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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
Richmond Division**

In re:

CAMPBELL GRAPHICS, INC.,<sup>1</sup>

Debtor.

Chapter 11

Case No. 16-30523-KRH

**DISCLOSURE STATEMENT FOR DEBTOR'S PLAN OF REORGANIZATION  
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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<sup>1</sup> The last four digits of the Debtor's federal tax identification number are 1699.

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**THIS DISCLOSURE STATEMENT IS THE ONLY DOCUMENT AUTHORIZED BY THE COURT TO BE USED IN CONNECTION WITH THE PLAN. NO SOLICITATIONS FOR OR AGAINST THE PLAN MAY BE MADE EXCEPT THROUGH THIS DISCLOSURE STATEMENT.**

**THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN. ALTHOUGH THE DEBTOR BELIEVES AND HAS MADE EVERY EFFORT TO ENSURE THAT THIS SUMMARY PROVIDES ADEQUATE INFORMATION WITH RESPECT TO THE PLAN, IT DOES NOT PURPORT TO BE COMPLETE AND IS QUALIFIED TO THE EXTENT IT DOES NOT SET FORTH THE ENTIRE TEXT OF THE PLAN. IF THERE IS ANY INCONSISTENCY BETWEEN THE PLAN AND THE SUMMARY OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT, THE PLAN SHALL CONTROL. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST SHOULD REVIEW THE PLAN IN ITS ENTIRETY.**

**THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016 AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAW OR OTHER APPLICABLE NONBANKRUPTCY LAW. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING CLAIMS AGAINST THE DEBTOR SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED. THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED TO BE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE REORGANIZATION OF THE DEBTOR AS TO HOLDERS OF CLAIMS AGAINST THE DEBTOR.**

**IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND INTERESTS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS OR INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH**

**DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE DEBTOR OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS AND INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

**THIS DISCLOSURE STATEMENT HAS NEITHER BEEN APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.**

**AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS THE DEBTOR’S STATEMENT OF THE STATUS OF THE MATTER.**

**ALL OF THE PROJECTED RECOVERIES TO CREDITORS ARE BASED UPON THE ANALYSES PERFORMED BY THE DEBTOR AND ITS PROFESSIONALS. ALTHOUGH THE DEBTOR HAS MADE EVERY EFFORT TO VERIFY THE ACCURACY OF THE INFORMATION PRESENTED HEREIN AND IN THE EXHIBITS ATTACHED HERETO, THE DEBTOR CANNOT MAKE ANY REPRESENTATIONS OR WARRANTIES REGARDING THE ACCURACY OF THE INFORMATION.**

**THE DEBTOR RECOMMENDS THAT CREDITORS SUPPORT AND VOTE TO ACCEPT THE PLAN. IT IS THE OPINION OF THE DEBTOR THAT THE TREATMENT OF CREDITORS UNDER THE PLAN CONTEMPLATES A GREATER RECOVERY THAN THAT WHICH IS LIKELY TO BE ACHIEVED UNDER OTHER ALTERNATIVES FOR THE REORGANIZATION OR LIQUIDATION OF THE DEBTOR. ACCORDINGLY, THE DEBTOR BELIEVES THAT CONFIRMATION OF THE PLAN IS IN THE BEST INTERESTS OF CREDITORS.**

**TABLE OF CONTENTS**

I. INTRODUCTION ..... 1

    A. General..... 1

    B. Classification and Treatment of Claims Under the Plan..... 1

    C. Plan Overview..... 2

    D. Summary of Confirmation Requirements..... 3

    E. Voting Instructions and Deadline..... 3

    F. The Confirmation Hearing..... 5

    G. Definitions..... 5

II. BACKGROUND ..... 5

III. PLAN OF REORGANIZATION ..... 6

    A. Restructuring Details ..... 6

    B. Classification and Treatment of Claims Under the Plan..... 6

    C. Treatment of Administrative Claims, Tax Claims, and Trustee Fees..... 6

        1. Administrative Claims..... 6

        2. Priority Tax Claims..... 7

    D. Treatment of Classified Claims..... 7

        1. Class 1 Claims – Other Priority Claims..... 7

        2. Class 2 Claims – City of Richmond Tax Lien ..... 8

        3. Class 3 Claims – Wells Fargo Secured Claim ..... 8

        4. Class 4 Claims – WH Real Estate LLC Claim ..... 8

        5. Class 5 Claims – AlphaGraphics Claim..... 8

        6. Class 6 Claims – General Unsecured Claims ..... 8

        7. Class 7 Interests ..... 8

    E. Acceptance Requirements..... 9

        1. Acceptance or Rejection of the Plan..... 9

        2. Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code..... 9

    F. Means for Implementation of the Plan..... 9

        1. Sources of Consideration..... 9

        2. Reorganized Debtor’s Management ..... 9

        3. Employee Benefits..... 10

        4. Vesting of Assets in the Reorganized Debtor..... 10

        5. Restructuring Transactions..... 10

        6. Corporate Action..... 11

        7. Preservation of Causes of Action of the Debtor..... 11

    G. Treatment of Executory Contracts and Unexpired Leases..... 11

        1. Assumption and Rejection of Executory Contracts and Unexpired Leases..... 11

        2. Claims Based on Rejection of Executory Contracts or Unexpired Leases..... 12

        3. Cure of Defaults for Assumed Executory Contracts and Unexpired Leases..... 13

4. Insurance Policies .....	13
5. Modifications, Amendments, Supplements, Restatements, or Other Agreements .....	13
6. Reservation of Rights.....	13
7. Contracts and Leases Entered into After the Petition Date.....	14
H. Provisions Governing Distributions.....	14
1. Timing and Calculation of Amounts to Be Distributed.....	14
2. Disbursing Agent.....	14
3. Rights and Powers of Disbursing Agent.....	14
4. Payments and Distributions on Disputed Claims.....	14
5. Special Rules for Distributions to Holders of Disputed Claims.....	15
6. Delivery of Distributions in General.....	15
7. Undeliverable Distributions and Unclaimed Property.....	15
8. Withholding and Reporting Requirements.....	15
9. Setoffs.....	15
10. Insurance Claims.....	16
11. Applicability of Insurance Policies.....	16
12. Allocation of Distributions Between Principal and Unpaid Interest.....	16
13. Interest on Claims.....	16
I. Procedures for Resolving Contingent, Unliquidated, and Disputed Claims.....	16
1. Prosecution of Objections to Claims.....	16
2. Allowance of Claims.....	17
3. Distributions After Allowance.....	17
4. Estimation of Claims.....	17
J. Conditions Precedent to Confirmation of the Plan and the Effective Date.....	17
1. Conditions Precedent to Confirmation.....	17
2. Conditions Precedent to the Effective Date.....	18
3. Waiver of Conditions.....	18
4. Effect of Failure of Conditions.....	18
K. Modification, Revocation, or Withdrawal of the Plan.....	18
1. Modification and Amendments.....	18
2. Effect of Confirmation on Modifications.....	19
3. Revocation or Withdrawal of the Plan.....	19
L. Retention of Jurisdiction.....	19
M. Miscellaneous Provisions.....	21
1. Immediate Binding Effect.....	21
2. Additional Documents.....	21
3. Dissolution of Any Committees.....	21
4. Reservation of Rights.....	21
5. Successors and Assigns.....	21
6. Votes Solicited in Good Faith.....	22

7. Closing of Chapter 11 Cases.....	22
IV. RISK FACTORS IN CONNECTION WITH THE PLAN.....	22
A. General Considerations.....	22
B. Certain Bankruptcy Considerations.....	22
C. No Duty to Update Disclosures.....	23
D. Representations Outside this Disclosure Statement.....	23
E. No Admission.....	23
F. Class Estimations.....	23
G. Leverage.....	24
H. Adverse Publicity.....	24
I. Tax and Other Related Considerations.....	24
V. FINANCIAL PROJECTIONS.....	24
VI. STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN OF REORGANIZATION.....	25
A. Elements of Confirmation.....	25
B. Best Interests of Creditors.....	25
C. Feasibility of the Plan.....	26
D. Confirmation of the Plan if One or More Classes Do Not Accept.....	27
E. Hearing on Confirmation of the Plan.....	27
VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN.....	27
VIII. EFFECTS OF PLAN CONFIRMATION.....	28
A. Compromise and Settlement of Claims, Interests, and Controversies.....	28
B. Releases by the Debtor.....	28
C. Releases by Holders of Claims.....	29
D. Discharge of Claims and Termination of Interests.....	29
E. Injunction.....	30
F. Term of Injunctions or Stays.....	31
G. Protection Against Discriminatory Treatment.....	31
H. Release of Liens.....	32
IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN.....	32
A. Liquidation Under Chapter 7.....	32
B. Alternative Plan of Reorganization.....	32
X. CONCLUSION AND RECOMMENDATIONS.....	32

**EXHIBITS**

- Exhibit A – Plan of Reorganization
- Exhibit B – Schedule of Assets
- Exhibit C – Recent Pre-Petition Date Financial Statements
- Exhibit D – Recent Monthly Operating Report
- Exhibit E – Liquidation Analysis
- Exhibit F – Financial Projections

## I. INTRODUCTION

### A. General

The following introduction is qualified by the Plan of Reorganization of Campbell Graphics, Inc. Pursuant to Chapter 11 of the Bankruptcy Code proposed by Campbell Graphics, Inc. (the “**Debtor**”), as debtor and debtor in possession, dated August 24, 2016 (the “**Plan**”),<sup>2</sup> which is attached hereto as **Exhibit A**, and the more detailed information and financial statements contained elsewhere in this document. The Debtor believes that confirmation and implementation of the Plan is in the best interests of creditors and that the Plan provides the best available alternative to creditors. This disclosure statement (“**Disclosure Statement**”) and the other documents described herein are being furnished by the Debtor to Holders of Claims and Interests in the Debtor’s Chapter 11 Case pending before the United States Bankruptcy Court for the Eastern District of Virginia, Richmond Division (the “**Court**”).

### B. Classification and Treatment of Claims Under the Plan.

Under the Bankruptcy Code, only holders of Claims and Interests that are “impaired” are entitled to vote to accept or reject the Plan. The Bankruptcy Code further provides that a Class that is left unimpaired under the Plan is deemed to have accepted the Plan and a Class that receives no distribution under the Plan is deemed to have rejected the Plan. To become effective, the Plan must be accepted by certain Classes of Claims and confirmed by the Court.

Certain Classes of Claims are impaired under the Plan and, accordingly, are entitled to vote to accept or reject the Plan. The Debtor is seeking votes to accept the Plan from Holders of Claims in these Classes. For a description of the Classes of Claims and their treatment under the Plan, see Article III of the Plan – Classification of Claims and Interests and Article V of the Plan – Treatment and Impairment of Classes. Estimated Claim amounts for certain Classes are based upon a preliminary analysis by the Debtor of Claims filed to date in the Debtor’s Chapter 11 Case.<sup>3</sup> There can be no assurance that these estimates are correct. The following treatments are possible only if the Plan is approved and the Debtor’s estimate of the Claims is determined to be valid by the Court. The timing of distributions under the Plan, if any, is subject to conditions and determinations described in later sections of this Disclosure Statement. Each Class of Claims, except Administrative Claims, Priority Tax Claims, and U.S. Trustee Fees, are placed in the following Classes and will receive the following treatment under the Plan:

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<sup>2</sup> All capitalized terms not defined herein shall have the meanings ascribed to them in the Plan.

<sup>3</sup> The deadline to file proofs of claim for non-governmental units was June 1, 2016. The deadline for governmental units to file proofs of claim was August 8, 2016.

**Summary of Classification and Treatment of Claims Under the Plan**

<u>Class</u>	<u>Estimated Claims</u>	<u>Impaired</u>	<u>Treatment</u>
Class 1 - Other Priority Claims	\$0.00	No	Except to the extent that a Holder of an Allowed Other Priority Claim agrees to less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Other Priority Claim, each such Holder shall be paid, to the extent such claim has not already been paid during the Chapter 11 Case, in full in Cash in the ordinary course of business by the Debtor or the Reorganized Debtor, as applicable, on (i) the Effective Date, (ii) the date on which such Other Priority Claim becomes Allowed, or (iii) such other date as may be ordered by the Bankruptcy Court.
Class 2 – City of Richmond Tax Lien	\$4,656.37	Yes	Beginning on the Effective Date, the Debtor shall make monthly payments of \$400.00 per month until paid in full.
Class 3 – Wells Fargo Claim	Total Claim: \$373,047.34  Secured Claim: \$133,000.00	Yes	The Wells Fargo Claim is only partially secured in the amount of \$133,000.00. Beginning on the Effective Date, the Debtor shall make monthly payments at 3.00 percent annual interest rate to Wells Fargo in the amount of \$3,767.90 for thirty-seven (37) months. The remainder of the Wells Fargo Claim shall be paid pro rata with Class 6 General Unsecured Claims.
Class 4 – Lease Claim of WH Real Estate LLC	\$10,000.00	Yes	The Debtor will assume the Lease with WH Real Estate LLC. Cure costs will be paid over ten (10) months, with ten monthly payments of \$1,000.00.
Class 5 – AlphaGraphics Claim	\$60,000.00	Yes	The Debtor will assume the franchise agreement with AlphaGraphics. Cure Costs will be paid first through Universal Service Credits which are 25 percent of the royalty fee; and second with Cash each month in a variable amount of \$300 to \$800 per month until paid in full.
Class 6 – General Unsecured Claims	\$602,376.67	Yes	General Unsecured Claims shall share pro rata twelve (12) quarterly distributions in the amount of 50 percent of quarterly net cash flow. The extent of the recovery for Class 6 Claims is speculative. Class 6 Claims may receive little to no recovery.
Class 7 – Interests	N/A	No	On the Effective Date, equity in the Reorganized Debtor will revert in the Holders of Interests in the Debtor, provided they are the high bidders at the auction to be conducted at the Confirmation Hearing.

**C. Plan Overview.**

The following is a brief overview of the Plan and it is qualified by reference to the Plan itself. For a more detailed description of the terms and provisions of the Plan, please refer to the Plan itself. The Plan provides for the reorganization of the Debtor. The potential recoveries are only estimates and the actual recovery will either increase or decrease depending upon the occurrence or non-occurrence of numerous factors, including, but not limited to, the risk factors discussed in Article XI of this Disclosure Statement.



#### **D. Summary of Confirmation Requirements.**

Under the Bankruptcy Code, only classes of claims that are “impaired” are entitled to vote to accept or reject the Plan. The Bankruptcy Code requires, as a condition to confirmation of a consensual plan of reorganization, that each impaired class of claims accepts the Plan. For a non-consensual plan of reorganization, only one impaired class of claims must accept the Plan. A class of creditors accepts a plan if the holders of at least two-thirds in dollar amount, and more than one-half in number, of those creditors that actually cast ballots, vote to accept such plan. A class of interest holders accepts a plan if the holders of at least two-thirds in amount of those interest holders that actually cast ballots, vote to accept such plan.

Any Claims arising from the rejection of Executory Contracts and Unexpired Leases are treated under the Bankruptcy Code as if they arose before the filing of the Chapter 11 petition. Any Claim in an impaired Class that is subject to a pending objection or is scheduled as unliquidated, disputed, or contingent is not entitled to vote unless the holder of such Claim has obtained an order of the Court temporarily allowing the Claim for the purpose of voting on the Plan.

#### **E. Voting Instructions and Deadline.**

The Debtor has prepared this Disclosure Statement as required by section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016(c). It is being distributed to Holders of Claims and Interests against the Debtor to assist such Holders in evaluating the feasibility of the Plan, the manner in which its Claims and Interests are treated, and in determining that the Plan satisfies the requirements for confirmation set forth in section 1129 of the Bankruptcy Code. A copy of the Plan is attached hereto as **Exhibit A**. The purpose of this Disclosure Statement is to assist those entitled to vote on the Plan to make an informed judgment in voting to accept or reject the Plan.

This Disclosure Statement is subject to the Court’s approval, as containing information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor typical of each of the Classes whose votes are being solicited to make an informed judgment with respect to the Plan.

**THE COURT’S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION WITH RESPECT TO THE MERITS OF THE PLAN. ALL CREDITORS ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS EXHIBITS CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE TO ACCEPT OR REJECT THE PLAN.**

This Disclosure Statement describes the background of the Debtor and the significant events leading up to and following the filing of the Chapter 11 Case on the Petition Date. It summarizes the major events that have taken place during the Debtor’s Chapter 11 Case and describes the Plan, which divides creditor Claims and Interests into Classes and provides for the treatment of Allowed Claims and Allowed Interests.

1. General Information. Under the Bankruptcy Code, certain Classes of creditors are deemed to accept or reject the Plan and the vote of these Classes will not be solicited.
2. Unimpaired Classes Are Deemed to Accept the Plan and Do Not Vote. If a Creditor holds a Claim or Interest included within a Class that is not Impaired under the Plan, under section 1126(f) of the Bankruptcy Code, the Creditor is deemed to have

accepted the Plan with respect to such Claim or Interest and its vote of such Claim or Interest will not be solicited. Classes 1 and 7 are Unimpaired under this Plan and are, therefore, conclusively presumed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

3. Certain Impaired Classes Are Deemed to Reject the Plan and Do Not Vote. If a Creditor holds a Claim or Interest included within a Class that will not receive any distribution under the Plan, under section 1126(g) of the Bankruptcy Code, the Creditor is deemed to have rejected the Plan with respect to such Claim or Interest and its vote of such Claim or Interest will not be solicited. No Class will not receive or retain any property under the Plan and is, therefore, not conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.
4. Claims Which Are Not Allowed. The Bankruptcy Code provides that only the holders of Allowed Claims are entitled to vote on the Plan. A Claim to which an objection has been filed is not an Allowed Claim unless and until the Court rules on the objection and allows the Claim. If the Court has not ruled on the objection or status of such a Claim, but the Holder of a Claim wishes to vote, the Holder of the Claim may petition the Court to estimate its claim for voting purposes under Bankruptcy Rule 3018(a). Consequently, although holders of such Claims may receive ballots, their votes will not be counted unless the Court, prior to the Voting Deadline, rules on the objection and allows the Claim or, on proper request under Bankruptcy Rule 3018(a) prior to the hearing on Confirmation, temporarily allows the Claim in an amount that the Court deems proper for the purpose of voting on the Plan.
5. Voting and Record Date. If a Creditor holds a Claim classified in a voting Class of Claims under the Plan, the Creditor's acceptance or rejection of the Plan is important and must be in writing and filed on time. The record date for determining which creditors may vote on the Plan is \_\_\_\_\_, 2016. The Voting Deadline is \_\_\_\_\_, 2016 at 5:00 p.m. (prevailing Eastern Time).
  - a. How to Vote. IN ORDER FOR A VOTE TO BE COUNTED, THE BALLOT MUST BE PROPERLY COMPLETED IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RETURNED TO THE VOTING AGENT BY THE VOTING DEADLINE.
  - b. Ballots. Creditors must use only the ballot or ballots sent to them with this Disclosure Statement. If a Creditor has Claims in more than one Class, it should receive multiple ballots. IF A CREDITOR RECEIVES MORE THAN ONE BALLOT THE CREDITOR SHOULD ASSUME THAT EACH BALLOT IS FOR A SEPARATE CLAIM AND SHOULD COMPLETE AND RETURN ALL OF THEM.

**IF A CREDITOR IS A MEMBER OF A VOTING CLASS AND DID NOT RECEIVE A BALLOT FOR SUCH CLASS, OR IF SUCH BALLOT IS DAMAGED OR LOST, OR IF A CREDITOR HAS ANY QUESTIONS CONCERNING VOTING PROCEDURES, PLEASE CONTACT:**

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#### **F. The Confirmation Hearing.**

On the date and at the time given in the notice served with this Disclosure Statement, the Court will hold a hearing to consider confirmation of the Plan (the “**Confirmation Hearing**”), before the Honorable Kevin R. Huennekens, at the United States Bankruptcy Court for the Eastern District of Virginia, Fifth Floor, Courtroom 5000, 701 East Broad Street, Richmond, Virginia 23219. The Court has ordered that objections, if any, to confirmation of the Plan be filed and served within the time and in the manner described in the Confirmation Notice and Order that accompany this Disclosure Statement. The date of the Confirmation Hearing may be continued at such later time(s) as the Court may announce during the Confirmation Hearing or any continued hearing without further notice.

If the Plan is confirmed by the Court, it will be binding on all Claim and Interest Holders regardless of whether an individual Claim or Interest Holder has supported or opposed the Plan.

#### **G. Definitions.**

1. Defined Terms. As used in this Disclosure Statement, terms defined in the Plan annexed hereto and not otherwise specifically defined herein will have the meanings attributed to them in the Plan.
2. Interpretation of Terms. Each definition in this Disclosure Statement and in the Plan includes both the singular and the plural, and references in this Disclosure Statement include the masculine and feminine where appropriate. Headings are for convenience or reference and shall not affect the meaning or interpretation of this Disclosure Statement.

## **II. BACKGROUND**

The Debtor is a full-service printing company that provides printing, graphic design and signage services. The Debtor operates under a franchise agreement with Alpha Graphics, Inc. and is one of over two hundred and fifty global franchises. On the Petition Date, the Debtor had seven full-time employees. Further, as of the Petition Date, the Debtor provided goods and services to over one hundred clients, which are mostly small to medium-sized businesses and include a large hospital system in Fredericksburg and a local Fortune 500 company.

Prior to the Petition Date, due to the Debtor’s alleged non-payment of state taxes, the Virginia Department of Taxation placed padlocks on the entrance to the Debtor’s place of business, thereby preventing the Debtor from accessing its complete books and records, completing customer orders, and otherwise conducting its business. The bankruptcy was filed, in part, to allow the Debtor access to its place of business. Without access to the premises, the Debtor would lose existing clients, employees, and vendors, would be unable to attract new clients, and would be forced to cease operations.

On February 9, 2016 (the “**Petition Date**”), the Debtor filed a voluntary petition under Chapter 11 of the Bankruptcy Code, thereby commencing the above-captioned case (the

“**Chapter 11 Case**”). On the Petition Date, the Debtor filed the following first day motions: (i) *Motion of the Debtor for Order to Compel Virginia Department of Taxation to Comply with the Automatic Stay* [Docket No. 4]; (ii) *Motion of the Debtor for Entry of an Order (A) Authorizing but Not Directing the Debtor to Pay Certain Pre-Petition (I) Wages, Salaries, and Other Compensation, and (II) Employee Benefits; (B) Authorizing and Directing Financial Institutions to Honor All Related Checks and Electronic Payments Related to the Foregoing; and (C) Related Relief* [Docket No. 5]; and (iii) *Motion of Debtor for Interim and Final Orders (I) Authorizing the Use of Cash Collateral; (II) Granting Adequate Protection; and (III) Scheduling a Final Hearing* [Docket No. 6], all of which motions were granted on either an interim or final basis [Docket Nos. 21, 22, 24, 40, 52, 63, 71, 85].

Since the Petition Date, the Debtor has been operating based on consensual interim cash collateral orders with Wells Fargo. The Debtor further sought and obtained retention of Hirschler Fleischer P.C. as general bankruptcy counsel for the Debtor [Docket Nos. 38, 46].

### **III. PLAN OF REORGANIZATION**

**THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE, CLASSIFICATION, TREATMENT, AND IMPLEMENTATION OF THE PLAN, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, WHICH IS ATTACHED TO THIS DISCLOSURE STATEMENT AS EXHIBIT A.**

#### **A. Restructuring Details**

Pursuant to the Plan, the Debtors intend to restructure its secured obligations. The Debtor will use ongoing business operations to provide a return to its creditors. A schedule of the Debtor’s assets is attached hereto as Exhibit B. Furthermore, recent pre-Petition Date financial statements and a recent monthly operating report are attached hereto, respectively, as Exhibits C and D.

#### **B. Classification and Treatment of Claims Under the Plan.**

The Claims and Interests against the Debtor are divided into Classes according their seniority, and other criteria. The Classes of Claims in the Debtor and the funds and other property to be distributed under the Plan are described more fully below. **THE DEBTOR BELIEVES THAT THE PLAN AFFORDS CREDITORS THE POTENTIAL FOR THE GREATEST REALIZATION OF THE VALUE OF THE DEBTOR’S ASSETS.**

#### **C. Treatment of Administrative Claims, Tax Claims, and Trustee Fees.**

Certain Claims need not be classified under a plan pursuant to the Bankruptcy Code, including Administrative Claims and Priority Tax Claims. These Claims are not entitled to vote on the Plan.

- 1. Administrative Claims.** Except to the extent that a Holder of an Allowed Administrative Claim agrees to less favorable treatment, liabilities incurred in the ordinary course of business by the Debtor since the Petition Date that are described in the Plan as Allowed Administrative Claims will be paid in full in Cash on the unpaid portion of its Allowed Administrative Claim on the latest of: (1) on the Effective Date if such Administrative Claim is Allowed as of the Effective Date; (2) on the date such Administrative Claim is Allowed; (3) the date such Allowed Administrative Claim becomes due and payable; and (4) the date or dates on which that Claim is payable by

its terms, consistent with past practice and in accordance with past terms. Holders of Administrative Claims will not be entitled to vote on the Plan.

2. **Priority Tax Claims.** Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, each Holder of such Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code, in that Holders shall receive regular installment payments over five years in accordance with the financial projections.
3. **U.S. Trustee Fees.** U.S. Trustee Fees include all fees and charges assessed against the Debtor's Estate under section 1930 of Title 28 of the United States Code. All U.S. Trustee Fees will be paid in full by the Reorganized Debtor as they become due and owing.

**D. Treatment of Classified Claims.**

All Claims and Interests, except those described in Section V.C, are placed in the following Classes of Claims and Interests, pursuant to section 1123(a)(1) of the Bankruptcy Code, which section specifies the treatment of such Classes of Claims and Interests and of their Impaired or Unimpaired status, pursuant to sections 1123(a)(2) and 1123(a)(3) of the Bankruptcy Code. A Claim is classified in a particular Class only to the extent that the Claim qualifies within the description of the Class and is classified in a different Class to the extent that the Claim qualifies within the description of that different Class. A Claim is in a particular Class only to the extent that the Claim is an Allowed Claim in that Class and has not been paid, released, withdrawn, waived, or otherwise satisfied under the Plan. Unless the Plan expressly provides otherwise, when a Class includes a subclass, each subclass is a separate Class for all purposes under the Bankruptcy Code, including, without limitation, voting and distribution.

Subject to all other applicable provisions of the Plan (including its distribution provisions), classified Claims and Interests shall receive the treatment set forth below. The Plan will not provide any distributions on account of a Claim to the extent that such Claim has been disallowed, released, withdrawn, waived, or otherwise satisfied or paid as of the Effective Date, including, without limitation, payments by third parties. Except as specifically provided in the Plan, the Plan will not provide any distributions on account of a Claim for which the obligation to pay has been assumed by a third party.

<u>Class</u>	<u>Claim</u>	<u>Status</u>	<u>Voting Rights</u>
1	Other Priority Claims	Unimpaired	Deemed to Accept
2	City of Richmond Tax Lien	Impaired	Entitled to Vote
3	Wells Fargo Secured Claim	Impaired	Entitled to Vote
4	Lease Claim of WH Real Estate LLC	Impaired	Entitled to Vote
5	AlphaGraphics Claim	Impaired	Entitled to Vote
6	General Unsecured Claims	Impaired	Entitled to Vote
7	Interests	Unimpaired	Deemed to Accept

**1. Class 1 Claims – Other Priority Claims**

Except to the extent that a Holder of an Allowed Other Priority Claim agrees to less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Other Priority Claim, each such Holder shall be paid, to the extent such claim has not already been paid during the Chapter 11 Case, in full in Cash in the ordinary course of business by the Debtor or the Reorganized Debtor, as applicable, on (i) the Effective

Date, (ii) the date on which such Other Priority Claim becomes Allowed, or (iii) such other date as may be ordered by the Court.

**2. Class 2 Claims – City of Richmond Tax Lien**

The City of Richmond Tax Lien is a tax lien in the amount of \$4,656.37. Beginning on the Effective Date, the Debtor shall make monthly payments of \$400.00 per month until paid in full.

**3. Class 3 Claim – Wells Fargo Secured Claim**

The Wells Fargo Claim is only partially secured in the amount of \$133,000.00 per its filed proof of claim. Beginning on the Effective Date, the Debtor shall make monthly payments at 3.00 percent annual interest rate to Wells Fargo in the amount of \$3,767.90 for thirty-seven (37) months. The remainder of the Wells Fargo Claim in the amount of \$240,047.34 shall be paid pro rata with Class 6 General Unsecured Claims.

**4. Class 4 Claim – WH Real Estate LLC Claim**

The Debtor will assume the Lease with WH Real Estate LLC. Cure costs will be paid over ten (10) months, with ten monthly payments of \$1,000.00.

**5. Class 5 Claim – AlphaGraphics Claim**

The Debtor will assume the franchise agreement with AlphaGraphics. Cure Costs will be paid first through Universal Service Credits which are 25 percent of the royalty fee; and second with Cash each month in a variable amount of \$300 to \$800 per month until paid in full.

**6. Class 6 Claims – General Unsecured Claims**

General Unsecured Claims shall share pro rata twelve (12) quarterly distributions in the amount of 50 percent of quarterly net cash flow. The extent of the recovery for Class 6 Claims is speculative. Class 6 Claims may receive little to no recovery.

**7. Class 7 Interests**

On the Effective Date, equity in the Reorganized Debtor will revert in the Holders of Interests in the Debtor, provided they are the high bidders at the auction to be conducted at the Confirmation Hearing.

Section 1129(b) of the Bankruptcy Code allows the Bankruptcy Court to confirm the Plan, provided, however, that several conditions are met. One of the applicable conditions is that creditors or interest holders in a junior class cannot receive anything under the Plan on account of such junior claims or interests unless the senior classes of creditors are paid in full. See 11 U.S.C. § 1129(2)(B)(ii). This is called the “absolute priority rule.”

The Debtor believes the current Holders of Interests can retain their equity Interests by contributing “new value.” New value is the vehicle through which current equity interest holders purchase the equity interest of the Reorganized Debtor. A new value contribution must be substantial and “(1) necessary to the reorganization; (2) in the form of money or money’s worth; and (3) reasonably equivalent to the interest retained.” See In re Snyder, 967 F.2d 1126, 1131 (7th Cir. 1990). However, pursuant to Bank of America National Trustee Savings Association v. 203 North LaSalle, 526 U.S. 434 (1999), the efforts of existing equity interest holders to purchase the equity interest of the reorganized debtor must be subject to competing bids from the

market place. Therefore, you, or anyone else, can purchase the equity interests of the Debtor by submitting a bid in writing to Debtor's counsel by the deadline to vote on the Plan and appearing at the Confirmation Hearing and submitting the highest bid for the Interests in the Debtor.

The Bankruptcy Court shall conduct an auction for the Interests. The current Holders of Interests propose to contribute one thousand five hundred dollars (\$1,500.00) in cash on the Effective Date in return for the Interests. Conditioned upon Bankruptcy Court approval and subject to higher or better offers, bidders must be willing and able to pay in excess of the amount proposed to be paid by the current Holders of Interests of the Debtor – i.e., bidders must be willing and able to provide additional consideration. Any interested bidder must submit its bid with its vote no later than the Voting Deadline. The successful bidder at the Confirmation Hearing will become the owner of the Reorganized Debtor, subject to the terms of any plan of reorganization confirmed by the Bankruptcy Court, including the Plan Supplement.

#### **E. Acceptance Requirements.**

##### **1. Acceptance or Rejection of the Plan.**

Classes 2, 3, 4, 5, and 6 are Impaired under the Plan and are entitled to vote to accept or reject the Plan. A Class of Claims Holders is deemed to accept a plan if the Holders of at least two-thirds in dollar amount, and more than one-half in number, of those Creditors that actually cast ballots, vote to accept such plan. A Class of Interest Holders is deemed to accept a plan if the Holders of at least two-thirds in amount of those Interest Holders that actually cast ballots, vote to accept such plan. Classes 1 and 7 are Unimpaired under the Plan and are, therefore, conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. No Class will not receive or retain any property under this Plan and is, therefore, not conclusively presumed to have rejected this Plan pursuant to section 1126(g) of the Bankruptcy Code. In the event that no Creditors properly vote in any Class, such Class shall have been deemed to vote in favor of the Plan.

##### **2. Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code.**

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied for purposes of Confirmation by acceptance of the Plan by an Impaired Class of Claims. The Debtor shall seek confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to rejecting Classes of Claims and Interests. The Debtor reserves the right to modify the Plan to the extent, if any, that confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

#### **F. Means for Implementation of the Plan.**

##### **1. Sources of Consideration.**

Cash consideration necessary for the Reorganized Debtor to make payments or distributions pursuant to the Plan shall be obtained from ongoing business operations.

##### **2. Reorganized Debtor's Management.**

The existing managers of the Debtor will continue to be the managers of the Reorganized Debtor. Such managers will serve in accordance with applicable non-bankruptcy law.

### **3. Employee Benefits.**

Except as otherwise provided under the Plan, on and after the Effective Date, the Reorganized Debtor may: (1) honor, in the ordinary course of business, any contracts, agreements, policies, programs and plans for, among other things, compensation, health care benefits, disability benefits, deferred compensation benefits, travel benefits, savings, severance benefits, retirement benefits, welfare benefits, workers' compensation insurance and accidental death and dismemberment insurance for the directors, officers, and employees of the Debtor who served in such capacity at any time; and (2) honor, in the ordinary course of business, Claims of employees employed as of the Effective Date for accrued vacation time arising before the Petition Date; provided, however, that the Debtor's or the Reorganized Debtor's performance under any employment agreement will not entitle any person to any benefit or alleged entitlement under any policy, program, or plan that has expired or been terminated before the Effective Date, or restore, reinstate, or revive any such benefit or alleged entitlement under any such policy, program, or plan. Nothing in the Plan shall limit, diminish, or otherwise alter the Reorganized Debtor's or the Debtor's defenses, claims, Causes of Action, or other rights with respect to any such contracts, agreements, policies, programs, and plans.

### **4. Vesting of Assets in the Reorganized Debtor.**

Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated therein, on the Effective Date, or as soon as practicable thereafter, all property of the Debtor's Estate and all Causes of Action of the Debtor shall vest in the Reorganized Debtor, free and clear of all Liens, Claims, charges, or other encumbrances (except as otherwise provided for in the Plan). On and after the Effective Date, except as otherwise provided in the Plan, the Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

### **5. Restructuring Transactions.**

On the Effective Date or as soon as reasonably practicable thereafter, the Debtor and the Reorganized Debtor may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan, including: (1) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution, or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and any other terms to which the applicable Persons may agree; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable Persons agree; (3) the filing of appropriate certificates or articles of incorporation or amendments thereof, reincorporation, merger, consolidation, conversion, or dissolution pursuant to applicable state law; and (4) all other actions that the applicable Persons determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law.



## **6. Corporate Action.**

Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including all actions contemplated by the Plan (whether to occur before, on, or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Debtor or the Reorganized Debtor, and any corporate action required by the Debtor or the Reorganized Debtor in connection with the Plan will be deemed to have occurred and shall be in effect, without any requirement of further action by the directors or officers of the Debtor or the Reorganized Debtor.

On or (as applicable) before the Effective Date, the appropriate officers of the Debtor or the Reorganized Debtor, as applicable, will be authorized and directed to issue, execute, and deliver the agreements, documents, securities, certificates of incorporation, operating agreements, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Debtor or the Reorganized Debtor, as the case may be, and any and all other agreements, documents, securities, and instruments relating to the foregoing.

## **7. Preservation of Causes of Action of the Debtor.**

In accordance with section 1123(b) of the Bankruptcy Code, and except where such Causes of Action have been expressly released, the Reorganized Debtor shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, and the Reorganized Debtor's rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtor may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtor. No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against them as any indication that the Debtor or the Reorganized Debtor, as applicable, will not pursue any and all available Causes of Action against them. Except with respect to Causes of Action as to which the Debtor or the Reorganized Debtor has released any Person or Person on or before the Effective Date (including pursuant to the Releases by the Debtor or otherwise), the Debtor or the Reorganized Debtor, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Person, except as otherwise expressly provided in the Plan. Unless any Causes of Action against a Person are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtor expressly reserves all Causes of Action for later adjudication and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or consummation of the Plan.

## **G. Treatment of Executory Contracts and Unexpired Leases.**

### **1. Assumption and Rejection of Executory Contracts and Unexpired Leases.**

Except as otherwise provided in the Plan or in an order of the Bankruptcy Court, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, each of the Executory Contracts and Unexpired Leases of the Debtor will be deemed rejected as of the Effective Date, unless such Executory Contract or Unexpired

Lease: (1) was assumed or rejected previously by the Debtor; (2) expired or terminated pursuant to its own terms before the Effective Date; (3) is the subject of a motion to assume filed on or before the Effective Date; or (4) is identified as an Executory Contract or Unexpired Lease to be assumed in the Plan or the Plan Supplement filed on or before the Effective Date. In addition to any and all Executory Contract(s) and Unexpired Lease(s) assumed previously pursuant to an Order of the Bankruptcy Court, the Debtor **SHALL ASSUME** the following Executory Contracts and Unexpired Leases effective as of the Effective Date:

<u>Counterparty</u>	<u>Description</u>	<u>Cure Amount</u>
<b>WH Real Estate LLC</b> c/o Bruce W. White, Esq. 8550 Mayland Drive, Suite 206 Richmond, VA 23294	Non-Residential Real Property Lease for 2904 West Clay Street, Richmond, Virginia 23230-4807	\$10,000.00, to be paid in accordance with Class 4 Claims
<b>Alphagraphics, Inc.</b> c/o Abigail M. McGibbon, Esq. Gray, Plant, Mooty, Mooty & Bennett, P.A. 80 South 8th Street, Suite 500 Minneapolis, MN 55402	Franchise Contract	\$60,000.00, to be paid in accordance with Class 5 Claims

Entry of the Confirmation Order will constitute a Bankruptcy Court order approving the assumptions or rejections of such Executory Contracts or Unexpired Leases as set forth in the Plan, all pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Unless otherwise indicated, all assumptions or rejections of Executory Contracts and Unexpired Leases pursuant to the Plan are effective as of the Effective Date. Each Executory Contract or Unexpired Lease assumed pursuant to the Plan or by Bankruptcy Court order but not assigned to a third party before the Effective Date shall revert in and be fully enforceable by the Reorganized Debtor in accordance with its terms, except as such terms may have been modified by such order.

Notwithstanding anything to the contrary in the Plan, the Debtor or the Reorganized Debtor, as applicable, reserves the right to alter, amend, modify, or supplement the list of Executory Contracts and Unexpired Leases identified in the Plan Supplement at any time before the Effective Date. After the Effective Date, the Reorganized Debtor shall have the right to terminate, amend, or modify any intercompany contracts, leases, or other agreements without approval of the Bankruptcy Court.

**2. Claims Based on Rejection of Executory Contracts or Unexpired Leases.**

**Unless otherwise provided in the applicable Order approving the rejection, the General Claims Bar Date shall apply to Claims arising as a result of the rejection of an Executory Contract or Unexpired Lease pursuant to a Final Order of the Bankruptcy Court entered prior to the Confirmation Date. PROOFS OF CLAIM WITH RESPECT TO CLAIMS ARISING FROM THE REJECTION OF EXECUTORY CONTRACTS OR UNEXPIRED LEASES PURSUANT TO THE CONFIRMATION ORDER, IF ANY, MUST BE FILED WITH THE BANKRUPTCY COURT WITHIN THIRTY (30) DAYS AFTER THE DATE OF ENTRY OF THE CONFIRMATION ORDER. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not Filed by the applicable deadline will be automatically Disallowed, forever barred from assertion, and shall not be enforceable against, as applicable, the Debtor, the Reorganized Debtor, the Estate, or property of the foregoing, without the need for any objection by the Debtor or the Reorganized Debtor, as applicable, or further notice to, or action, order, or approval of**

**the Bankruptcy Court. Any Claim arising from the rejection of the Debtor's Executory Contracts or Unexpired Leases, to the extent it is timely filed and is an Allowed Claim, shall be classified in Class 6 as a General Unsecured Claim. To the extent Rejection Claims initially are Disputed Claims, but subsequently become Allowed Claims, the Debtor shall pay such Rejection Claims in accordance with the Plan, but nothing herein shall constitute a determination that any such rejection gives rise to or results in a Claim or constitutes a waiver of any objections to such Claim by the Debtor, or any party in interest.**

### **3. Cure of Defaults for Assumed Executory Contracts and Unexpired Leases.**

Any monetary amounts by which any Executory Contract or Unexpired Lease to be assumed under the Plan is in default will be satisfied, under section 365(b)(1) of the Bankruptcy Code, by Cure. If there is a dispute regarding: (a) the nature or amount of any Cure, (b) the ability of the Reorganized Debtor to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or (c) any other matter pertaining to assumption, Cure will occur following the entry of a Final Order of the Bankruptcy Court resolving the dispute and approving the assumption. Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise will result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time before the effective date of the assumption.

### **4. Insurance Policies.**

Notwithstanding anything herein to the contrary, as of the Effective Date, the Debtor will assume (and assign to the Reorganized Debtor if necessary to continue the Insurance Policies in full force) all of the Insurance Policies pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the Debtor's foregoing assumption and assignment of each of the Insurance Policies.

### **5. Modifications, Amendments, Supplements, Restatements, or Other Agreements.**

Unless otherwise provided, each Executory Contract or Unexpired Lease that is assumed will include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements, and restatements to pre-Petition Date Executory Contracts and Unexpired Leases that have been executed by the Debtor during the Chapter 11 Case will not be deemed to alter the pre-Petition Date nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith, unless such Executory Contract or Unexpired Lease has been previously assumed by the Debtor.

### **6. Reservation of Rights.**

Nothing contained in the Plan or the Plan Supplement will constitute an admission by the Debtor that any such contract or lease is in fact an Executory Contract or Unexpired Lease or

that the Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtor or the Reorganized Debtor, as applicable, will have forty-five (45) days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease.

#### **7. Contracts and Leases Entered into After the Petition Date.**

Notwithstanding any other provision in the Plan, contracts and leases entered into after the Petition Date by the Debtor, including any Executory Contracts and Unexpired Leases assumed by the Debtor, will be performed by the Debtor or the Reorganized Debtor in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts and Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

### **H. Provisions Governing Distributions.**

#### **1. Timing and Calculation of Amounts to Be Distributed.**

Except as otherwise provided in the Plan (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such a Claim becomes an Allowed Claim, on the next Distribution Date, or as soon as reasonably practicable thereafter), each holder of an Allowed Claim against the Debtor will receive distributions that the Plan provides for Allowed Claims in the applicable Class and in the manner provided therein. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but will be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims will be made pursuant to the provisions set forth in the Plan. Except as otherwise provided herein or in the Plan, Holders of Claims will not be entitled to interest, dividends, or accruals on the distributions provided for herein, regardless of whether such distributions are delivered on or at any time after the Effective Date.

#### **2. Disbursing Agent.**

Except as otherwise provided in the Plan, all distributions under the Plan will be made by the Reorganized Debtor as Disbursing Agent or such other Person designated by the Reorganized Debtor as a Disbursing Agent on the Effective Date. The Disbursing Agent shall make distributions as provided for by the Plan.

#### **3. Rights and Powers of Disbursing Agent.**

The Disbursing Agent will be empowered to: (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions of the Plan.

#### **4. Payments and Distributions on Disputed Claims.**

Distributions made after the Effective Date to Holders of Disputed Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims will be deemed to have been made on the Effective Date.

### **5. Special Rules for Distributions to Holders of Disputed Claims.**

Notwithstanding any provision otherwise in the Plan and except as may be agreed to by the Debtor or the Reorganized Debtor, on the one hand, and the Holder of a Disputed Claim, on the other hand, no partial payments and no partial distributions will be made with respect to any Disputed Claim until all Disputed Claims held by the Holder of such Disputed Claim have become Allowed Claims or have otherwise been resolved by settlement or Final Order.

### **6. Delivery of Distributions in General.**

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be made to Holders of record as of the Distribution Record Date by the Disbursing Agent. Distributions to Holders of Allowed Claims will be made at the address of each such holder as set forth in the Debtor's books and records. Distributions under the Plan on account of Allowed Claims shall not be subject to levy, garnishment, attachment, or like legal process, so that each Holder of an Allowed Claim will have and receive the benefit of the distributions in the manner set forth in the Plan. None of the Debtor, the Reorganized Debtor, and the Disbursing Agent will incur any liability whatsoever on account of any distributions under the Plan except for gross negligence, willful misconduct, or fraud.

### **7. Undeliverable Distributions and Unclaimed Property.**

In the event that any distribution to any Holder is returned as undeliverable, no distribution to such Holder will be made unless and until the Disbursing Agent has determined the then-current address of such Holder, at which time such distribution shall be made as soon as practicable after such distribution has become deliverable; provided, however, that such distributions will be deemed unclaimed property under section 347(b) of the Bankruptcy Code and forfeited at the expiration of six (6) months from the applicable Distribution Date. After such date, all "unclaimed property" or interests in property will revert to the Reorganized Debtor (notwithstanding any applicable federal or state escheat, abandoned or unclaimed property laws to the contrary), and the Claim of any Holder to such property will be discharged and forever barred.

### **8. Withholding and Reporting Requirements.**

In connection with the Plan and all instruments issued in connection therewith, the Disbursing Agent will comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all distributions under the Plan will be subject to any such withholding or reporting requirements.

### **9. Setoffs.**

Except as set forth herein, the Debtor and the Reorganized Debtor may withhold (but not set off except as set forth below) from the distributions called for under the Plan on account of any Allowed Claim an amount equal to any claims, equity interests, rights, and Causes of Action of any nature that the Debtor or the Reorganized Debtor may hold against the Holder of any such Allowed Claim. In the event that any such claims, equity interests, rights, and Causes of Action of any nature that the Debtor or the Reorganized Debtor may hold against the Holder of any such Allowed Claim are adjudicated by Final Order or otherwise resolved, the Debtor may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim) the amount of any

adjudicated or resolved claims, equity interests, rights, and Causes of Action of any nature that the Debtor or the Reorganized Debtor may hold against the holder of any such Allowed Claim, but only to the extent of such adjudicated or resolved amount. Neither the failure to effect such a setoff nor the allowance of any Claim under the Plan will constitute a waiver or release by the Debtor or the Reorganized Debtor of any such claims, equity interests, rights, and Causes of Action that the Debtor or the Reorganized Debtor may possess against any such holder, except as specifically provided herein.

#### **10. Insurance Claims.**

No distributions under the Plan will be made on account of Allowed Claims until the holder of such Allowed Claim has exhausted all remedies with respect to the Debtor's Insurance Policies. To the extent that one or more of the Debtor's insurers agrees to satisfy in full a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurer's agreement, such Claim may be expunged without an objection to such Claim having to be filed and without any further notice to, action by, or order or approval of the Bankruptcy Court.

#### **11. Applicability of Insurance Policies.**

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims will be made in accordance with the provisions of any applicable Insurance Policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtor or any Person may hold against any other Person, including insurers under any policies of insurance, nor will anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

#### **12. Allocation of Distributions Between Principal and Unpaid Interest.**

To the extent that any Claim entitled to a distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution will, for U.S. federal income tax purposes, be allocated on the Debtor's books and records to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to the accrued but unpaid interest.

#### **13. Interest on Claims.**

Unless otherwise specifically provided for in the Plan, post-Petition Date interest will not accrue or be paid on Claims, and no Claim Holder will be entitled to interest accruing on or after the Petition Date on any Claim. Similarly, unless otherwise specifically provided for in the Plan, post-Petition Date interest will not accrue or be paid on any Disputed Claim in respect of the period from the Petition Date to the date a final distribution is made thereon if and after such Disputed Claim becomes an Allowed Claim.

### **I. Procedures for Resolving Contingent, Unliquidated, and Disputed Claims.**

#### **1. Prosecution of Objections to Claims.**

The Debtor (before the Effective Date) or the Reorganized Debtor (on or after the Effective Date), as applicable, will have the exclusive authority to file, settle, compromise, withdraw, or litigate to judgment any objections to Claims as permitted under the Plan. From and after the Effective Date, the Reorganized Debtor may settle or compromise any Disputed

Claim without approval of the Bankruptcy Court. The Reorganized Debtor reserve all rights to resolve any Disputed Claim outside the Bankruptcy Court under applicable governing law.

**2. Allowance of Claims.**

Except as expressly provided in the Plan or in any order entered in the Chapter 11 Case before the Effective Date (including the Confirmation Order), the Reorganized Debtor after the Effective Date will have and retain any and all rights and defenses held by the Debtor with respect to any Claim as of the Petition Date. All claims of any Person against the Debtor will be disallowed unless and until such Person pays, in full, the amount it owes the Debtor.

**3. Distributions After Allowance.**

On the Distribution Date following the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursing Agent will provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under the Plan as of the Effective Date, without any interest to be paid on account of such Claim.

**4. Estimation of Claims.**

The Debtor (before the Effective Date) or the Reorganized Debtor (on or after the Effective Date) may, at any time, and from time to time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether an objection was previously filed with the Bankruptcy Court with respect to such Claim, or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any Disputed Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim against any party or Person, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtor or the Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim. All of the objection, estimation, settlement, and resolution procedures set forth in the Plan are cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently compromised, objected to, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

**J. Conditions Precedent to Confirmation of the Plan and the Effective Date.**

**1. Conditions Precedent to Confirmation.**

It will be a condition to confirmation of the Plan that each of the following provisions, terms, and conditions will have been satisfied or waived by the Debtor or the Reorganized Debtor pursuant to the provisions of the Plan.

- (a) The Bankruptcy Court shall have entered an order, which shall not be subject to any stay or subject to an unresolved request for revocation under section 1144 of the Bankruptcy Code, in form and substance reasonably acceptable to the Debtor, approving the Disclosure Statement with respect to the Plan and the solicitation of votes thereon as being in compliance with section 1125 of the Bankruptcy Code and applicable non-bankruptcy law.

- (b) The Confirmation Order (i) shall be, in form and substance, reasonably acceptable to the Debtor; and (ii) shall not be subject to any stay or subject to an unresolved request for revocation under section 1144 of the Bankruptcy Code.
- (c) The Plan and the Plan Supplement, including any schedules, documents, supplements, and exhibits thereto shall be, in form and substance, reasonably acceptable to the Debtor.

## **2. Conditions Precedent to the Effective Date.**

It will be a condition to the Effective Date that each of the following provisions, terms, and conditions will have been satisfied or waived pursuant to the provisions of the Plan.

- (a) The Bankruptcy Court shall have entered one or more orders (which may include the Confirmation Order) authorizing the assumption and rejection of Executory Contracts and Unexpired Leases by the Debtor as contemplated herein in form and substance reasonably acceptable to the Debtor.
- (b) The Confirmation Order, in form and substance reasonably acceptable to the Debtor, shall have been entered by the Bankruptcy Court and shall not be subject to any stay or subject to an unresolved request for revocation under section 1144 of the Bankruptcy Code.
- (c) All of the schedules, documents, supplements, and exhibits to the Plan shall have been filed in form and substance reasonably acceptable to the Debtor.
- (d) All actions, documents, certificates, and agreements necessary to implement the Plan shall have been effected or executed and delivered to the required parties and, to the extent required, filed with the applicable governmental units in accordance with applicable laws.

The Debtor anticipates the Plan's Effective Date to be late November to early December 2016.

## **3. Waiver of Conditions.**

The conditions to confirmation and the Effective Date of the Plan set forth herein may be waived at any time by the Debtor; provided, however, that the Debtor may not waive entry of an order or orders approving the Disclosure Statement and confirming the Plan.

## **4. Effect of Failure of Conditions.**

If the Effective Date of the Plan does not occur, the Plan will be null and void in all respects and nothing contained in the Plan or the Disclosure Statement will: (1) constitute a waiver or release of any claims by or Claims against the Debtor; (2) prejudice in any manner the rights of the Debtor, any Holders of Claims or Interests, or any other Person; or (3) constitute an admission, acknowledgment, offer, or undertaking by the Debtor, any Holders of Claims or Interests, or any other Person in any respect.

## **K. Modification, Revocation, or Withdrawal of the Plan.**

### **1. Modification and Amendments.**

Except as otherwise specifically provided in the Plan, the Debtor reserves the right to modify the Plan as to material terms and seek confirmation consistent with the Bankruptcy Code and, as appropriate, not re-solicit votes on such modified Plan. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions on modifications set forth in the Plan, the Debtor expressly reserves its right to



alter, amend, or modify materially the Plan with respect to the Debtor, one or more times, after confirmation, and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend, or modify the Plan or remedy any defect or omission, or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan. Any such modification or supplement will be considered a modification of the Plan and shall be made in accordance with the Plan.

## **2. Effect of Confirmation on Modifications.**

Entry of a Confirmation Order will mean that all modifications or amendments to the Plan occurring after the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

## **3. Revocation or Withdrawal of the Plan.**

The Debtor reserves the right to, consistent with its fiduciary duties, revoke or withdraw the Plan before the Effective Date. If the Debtor revokes or withdraws the Plan, or if Confirmation does not occur, then: (a) the Plan will be null and void in all respects; (b) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, will be deemed null and void; and (c) nothing contained in the Plan will: (1) constitute a waiver or release of any Claims or Interests; (2) prejudice in any manner the rights of the Debtor or any other Person; or (3) constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtor or any other Person.

## **L. Retention of Jurisdiction.**

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court will retain such jurisdiction over the Chapter 11 Case and all matters, arising out of or related to, the Chapter 11 Case and the Plan including but not limited to jurisdiction to:

- (a) allow, disallow, determine, liquidate, classify, estimate, or establish the priority, secured, or unsecured status or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the secured or unsecured status, priority, amount, or allowance of Claims;
- (b) decide and resolve all matters related to the granting and denying, in whole or in part, of any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Plan;
- (c) resolve any matters related to: (i) the assumption, assumption and assignment, or rejection of any Executory Contract or Unexpired Lease to which the Debtor is party or with respect to which the Debtor may be liable in any manner and to hear, determine and, if necessary, liquidate, any Claims arising therefrom, including rejection Claims, cure Claims pursuant to section 365 of the Bankruptcy Code, or any other matter related to such Executory Contract or Unexpired Lease;

- (ii) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (iii) the Reorganized Debtor amending, modifying, or supplementing, after the Effective Date, any Executory Contracts or Unexpired Leases on the Schedule of Assumed Executory Contracts and Unexpired Leases to be assumed; and (iv) any dispute regarding whether a contract or lease is or was executory or unexpired;
- (d) ensure that distributions to holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;
- (e) adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications involving the Debtor that may be pending on the Effective Date;
- (f) adjudicate, decide, or resolve any and all matters related to any Cause of Action;
- (g) adjudicate, decide or resolve any and all matters related to section 1141 of the Bankruptcy Code;
- (h) enter and enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;
- (i) resolve any avoidance or recovery actions under sections 105, 502(d), 542 through 551, and 553 of the Bankruptcy Code;
- (j) resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with the consummation, interpretation or enforcement of the Plan or any Person's obligations incurred in connection with the Plan;
- (k) issue injunctions, enter, and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Person with consummation or enforcement of the Plan;
- (l) resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the discharge, releases, injunctions, exculpations, indemnifications, and other provisions contained in the Plan and enter such orders as may be necessary or appropriate to implement such releases, injunctions, and other provisions;
- (m) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;
- (n) determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created in connection with the Plan or the Disclosure Statement;
- (o) adjudicate any and all disputes arising from or relating to distributions under the Plan;
- (p) consider any modifications of the Plan, cure any defect or omission, or reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;
- (q) determine requests for the payment of Claims entitled to priority pursuant to section 507 of the Bankruptcy Code;
- (r) hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan or the Confirmation Order, including disputes arising under agreements, documents, or instruments executed in connection with the Plan;

- (s) hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;
- (t) hear and determine all disputes involving the existence, nature, or scope of the Debtor's discharge, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred before or after the Effective Date;
- (u) enforce all orders previously entered by the Bankruptcy Court;
- (v) hear any other matter not inconsistent with the Bankruptcy Code; and
- (w) enter an order concluding or closing the Chapter 11 Case.

## **M. Miscellaneous Provisions.**

### **1. Immediate Binding Effect.**

Notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or any other Bankruptcy Rule, upon the occurrence of the Effective Date, the terms of the Plan and the Plan Supplement will be immediately effective and enforceable and deemed binding upon the Debtor, the Reorganized Debtor, and any and all Holders of Claims or Interests (irrespective of whether such Claims or Interests are deemed to have accepted the Plan), all Persons that are parties to or are subject to the settlements, compromises, releases, discharges, and injunctions described in the Plan, each Person acquiring property under the Plan, and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtor.

### **2. Additional Documents.**

On or before the Effective Date, the Debtor may file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtor or the Reorganized Debtor, as applicable, and all Holders of Claims receiving distributions pursuant to the Plan and all other parties in interest will, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

### **3. Dissolution of Any Committees.**

On the Effective Date, Committees, if any, will dissolve and members thereof will be released and discharged from all rights and duties from or related to the Chapter 11 Case.

### **4. Reservation of Rights.**

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court enters the Confirmation Order. None of the Plan, any statement or provision contained in the Plan, or any action taken or not taken by the Debtor with respect to the Plan, the Disclosure Statement, or the Plan Supplement will be or will be deemed to be an admission or waiver of any rights of the Debtor with respect to the holders of Claims or Interests before the Effective Date.

### **5. Successors and Assigns.**

The rights, benefits, and obligations of any Person named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or

assign, affiliate, officer, director, manager, agent, representative, attorney, beneficiaries, or guardian, if any, of each Person.

#### **6. Votes Solicited in Good Faith.**

Upon entry of the Confirmation Order, the Debtor will be deemed to have solicited votes on the Plan in good faith and in compliance with the Bankruptcy Code and any applicable non-bankruptcy law, and pursuant to section 1125(e) of the Bankruptcy Code, the Debtor and its affiliates, agents, representatives, members, principals, shareholders, officers, directors, employees, advisors and attorneys will be deemed to have participated in good faith and in compliance with the Bankruptcy Code, and, therefore, will have no liability for the violation of any applicable law, rule, or regulation governing the solicitation of votes on the Plan.

#### **7. Closing of Chapter 11 Cases.**

The Debtor shall, as soon as reasonably practicable after the Effective Date, seek to close its Chapter 11 Case. Allowing for early closure of the Chapter 11 Case will reduce administrative expenses and increase the Plan's feasibility.

### **IV. RISK FACTORS IN CONNECTION WITH THE PLAN**

The holders of Claims and Interests in Classes 2, 3, 4, 5, and 6 should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks associated with the Plan and its implementation.

#### **A. General Considerations.**

The Plan sets forth the means for satisfying the Claims against the Debtor. The reorganization of the Debtor's business and operations under the proposed Plan avoids the potentially adverse impact of a sale or liquidation of the Debtor's business on its clients, employees, and suppliers, and the Debtor believes the proposed Plan provides for a greater recovery to holders of Claims and Interests against the Debtor than a liquidation.

#### **B. Certain Bankruptcy Considerations.**

Although the Debtor believes that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will confirm the Plan as proposed. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the re-solicitation of votes.

In addition, the occurrence of the Confirmation Date and the Effective Date is conditioned on the satisfaction (or waiver) of the conditions precedent set forth herein. There can be no assurance that such conditions will be satisfied or waived. If the consummation of the Plan does not occur, the Plan will be null and void in all respects and nothing contained in the Plan or this Disclosure Statement shall: (1) constitute a waiver or release of any claims by or Claims against the Debtor; (2) prejudice in any manner the rights of the Debtor, any holders of Claims or Interests, or any other Person; or (3) constitute an admission, acknowledgment, offer or undertaking by the Debtor, any Holders of Claims or Interests, or any other Person in any respect.

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtor believes that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtor created seven (7) Classes of Claims and Interests, each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims and Interests in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

The Plan provides that certain Classes are Impaired under the Plan and are entitled to vote to accept or reject the Plan. As to each impaired Class that does not vote to accept the Plan, the Plan may be confirmed if the Bankruptcy Court determines that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to these Classes. The Debtor believes that the Plan satisfies these requirements.

The Debtor’s future results are dependent upon the successful confirmation and implementation of a plan of reorganization. Failure to obtain this approval in a timely manner could adversely affect the Debtor’s operating results materially, as the Debtor’s operations may be harmed by a protracted bankruptcy case. Furthermore, the Debtor cannot predict the ultimate amount of all settlement terms for its liabilities that will be subject to a plan of reorganization. Once a plan of reorganization is approved and implemented, the Debtor’s operating results may be adversely affected by the possible reluctance of prospective lenders, clients, and suppliers to do business with a company that recently emerged from a bankruptcy case.

**C. No Duty to Update Disclosures.**

The Debtor has no duty to update the information contained in this Disclosure Statement as of the date hereof, unless otherwise specified herein, or unless the Debtor is required to do so pursuant to an order of the Bankruptcy Court. Delivery of the Disclosure Statement after the date hereof does not imply that the information contained herein has remained unchanged.

**D. Representations Outside this Disclosure Statement.**

This Disclosure Statement contains representations concerning or related to the Debtor and the Plan that are authorized by the Bankruptcy Code and the Bankruptcy Court. Please be advised that any representations or inducements outside this Disclosure Statement (and any related documents) that are intended to secure your acceptance or rejection of the Plan should not be relied upon by Holders of Claims or Interests that are entitled to vote to accept or reject the Plan.

**E. No Admission.**

The information and representations contained herein shall not be construed to constitute an admission of, or be deemed evidence of, any legal effect of the Plan on the Debtor or Holders of Claims and Interests.

**F. Class Estimations.**

There can be no assurance that any estimated Claim amounts set forth in this Disclosure Statement are correct. The actual Allowed Amount of Claims might differ materially in some respect from the estimated amounts as the estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or

should the underlying assumptions prove incorrect, the actual Allowed Amount of Claims may vary materially from those estimated herein.

#### **G. Leverage.**

The Debtor believes that it will emerge from the Chapter 11 Case as a Reorganized Debtor with a reasonable level of debt that can be effectively serviced in accordance with its business plan. Circumstances, however, may arise that might cause the Debtor or the Reorganized Debtor to conclude that it is overleveraged, which could have significant negative consequences, including: (1) it may become more difficult for the Reorganized Debtor to satisfy its obligations; (2) the Reorganized Debtor may be vulnerable to a downturn in the markets in which it operates or a downturn in the economy in general; (3) the Reorganized Debtor may be required to dedicate a substantial portion of its cash flow from operations to fund working capital, capital expenditures, and other general corporate requirements; (4) the Reorganized Debtor may be limited in its flexibility to plan for, or react to, changes in its business and the industry in which it operates; and/or (5) the Reorganized Debtor may be limited in borrowing additional funds.

Additionally, there may be factors beyond the control of the Reorganized Debtor that could impact its ability to meet debt service requirements. The ability of the Reorganized Debtor to meet debt service requirements will depend on its future performance, which, in turn, will depend on the Reorganized Debtor's ability to sustain sales conditions in the markets in which the Reorganized Debtor operates, the economy generally, and other factors that are beyond its control. The Debtor can provide no assurance that the business of the Reorganized Debtor will generate sufficient cash flow from operations or that future borrowings will be available in amounts sufficient to enable the Reorganized Debtor to pay its indebtedness or to fund its other liquidity needs. Moreover, the Reorganized Debtor may need to refinance all or a portion of its indebtedness on or before maturity. The Debtor cannot make assurances that the Reorganized Debtor will be able to refinance any of its indebtedness on commercially reasonable terms or at all. If the Reorganized Debtor is unable to make scheduled debt payments or comply with the other provisions of its debt instruments, its lenders will be permitted under certain circumstances to accelerate the maturity of the indebtedness owing to them and exercise other remedies provided for in those instruments and under applicable law.

#### **H. Adverse Publicity.**

Adverse publicity or news coverage relating to the Reorganized Debtor, including but not limited to publicity or news coverage in connection with the Chapter 11 Case, may negatively impact the Debtor's efforts to establish and promote name recognition and a positive image after the Effective Date.

#### **I. Tax and Other Related Considerations.**

The contents of this Disclosure Statement are not intended and should not be construed as tax, legal, business, or other professional advice. Holders of Claims and Interests should seek advice from their own independent tax, legal, or other professional advisors based on their own individual circumstances.

### **V. FINANCIAL PROJECTIONS**

Attached hereto as **Exhibit F** are the Reorganized Debtor's financial projections that will provide the cash flow and funding for the large majority of the Plan's funding. The projected

financial information set forth in this Disclosure Statement contains certain assumptions, as set forth in greater detail in **Exhibit F**. These assumptions may or may not prove to be accurate. Neither the Debtor nor any other person or entity makes any representation or warranty that the projected results will be realized, as projections are, by their nature, based on future events that cannot be predicted with certainty.

## **VI. STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN OF REORGANIZATION**

The Plan must be approved by the Court after a confirmation hearing.

### **A. Elements of Confirmation.**

In order for the Plan to be confirmed, the Bankruptcy Code requires that the Court determine that the Plan complies with the technical requirements of Chapter 11 of the Bankruptcy Code and that the disclosures concerning the Plan have been adequate and have included information concerning all payments made or promised in connection with the Plan and this Chapter 11 Case. The Bankruptcy Code also requires that: (1) the Plan be accepted by the requisite votes of Creditors except to the extent that confirmation despite dissent is available under section 1129(b) of the Bankruptcy Code; (2) the Plan is feasible (that is, there is a reasonable probability that the Debtor will be able to perform its obligations under the Plan without needing further financial reorganization not contemplated by the Plan); and (3) the Plan is in the “best interests” of all Creditors (that is, Creditors will receive at least as much under the Plan as they would receive in a hypothetical liquidation case under Chapter 7 of the Bankruptcy Code). To confirm the Plan, the Court must find that all of the above conditions are met, unless the applicable provisions of section 1129(b) of the Bankruptcy Code are employed to confirm the Plan, subject to satisfying certain conditions, over the dissent or deemed rejections of Classes of Claims.

### **B. Best Interests of Creditors.**

With respect to each Impaired Class of Claims and Interests, confirmation of the Plan requires that each holder of a Claim or Interest either (a) accept the Plan, or (b) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code. To calculate the probable distribution to holders of each Impaired Class of Claims and Interests if the Debtor was liquidated under Chapter 7, the Court must first determine the respective aggregate dollar amounts that would be generated from the Debtor’s assets if its Chapter 11 Case was converted to Chapter 7 of the Bankruptcy Code. This “liquidation value” would consist primarily of the proceeds from a forced sale of the Debtor’s assets by a Chapter 7 trustee.

The amount of liquidation value available to unsecured creditors would be reduced by, first, the claims of secured creditors to the extent of the value of their collateral, and second, by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the Chapter 7 case and the Chapter 11 Case. Costs of liquidation under Chapter 7 of the Bankruptcy Code would include the compensation of a trustee, asset disposition expenses, all unpaid expenses incurred by the Debtor in this Chapter 11 Case (such as compensation of attorneys, financial advisors, and accountants) that are allowed in the Chapter 7 case, litigation costs, and claims arising from the operations of the Debtor during the pendency of the Chapter

11 Case. The liquidation itself could trigger certain Tax and Other Priority Claims (collectively, “**Priority Claims**”) that otherwise would be due in the ordinary course of business. Those Priority Claims would be paid in full from the liquidation proceeds before the balance would be made available to pay General Unsecured Claims or to make any distribution in respect of equity interests. The liquidation would also prompt the rejection of most, if not all, of the Debtor’s executory contracts and unexpired leases, thereby creating a significant increase in General Unsecured Claims.

The Debtor believes that the Plan meets the “best interests of creditors” test of section 1129(a)(7) of the Bankruptcy Code. The Debtor believes that the members of the Debtor’s Impaired Classes will receive as much or more under the Plan than they would receive in a liquidation. The Liquidation Analysis for a potential Chapter 7 liquidation scenario is attached hereto as **Exhibit E**.

Although the Debtor believes that the Plan meets the “best interests of creditors” test of section 1129(a)(7) of the Bankruptcy Code, there can be no assurance that the Court will determine that the Plan meets this test.

### **C. Feasibility of the Plan.**

The Bankruptcy Code requires that the Court determine that confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtor. For purposes of showing that the Plan meets this feasibility standard, the Debtor has analyzed the ability of the Reorganized Debtor to meet its obligations under the Plan and retain sufficient liquidity and capital resources to conduct its business. The Debtor believes that it will be able to support the financial projections set forth in **Exhibit F** to this Disclosure Statement (the “**Projections**”). Holders of Claims against and Interests in the Debtor are advised, however, that the Projections were not prepared with a view toward compliance with the published guidelines of the American Institute of Certified Public Accountants or any other regulatory or professional agency or body or generally accepted accounting principles.

In addition to the assumptions footnoted in the Projections themselves, the Projections also assume that: (1) the Plan will be confirmed and consummated in accordance with its terms, (2) there will be no material adverse change in legislation or regulations, or the administration thereof, including environmental legislation or, regulations, that will have an unexpected effect on the operations of the Reorganized Debtor, (3) there will be no change in United States generally accepted accounting principles that will have a material effect on the reported financial results of the Reorganized Debtor, and (4) there will be no material contingent or unliquidated litigation or indemnity claims applicable to the Reorganized Debtor. To the extent that the assumptions inherent in the Projections are based upon future business decisions and objectives, they are subject to change. In addition, although they are presented with numerical specificity and considered reasonable by the Debtor when taken as a whole, the assumptions and estimates underlying the Projections are subject to significant business, economic, and competitive uncertainties and contingencies, many of which will be beyond the control of the Reorganized Debtor.

Accordingly, the Projections are only estimates that are necessarily speculative in nature. It can be expected that some or all of the assumptions in the Projections will not be realized, and that actual results will vary from the Projections, which variations may be material and are likely to increase over time. The Projections should therefore not be regarded as a representation by



the Debtor or any other person that the results set forth in the Projections will be achieved. In light of the foregoing, readers are cautioned not to place undue reliance on the Projections.

The Debtor does not intend to update or otherwise revise the Projections, including any revisions to reflect events or circumstances existing or arising after the date of this Disclosure Statement or to reflect the occurrence of unanticipated events, even if any or all of the underlying assumptions do not come to fruition. Furthermore, the Debtor does not intend to update or revise the Projections to reflect changes in general economic or industry conditions. Whether actual results will conform to the Projections is subject to a number of risks and uncertainties, including: the high degree of competition in the Debtor's business; the susceptibility of the Debtor's business to general economic conditions; discovery of unknown contingent liabilities; the interest rate environment; the ability to attract new clients; and future capital requirements.

#### **D. Confirmation of the Plan if One or More Classes Do Not Accept.**

Section 1129(b) of the Bankruptcy Code provides that a plan of reorganization can be confirmed even if such plan of reorganization is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. A bankruptcy court may confirm a plan of reorganization at the request of the Debtor if the plan "does not discriminate unfairly" and is "fair and equitable" as to each impaired class that has not accepted the plan of reorganization.

A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank. A plan is fair and equitable as to a class of claims that rejects a plan if the plan provides (a) for each holder of a claim included in the rejecting class to receive or retain on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (b) that the holder of any claim or interest that is junior to the claims of such class will not receive or retain on account of such junior claim or interest any property at all. A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides (a) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of: (i) the allowed amount of any fixed liquidation preference to which such holder is entitled, (ii) any fixed redemption price to which such holder is entitled, or (iii) the value of such interest; or (b) that the holder of any interest that is junior to the interests of such class will not receive or retain any property at all on account of such junior interest under the plan.

#### **E. Hearing on Confirmation of the Plan.**

At the time and place given in the notice served with this Disclosure Statement, the Court will hold a hearing to determine if the Plan has been accepted by a requisite number of Claims and whether the other requirements for Confirmation of the Plan have been satisfied. CREDITORS ARE NOT REQUIRED TO ATTEND THE HEARING ON CONFIRMATION UNLESS THEY HAVE EVIDENCE OR ARGUMENT TO PRESENT TO THE COURT CONCERNING THE MATTERS TO BE ADDRESSED AT THE HEARING ON CONFIRMATION.

### **VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

This Disclosure Statement does not discuss any federal income tax consequences of the Plan to Creditors. Accordingly, Creditors should consult their own tax advisors regarding their ability to recognize a loss for tax purposes and any other tax consequences to them of the Plan.

DUE TO A LACK OF DEFINITIVE JUDICIAL OR ADMINISTRATIVE AUTHORITY AND INTERPRETATION, SUBSTANTIAL UNCERTAINTIES EXIST WITH RESPECT TO VARIOUS TAX CONSEQUENCES OF THE PLAN. FOR THE FOREGOING REASONS CREDITORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS AS TO SPECIFIC TAX CONSEQUENCES (FEDERAL, STATE, AND LOCAL) OF THE PLAN.

### **VIII. EFFECTS OF PLAN CONFIRMATION**

A confirmed plan leaves the Holders of Claims with new rights as set forth in the confirmed plan. Therefore, in the event of a default after Confirmation, a Holder of a Claim may pursue its remedies under the Plan. Some rights may remain with Holders of Claims after the provisions of the confirmed Plan have been carried out. The automatic stay of section 362(a) of the Bankruptcy Code as to actions against the Debtor and the Debtor's assets remains in effect until this Chapter 11 Case is closed. Thereafter, all Persons will be enjoined from taking any action inconsistent with the Plan.

#### **A. Compromise and Settlement of Claims, Interests, and Controversies.**

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim or Interest may have with respect to any Allowed Claim or Interest, or any distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtor, its Estate, and holders of Claims and Interests, and is fair, equitable and reasonable. In accordance with the provisions of the Plan, pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019(a), without any further notice to, action by, or order or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtor may compromise and settle Claims against them and Causes of Action against other Persons.

#### **B. Releases by the Debtor.**

Pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, including the service of Hirschler Fleischer to facilitate the expeditious reorganization of the Debtor and the implementation of the restructuring contemplated by the Plan, on and after the Effective Date, Hirschler Fleischer is deemed released and discharged by the Debtor, the Reorganized Debtor, and the Estate from any and all Claims, obligations, rights, suits, damages, Causes of Action, setoffs, recoupments, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtor, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity or otherwise, that the Debtor, the Reorganized Debtor, the Estate or its affiliates would have been legally entitled to assert in its own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other Person, based on or relating to, or in any manner arising from, in whole or in part, the Debtor, the Debtor's Chapter 11 Case, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between the Debtor and Hirschler Fleischer, the restructuring of Claims and Interests before or during the Debtor's Chapter 11 Case, the negotiation, formulation,

or preparation of the Plan, the Disclosure Statement, any Plan Supplement or related agreements, instruments, or other documents, (collectively, the “**Debtor Released Claims**”), other than Debtor Released Claims against Hirschler Fleischer arising out of or relating to any act or omission of that party constituting willful misconduct or gross negligence.

### **C. Releases by Holders of Claims.**

As of the Effective Date and except as set forth in the Plan or the Plan Supplement, each holder of a Claim or Interest shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged the Debtor, the Reorganized Debtor, and Hirschler Fleischer (collectively, the “**Released Parties**”) from any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims assertable on behalf of the Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Person would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtor, the Debtor’s restructuring, the Debtor’s Chapter 11 Case, the subject matter of, or the transactions or events giving rise to, any Claim that is treated in the Plan, the business or contractual arrangements between the Debtor and Hirschler Fleischer, the restructuring of Claims and Interests before or during the Chapter 11 Case, and the negotiation, formulation, or preparation of the Plan, the Disclosure Statement, any Plan Supplement or related agreements, instruments, or other documents (collectively, “**Released Claims**”), other than Released Claims against the Debtor, the Reorganized Debtor, or Hirschler Fleischer arising out of or relating to any act or omission of that party constituting willful misconduct or gross negligence; provided, however, that the Plan shall not release the Debtor or the Reorganized Debtor from any Cause of Action held by a governmental entity existing as of the Effective Date based on (i) the Internal Revenue Code or other domestic state, city, or municipal tax code, (ii) the environmental laws of the United States or any domestic state, city, or municipality, (iii) any criminal laws of the United States or any domestic state, city, or municipality, (iv) the Securities and Exchange Act of 1934 (as now in effect or hereafter amended), the Securities Act of 1933 (as now in effect or hereafter amended), or other securities laws of the United States or any domestic state, city or municipality, (v) the Employee Retirement Income Security Act of 1974, as amended, or (vi) the laws and regulations of the Bureau of Customs and Border Protection of the United States Department of Homeland Security. Notwithstanding anything to the contrary in the foregoing or otherwise provided in the Plan, Released Claims shall not include any Claim owned or held by a Claimant against a non-Debtor entity or person who is a co-obligor with the Debtor, a surety or guarantor with respect to a Claim against the Debtor, and/or a maker or obligor with respect to an obligation for which the Debtor is a guarantor, all of which Claims are fully preserved and not subject to any injunction or other stay.

### **D. Discharge of Claims and Termination of Interests.**

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in full and final satisfaction, settlement, release, and discharge, effective as of the Effective Date, of all Claims, Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in, the Debtor or any of its assets or properties, regardless of whether any property shall have been distributed or

retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a Proof of Claim or Interest based upon such Claim, debt, right, or Interest is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim or Interest based upon such Claim, debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (3) the holder of such a Claim or Interest has accepted the Plan. Except as otherwise provided herein, any default by the Debtor or its affiliates with respect to any Claim or Interest that existed before or on account of the filing of the Chapter 11 Case shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring, except as otherwise expressly provided in the Plan.

**E. Injunction.**

FROM AND AFTER THE EFFECTIVE DATE, ALL PERSONS ARE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER, ANY CAUSE OF ACTION RELEASED OR TO BE RELEASED PURSUANT TO THE PLAN OR THE CONFIRMATION ORDER.

FROM AND AFTER THE EFFECTIVE DATE, TO THE EXTENT OF THE RELEASES AND EXCULPATION GRANTED IN THE PLAN, THE RELEASING PARTIES SHALL BE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER AGAINST THE RELEASED PARTIES AND THE EXCULPATED PARTIES AND ITS ASSETS AND PROPERTIES, AS THE CASE MAY BE, ANY SUIT, ACTION OR OTHER PROCEEDING, ON ACCOUNT OF OR RESPECTING ANY CLAIM, DEMAND, LIABILITY, OBLIGATION, DEBT, RIGHT, CAUSE OF ACTION, INTEREST OR REMEDY RELEASED OR TO BE RELEASED PURSUANT TO THE PLAN.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS, OR FOR OBLIGATIONS ISSUED PURSUANT TO THE PLAN, ALL PERSONS WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS OR INTERESTS THAT HAVE BEEN RELEASED, DISCHARGED, OR ARE SUBJECT TO EXCULPATION, ARE PERMANENTLY ENJOINED, FROM AND AFTER THE EFFECTIVE DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS: (1) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (2) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST SUCH PERSONS ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (3) CREATING, PERFECTING, OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST SUCH PERSONS OR THE PROPERTY OR ESTATE OF SUCH PERSONS ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; AND (4) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS RELEASED, SETTLED, OR DISCHARGED PURSUANT TO THE PLAN.

THE RIGHTS AFFORDED IN THE PLAN AND THE TREATMENT OF ALL CLAIMS AND INTERESTS HEREIN SHALL BE IN EXCHANGE FOR AND IN COMPLETE SATISFACTION OF ALL CLAIMS AND INTERESTS OF ANY NATURE WHATSOEVER, INCLUDING ANY INTEREST ACCRUED ON CLAIMS FROM AND AFTER THE PETITION DATE, AGAINST THE DEBTOR OR ANY OF ITS ASSETS, PROPERTY, OR ESTATE. ON THE EFFECTIVE DATE, ALL SUCH CLAIMS AGAINST THE DEBTOR SHALL BE FULLY RELEASED AND DISCHARGED, AND THE INTERESTS SHALL BE CANCELLED (EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN).

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED FOR IN THE PLAN OR IN OBLIGATIONS ISSUED PURSUANT HERETO FROM AND AFTER THE EFFECTIVE DATE, ALL CLAIMS AGAINST THE DEBTOR SHALL BE FULLY RELEASED AND DISCHARGED, AND ALL INTERESTS SHALL BE CANCELLED, AND THE DEBTOR'S LIABILITY WITH RESPECT THERETO SHALL BE EXTINGUISHED COMPLETELY, INCLUDING ANY LIABILITY OF THE KIND SPECIFIED UNDER SECTION 502(G) OF THE BANKRUPTCY CODE.

ALL PERSONS SHALL BE PRECLUDED FROM ASSERTING AGAINST THE DEBTOR, THE DEBTOR'S ESTATE, THE REORGANIZED DEBTOR, ITS RESPECTIVE SUCCESSORS AND ASSIGNS, AND ITS ASSETS AND PROPERTIES, ANY OTHER CLAIMS OR INTERESTS BASED UPON ANY DOCUMENTS, INSTRUMENTS, OR ANY ACT OR OMISSION, TRANSACTION, OR OTHER ACTIVITY OF ANY KIND OR NATURE THAT OCCURRED BEFORE THE EFFECTIVE DATE.

**F. Term of Injunctions or Stays.**

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Case pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and existent on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Chapter 11 Case is closed. Upon the Effective Date, all injunctions or stays contained in the Plan or the Confirmation Order shall be in full force and effect in accordance with their terms; provided however, nothing contained herein shall enjoin any Claimant from enforcing any Claim against a non-Debtor entity or person who is a co-obligor with the Debtor, a surety or guarantor with respect to a Claim against the Debtor, and/or a maker or obligor with respect to an obligation for which the Debtor is a guarantor, all of which Claims are fully preserved and not subject to any injunction or other stay.

**G. Protection Against Discriminatory Treatment.**

Consistent with section 525 of the Bankruptcy Code and the Supremacy Clause of the U.S. Constitution, all Persons, including Governmental Units, shall not discriminate against the Reorganized Debtor or deny, revoke, suspend, or refuse to renew a license, permit, charter, franchise, or other similar grant to, condition such a grant to, or discriminate with respect to such a grant against, the Reorganized Debtor or another Person with whom the Reorganized Debtor has been associated, solely because the Debtor has been a debtor under Chapter 11, has been insolvent before the commencement of the Chapter 11 Case (or during the Chapter 11 Case but before the Debtor is granted or denied a discharge), or has not paid a debt that is dischargeable in the Chapter 11 Case.

## **H. Release of Liens.**

Except as otherwise provided in the Plan or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estate shall be fully released and discharged, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtor and its successors and assigns. For the avoidance of doubt, except as otherwise provided in the Plan, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estate shall be fully released and discharged on the Effective Date without any further action of any party, including, but not limited to, further order of the Bankruptcy Court or filing updated schedules or statements typically filed pursuant to the Uniform Commercial Code.

## **IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

### **A. Liquidation Under Chapter 7.**

If no Chapter 11 Plan can be confirmed, the Chapter 11 Case may be converted to Chapter 7 of the Bankruptcy Code, in which a trustee would be elected or appointed to liquidate the assets of the Debtor. The Debtor believes that liquidation under Chapter 7 would result in smaller distributions, if any, being made to Creditors than those provided for in the Plan because of the additional administrative expenses involved in the appointment of a trustee and attorneys and other professionals during such liquidation.

The Debtor, with the assistance of its professionals, has prepared a Liquidation Analysis, attached hereto as **Exhibit E**. The Liquidation Analysis is based upon a hypothetical liquidation in Chapter 7. The Debtor has taken into account the nature, status, and underlying value of its assets, the ultimate realizable value of its assets, and the extent to which such assets are subject to liens and security interests. The likely form of any liquidation would be the sale of the Debtor's assets. Based on this analysis, it is likely that a Chapter 7 liquidation of the Debtor's assets would produce less value for distribution to creditors than that recoverable under the Plan. In the opinion of the Debtor, the recoveries projected to be available in a Chapter 7 liquidation are not likely to afford the holders of Claims as great a realization potential as do the Plan.

### **B. Alternative Plan of Reorganization.**

If the Plan is not confirmed, the Debtor or any other party-in-interest could attempt to formulate a different plan of reorganization. During the course of negotiation of the Plan, the Debtor explored various other alternatives and concluded that the Plan represented the best alternative to protect the interests of creditors and parties-in-interest. The Debtor has not changed its conclusions.

## **X. CONCLUSION AND RECOMMENDATIONS**

The Debtor urges all creditors entitled to vote on the Plan to vote to accept the Plan and to evidence such acceptance by immediately returning their properly completed ballots to the appropriate voting agent as set forth on the ballots within the time stated in the notice served with this Disclosure Statement.

Dated: August 24, 2016

Respectfully submitted,  
CAMPBELL GRAPHICS, INC.

By: /s/Craig Campbell, Sr.  
Debtor Designee  
President and CEO of the Debtor