENTIFY SOME, BUT NOT ALL, OF THE TAX-RELATED ISSUES WHICH SHOULD BE CONSIDERED BY CREDITORS IN VOTING ON THE PLAN. FURTHERMORE, CREDITORS SHOULD CONSULT WITH THEIR OWN INDEPENDENT TAX ADVISOR WITH RESPECT TO ANY TAX IMPACT THAT MAY RESULT THROUGH THE IMPLEMENTATION OF THE PLAN.

The description of the federal income tax consequences of implementing the Plan is based on the Internal Revenue Code of 1986 (the "Tax Code"), the existing Treasury Regulations and Proposed Regulations thereunder, judicial decisions and current published administrative rulings generally available prior to the date of the filing of the Plan, all of which are subject to change at any time. Any such change may have a retroactive effect. DEBTOR HAS NOT RECEIVED, NOR WILL

THEY REQUEST, A RULING FROM THE IRS AS TO ANY OF THE TAX CONSEQUENCES OF THE PROPOSED PLAN WITH RESPECT TO HOLDERS OF CLAIMS. NO ASSURANCE IS OR CAN BE GIVEN THAT THE IRS WILL CONCUR WITH, NOR IS THE IRS BOUND BY, THIS DISCUSSION. Debtor has not obtained an opinion of counsel with respect to any of these matters. The discussion below is general in nature and is not directed to the specific tax situation of any particular interested taxpayer. FOR THESE REASONS, ALL HOLDERS OF CLAIMS SHOULD CONSULT WITH THEIR OWN ADVISORS AS TO THE TAX CONSEQUENCES OF IMPLEMENTATION OF THE PLAN TO THEM UNDER APPLICABLE FEDERAL, STATE AND LOCAL TAX LAWS.

14.01 Tax Consequences to Debtor. Confirmation of the Plan is not expected to have any material tax consequence for Debtor.

14.02 Tax Consequences to Claimants. Generally, bad debts arising from a taxpayer's trade or business may be deducted from gross income to the extent of their worthlessness when such debts become partially or totally worthless. A cash basis taxpayer can deduct a bad debt only if an actual cash loss has been sustained or if the amount deducted was included in income. All accrual-basis taxpayers must use the specific charge-off method to deduct business bad debts.

holders of Claims may be required to report income or entitled to a tax deduction as a result of implementation of the Plan. The exact tax treatment depends on, among other things, each Claim holder's method of accounting, the nature of each Claim holder's Claim, and whether and to what extent such Claim holder has taken a bad debt deduction in prior taxable years with respect to the particular debt owed to them by Debtor. EACH HOLDER OF A CLAIM IS URGED TO CONSULT WITH HIS OR ITS OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE TREATMENT OF HIS OR ITS CLAIM UNDER THE PLAN. DEBTOR HAS NO MEANS TO DETERMINE THE POTENTIAL INDIVIDUALIZED TAX CONSEQUENCES TO ANY HOLDER OF CLAIMS.

ARTICLE XV. CONFIRMATION PROCEDURES

The Plan cannot be consummated unless it is confirmed by the Court. Confirmation of the Plan requires that, among other things, either (i) each Class of Claims or Interests that is impaired by the Plan has voted to accept the Plan by the requisite majority, or (ii) the Plan is determined by the Court to be fair and equitable, as defined by the Bankruptcy Code, with respect to Classes of Claims or Interests that have rejected the Plan. The Bankruptcy Code also requires that the confirmation of the Plan be in the "best interests" of all holders of Claims and Interests. Debtor believes that the Plan meets the Confirmation requirements of the Bankruptcy Code.

15.01 Creditors Eligible to Vote. Only the votes of Classes whose Claims or Interests are impaired by the Plan will be counted in connection with the Confirmation of the Plan. Generally, and subject to the specific provisions of § 1124 of the Bankruptcy Code, a Class is "impaired" if its legal, equitable or contractual rights attaching to the Claims or Interests of that Class are modified by the Plan. In determining acceptance of the Plan, votes will be counted only if submitted by a holder of an Allowed Claim or Allowed Interest. Claims or Interests may be

Allowed by the Court for voting purposes only. Classes 1 and 9 of the Plan include Claims or Interests that are not impaired under the Plan. All other Classes of Claims or Interests are Impaired.

15.02 Acceptance Necessary to Confirm the Plan. For the Plan to be accepted and thereafter confirmed, it must be accepted by at least one Class of Claims which is impaired by the Plan. Under § 1126 of the Bankruptcy Code, the impaired Class is deemed to have accepted the Plan if: (i) with respect to a Class of Claims, votes representing at least two-thirds (2/3) in amount and more than one-half (1/2) in number of Allowed Claims that have voted in that Class have accepted the Plan, and (ii) with respect to a Class of Interests, votes representing at least two-thirds (2/3) in amount of those Allowed Interests that have voted have accepted the Plan; provided that the vote of any holder of an Allowed Claim or Allowed Interest whose acceptance or rejection of the Plan was not made in good faith, as determined by the Court, will not be counted.

If a Class of Claims has been impaired by the Plan, the impaired Class must accept the Plan. Otherwise, the Court, in order to confirm the Plan, must independently determine that the Plan provides to each holder of a Claim or Interest, as the case may be, of such Class a recovery which has a value, as of the Effective Date, at least equal to the value of the distribution which such holder would receive or retain if Debtor was liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date.

15.03 Manner of Voting. In voting for or against the Plan, please use only the ballot sent to you with this Disclosure Statement. If a creditor has an Allowed Claim or Allowed Interest in more than one Class, such creditor may vote multiple ballots. holders of Allowed Claims or Allowed Interests entitled to vote to accept or reject the Plan may vote by completing, dating, signing and transmitting the ballot to: Dunham Hildebrand, PLLC, 1704 Charlotte Avenue, Suite 105, Nashville, Tennessee, 37203, Email: alex@dhnashville.com.

To be counted, a ballot must be received at the above address on or before the date and time set forth in the ballot. A ballot, once submitted, cannot be withdrawn or modified except as provided under the Bankruptcy Code. If a creditor fails to submit a ballot on or before the date set forth in the ballot, such creditor shall be deemed to have accepted the Plan.

15.04 Confirmation Without Unanimous Acceptance. Section 1129(b) of the Bankruptcy Code provides that the Plan may be confirmed by the Court despite not being accepted by every impaired Class if: (i) at least one impaired Class of Claims, excluding the Claims of insiders, has accepted the Plan; and (ii) the Court finds that the Plan does not discriminate unfairly and is fair and equitable to the rejected Classes. Among other things, such a finding would require a determination by the Court that the Plan provides that no holder of an Allowed Claim or Allowed Interest junior to the rejecting Class will receive or retain property or payment under the Plan until or unless such rejecting Class is paid in full.

Debtor reserves the right pursuant to § 1129(b) of the Bankruptcy Code to request the Court to confirm the Plan if all of the applicable requirements of § 1129(a) of the Bankruptcy Code have been met. In addition, Debtor reserves the right pursuant to § 1126(e) of the Bankruptcy Code to request the Court to strike any ballot rejecting the Plan cast by any holder of a Claim or Interest which was not cast in good faith.

15.05 Hearing on Confirmation of the Plan. The Court will set a hearing on Confirmation of the Plan to determine whether the Plan has been accepted by the requisite number of holders of Claims and Interests and whether the other standards for Confirmation of the Plan have been satisfied. The hearing may be adjourned from time to time without further written notice other than an announcement in open Court.

DATED: September 25, 2017

Respectfully Submitted,

IMAG VIDEO/AV, INC.

/s/ Steven C. Daniels

By: Steven C. Daniels

Its: Owner and CEO

/s/ R. Alex Payne

Griffin S. Dunham

Alex Payne

DUNHAM HILDEBRAND, PLLC

1704 Charlotte Avenue, Suite 105

Nashville, Tennessee 3720e

629.777.6529

alex@dhnashville.com

Attorneys for IMAG Video/AV, Inc.

Exhibit A – IMAG Unsecured Creditors

Class 6 - Revolving Credit

American Express - Platinum Card	\$99,527
American Express - Plum Card	\$64,742
Southwest Credit Card (0552)	\$11,719
Southwest Credit Card (7047)	\$2,012
	<u>\$178,000</u>

Class 7 - General Unsecured

Gloshine Limited	\$914,703
Alliance Venture Corp.	\$479,848
Camtuman	\$56,604
EFM Management, LTD.	\$32,417
Accurate Staging, Inc.	\$25,450
Conserv Business Services	\$24,690
On Tour Logistics	\$24,528
SGPS Showrig, Inc.	\$19,413
Airgroup Corporation	\$10,543
Wright Express Bank	\$8,810
MHC Truck Leasing	\$7,262
Josh Collins	\$6,930
	<u>\$1,611,198</u>

Class 8 - Insider Claims

Steven C. Daniels	\$3,600,000
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Class 9 - Administrative Convenience Class

TV One Broadcast Sales Corp.	\$2,646
Seko Logistics	\$1,991
Chas Hawkins Co., Inc.	\$1,098
Business Interruption Consultants	\$1,000
Tyler Morgan Brimstone Recreation	\$1,000
Tyco	\$150
	<u>\$7,885</u>

Disputed, Disallowed Claims

Yvette Moore	\$27,500
Christiane Small	\$9,500
	<u>\$37,000</u>

Exhibit B

IMAG Video/AV Inc.: 5 Year Proforma Income Statement (in thousands 000's) ¹

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Income						
Rental Income	\$ 2,720	\$ 2,788	\$ 2,837	\$ 2,887	\$ 2,938	\$ 14,170
Sales Income	\$ 507	\$ 535	\$ 561	\$ 588	\$ 616	\$ 2,806
Total Revenue	\$ 3,226	\$ 3,323	\$ 3,398	\$ 3,475	\$ 3,554	\$ 16,975
Expenses						
Commissions	\$ (14)	\$ (14)	\$ (14)	\$ (14)	\$ (15)	\$ (71)
Sales COGs	\$ (405)	\$ (428)	\$ (449)	\$ (470)	\$ (493)	\$ (2,245)
Freight	\$ (65)	\$ (66)	\$ (68)	\$ (69)	\$ (71)	\$ (340)
Fuel Expense	\$ (68)	\$ (70)	\$ (71)	\$ (72)	\$ (73)	\$ (354)
Payroll and Per Diem	\$ (788)	\$ (811)	\$ (823)	\$ (832)	\$ (840)	\$ (4,094)
Payroll Taxes	\$ (265)	\$ (273)	\$ (277)	\$ (280)	\$ (283)	\$ (1,378)
Payroll Processing Fees	\$ (18)	\$ (18)	\$ (18)	\$ (18)	\$ (18)	\$ (91)
Sub-Contract Labor	\$ (122)	\$ (125)	\$ (128)	\$ (130)	\$ (132)	\$ (638)
Repairs	\$ (27)	\$ (28)	\$ (28)	\$ (29)	\$ (29)	\$ (142)
Supplies	\$ (105)	\$ (108)	\$ (110)	\$ (113)	\$ (116)	\$ (552)
Sub-Rental Equipment	\$ (68)	\$ (70)	\$ (71)	\$ (73)	\$ (75)	\$ (356)
Travel/Lodging	\$ (102)	\$ (105)	\$ (106)	\$ (108)	\$ (110)	\$ (531)
Truck Expenses	\$ (34)	\$ (35)	\$ (35)	\$ (36)	\$ (37)	\$ (177)
Truck Leasing and Rentals	\$ (129)	\$ (132)	\$ (135)	\$ (137)	\$ (140)	\$ (673)
Janitorial	\$ (8)	\$ (8)	\$ (8)	\$ (8)	\$ (8)	\$ (42)
Liability Insurance	\$ (103)	\$ (103)	\$ (103)	\$ (103)	\$ (103)	\$ (517)
License Fee's & Permits	\$ (17)	\$ (17)	\$ (17)	\$ (17)	\$ (17)	\$ (83)
Meals & Entertainment	\$ (32)	\$ (33)	\$ (34)	\$ (35)	\$ (36)	\$ (170)
Office Expense	\$ (30)	\$ (31)	\$ (31)	\$ (32)	\$ (32)	\$ (156)
Health Insurance	\$ (65)	\$ (66)	\$ (68)	\$ (69)	\$ (71)	\$ (340)
Postage	\$ (12)	\$ (12)	\$ (13)	\$ (13)	\$ (13)	\$ (62)
Rent	\$ (156)	\$ (161)	\$ (225)	\$ (228)	\$ (230)	\$ (999)
Marketing and Promotional	\$ (12)	\$ (12)	\$ (13)	\$ (13)	\$ (13)	\$ (64)
Repairs and Maintenance	\$ (81)	\$ (83)	\$ (85)	\$ (87)	\$ (89)	\$ (424)
Security	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (9)
Software Expense	\$ (5)	\$ (6)	\$ (6)	\$ (6)	\$ (6)	\$ (28)
State Taxes Paid-TN	\$ (15)	\$ (15)	\$ (16)	\$ (16)	\$ (16)	\$ (78)
Cell Phone	\$ (18)	\$ (19)	\$ (19)	\$ (19)	\$ (19)	\$ (94)
Internet	\$ (8)	\$ (8)	\$ (8)	\$ (8)	\$ (8)	\$ (40)
Telephone Expense	\$ (4)	\$ (4)	\$ (4)	\$ (4)	\$ (4)	\$ (20)
Travel Expense	\$ (33)	\$ (33)	\$ (34)	\$ (35)	\$ (35)	\$ (170)
Utilities	\$ (48)	\$ (49)	\$ (50)	\$ (51)	\$ (51)	\$ (248)
Contingency	\$ (32)	\$ (33)	\$ (34)	\$ (35)	\$ (36)	\$ (170)
Interest Expense (Plan Interest)	\$ (30)	\$ (20)	\$ (11)	\$ (7)	\$ (5)	\$ (73)
Total Expenses	\$ (2,920)	\$ (3,000)	\$ (3,115)	\$ (3,168)	\$ (3,225)	\$ (15,427)
Income from Operations	\$ 306	\$ 323	\$ 283	\$ 307	\$ 329	\$ 1,548
Estimated Taxes at 25.0%	\$ (77)	\$ (81)	\$ (71)	\$ (77)	\$ (82)	\$ (387)
Net Income	\$230	\$242	\$212	\$230	\$247	\$ 1,161
Chapter 11 Plan Payments (Principal Only)						
Principal Payments	\$ (229)	\$ (239)	\$ (184)	\$ (77)	\$ (79)	\$ (808)
Total Chapter 11 Plan Payments (Principal Only)	\$ (229)	\$ (239)	\$ (184)	\$ (77)	\$ (79)	\$ (808)
Net Income after Plan Principal Payments	\$ 1	\$ 3	\$ 28	\$ 153	\$ 168	\$ 354

1) Proforma starts on effective date

Plan Payments Summary

Creditor Class	\$ Amount in Plan	Interest Rate (%)	Term (in years)	Monthly Payment (P & I)	Description
Class 2	\$ 131,250	5.00%	5	\$ (2,477)	Secured: PNC
Class 3	\$ 12,598	5.50%	3	\$ (380)	Secured: WEF
Class 4	\$ 240,000	5.00%	3	\$ (7,193)	Secured: Panasonic, non-Rio
Class 5	\$ 180,000	5.00%	2.25	\$ (7,063)	Unsecured: Panasonic, leased
Class 6	\$ 178,954	3.50%	10	\$ (1,770)	Revolving credit lines
Class 7	\$ 324,003	0.00%	10	\$ (2,700)	General unsecured
Class 8	\$ 7,884	0.00%	0	\$ -	Administrative convenience
Class 9	\$ -	0.00%	0	\$ -	Insider claims
Admin claims	\$ 11,335	0.00%	0	\$ -	Administrative claims
Total Monthly Plan Payments (P & I)				\$ (21,582)	

2) Class 8 and Admin claims to be paid on effective date

Exhibit C

IMAG Video/AV Inc.: Liquidation Analysis

	Value	TOTAL		Estimated Recoverability	
		Low %	High %	Low \$	High \$
Cash	-	100.0%	100.0%	\$ -	\$ -
Net Customer AR				\$ 102,218	\$ 154,285
Equipment ¹				\$ 1,720,672	\$ 2,706,685
Rolling Stock	33,500	80.0%	90.0%	\$ 26,800	\$ 30,150
Insurance Proceeds				\$ 30,000	\$ 60,000
Total	33,500			\$ 1,879,690	\$ 2,951,120

	Estimated Recoverability	
	Low \$	High \$
Total Assets	\$ 1,879,690	\$ 2,951,120
Secured Creditors	(\$808,473)	(\$484,595)
Chapter 7 Trustee Fees, Chapter 7 Legal Fees	(\$211,784)	(\$179,641)
Priority Tax	(\$4,835)	(\$4,835)
Estimated Available to Unsecured	\$854,599	\$2,282,050
Unsecured Claims ²	(\$11,721,463)	(\$11,397,585)
Notes Payable Unsecured	\$0	\$0
Estimated Recovery \$ for Unsecured Claims	(\$10,866,864)	(\$9,115,535)
Estimated Recovery \$ for Unsecured Claims	(\$10,866,864)	(\$9,115,535)
Estimated Recovery % for Unsecured Claims	7.9%	25.0%

1. Equipment valuation derived from appraisal of IMAG equipment performed during pendency of bankruptcy case. The high recovery value represents an orderly liquidation, while the low recovery value represents a forced liquidation. All IMAG equipment, including leased equipment and equipment subject to a UCC-1 lien, is included in this value.

2. The total unsecured claims includes insider claims, unsecured trade creditors, and deficiency claims from secured creditors or lessors, including PNC and Panasonic.