UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF WEST VIRGINIA
CLARKSBURG DIVISION

In Re:

BLANCHETTE ROCKEFELLER NEUROSCIENCES INSTITUTE, INC.,

Debtor.

Case No. 1:16-bk-00771

Small Business Case under Chapter 11

DEBTOR'S DISCLOSURE STATEMENT
(DATED FEBRUARY 27, 2017)

Table of Contents

I. INTRODUCTION 1

A. PURPOSE OF THIS DOCUMENT 1
B. DEADLINES FOR VOTING AND OBJECTING; DATE OF PLAN CONFIRMATION HEARING 1
1. Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm The Plan 1
2. Deadline for Voting to Accept or Reject the Plan 2
3. Deadline for Objecting to the Adequacy of Disclosure and Confirmation of Plan 2
4. Identity of Person to Contact for More Information 2
C. DISCLAIMER 2

II. BACKGROUND 3

A. DESCRIPTION AND HISTORY OF THE DEBTOR'S BUSINESS 3
B. INSIDERS OF THE DEBTOR 4
C. MANAGEMENT OF THE DEBTOR BEFORE AND DURING THE BANKRUPTCY 4
D. EVENTS LEADING TO CHAPTER 11 FILING 4
E. SIGNIFICANT EVENTS DURING THE BANKRUPTCY CASE 5
1. Asset Sale to WVU Pursuant to Section 363 of the Bankruptcy Code 5
2. Rejection of Executory Contracts and Unexpired Leases 5
3. Settlement of Significant Claims Against the Debtor 6
4. Retention of Professionals 6
F. PROJECTED RECOVERY OF AVOIDABLE TRANSFERS 6
G. CLAIMS OBJECTIONS 7
H. LIQUIDATION AND PLAN DISTRIBUTION PROFORMA 7

III. SUMMARY OF THE PLAN OF DISTRIBUTION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS 7

A. WHAT IS THE PURPOSE OF THE PLAN REORGANIZATION? 7
B. UNCLASSIFIED CLAIMS 7
1. Administrative Expenses 7

2. *Priority Tax Claims* 8
C. CLASSES OF CLAIMS AND EQUITY INTERESTS 8
1. *Class 1 – Class of Secured Claims* 8
2. *Class 2 – Class of Priority Non-Tax Unsecured Claims* 8
3. *Class 3 – Class of General Unsecured Claims* 8
4. *Class of Equity Interest Holders* 9
D. MEANS OF IMPLEMENTING THE PLAN 9
1. *Source of Payments* 9
2. *Post-confirmation Management* 9
E. RISK FACTORS 9
F. EXECUTORY CONTRACTS AND UNEXPIRED LEASES 9
G. TAX CONSEQUENCES OF PLAN 10
1. *General* 11
2. *U.S. Federal Income Tax Consequences to the Debtors* 12
3. *U.S. Federal Income Tax Consequences to Creditors Holding Allowed Claims to be Paid Pursuant to the Plan* 12

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES 13

A. WHO MAY VOTE OR OBJECT 13
1. *What is an Allowed Claim or an Allowed Equity Interest* 13
2. *What is an Impaired Claim or Impaired Equity Interest* 14
3. *Who is Not Entitled to Vote* 14
4. *Who Can Vote in More Than One Class* 14
B. VOTES NECESSARY TO CONFIRM THE PLAN 15
1. *Votes Necessary for a Class to Accept the Plan* 15
2. *Treatment of Nonaccepting Classes* 15
C. LIQUIDATION ANALYSIS 15
D. FEASIBILITY 15

V. EFFECT OF CONFIRMATION OF PLAN 16

A. DISCHARGE OF DEBTOR 16
B. MODIFICATION OF PLAN 16
C. FINAL DECREE 16

I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the small business chapter 11 case of Blanchette Rockefeller Neurosciences Institute, Inc.(the "Debtor" or "BRNI"). This Disclosure Statement contains information about the Debtor and describes the Debtor's Chapter 11 Plan of Liquidation and Distribution (the "Plan") filed by the Debtor on February 27, 2017. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. ***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

Pursuant to the Plan, the Debtor proposes an orderly distribution of certain of the Debtor's remaining Assets, consisting primarily of the Net Sale Proceeds of the 363 Sale, as supplemented, if necessary, by the APA Supplemental Funds. The Plan provides that all such funds will be paid to Creditors on account of their Allowed Claims in accordance with the distributive priorities of the Bankruptcy Code and the Plan. The Debtor will be responsible for making distributions to Creditors in accordance with the terms of the Plan. **The Plan provides that all Claims will be paid in full pursuant to the confirmed Plan.**

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case;
- How the Plan proposes to treat claims of the type you hold (*i.e.*, what you will receive on your claim if the Plan is confirmed);
- Who can vote on or object to the Plan;
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan;
- Why the Debtor believes the Plan is the only feasible alternative for Creditors, and how the treatment of your claim under the Plan compares to what you would receive on your claim or equity interest in liquidation; and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. *Time and Place of the Hearing to Approve This Disclosure Statement and Confirm the Plan*

The hearing at which the Court will determine whether to approve this Disclosure Statement and confirm the Plan will take place on April 5, 2017, at 9:30 a.m., in the United States Bankruptcy Court, 1125 Chapline Street, Wheeling, WV 26003.

2. *Deadline For Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to counsel for the Debtor at the address stated on the ballot. See section IV.A. below for a discussion of voting eligibility requirements.

TAKE NOTICE that the Debtor asserts that there are no impaired Classes or Creditors under the Plan and that no Creditors are entitled to vote to accept or reject the Plan. Therefore, you have not received a ballot with this Disclosure Statement. Because your Claim will be paid in full pursuant to the Plan, you are not an Impaired Creditor and you are conclusively presumed to have accepted the Plan pursuant to § 1126(f) of the Code.

If the Court later determines that you are entitled to vote to accept or reject the Plan, you will receive a ballot for that purpose.

If you are entitled to vote to accept or reject the Plan, your ballot must be **actually received** by March 30, 2017 (or such later date as the Court may establish) or it will not be counted.

3. *Deadline For Objecting to the Adequacy of Disclosure and Confirmation of the Plan*

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon counsel for the Debtor by March 30, 2017.

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact counsel of record for the Debtor: Rayford K. Adams III, Spilman Thomas & Battle, PLLC, 500 Oakwood Dr., Suite 500, Winston-Salem, NC 27103; Telephone: (336) 631-1067; Email: tadams@spilmanlaw.com.

C. Disclaimer

The Court has not yet approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The hearing on the adequacy of the Disclosure Statement has been combined with the hearing on the confirmation of the Plan. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has authorized the Debtor to send the Plan and this Disclosure Statement to Creditors does not constitute an endorsement of the Plan by the Court, or a recommendation that it be

accepted. The Court's final approval of this Disclosure Statement will be considered at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement must be filed no later than March 30, 2017.

II. BACKGROUND

A. Description and History of the Debtor's Business

Blanchette Rockefeller Neurosciences Institute, Inc. is a not-for-profit 501(c)(3) corporation organized in June 1999 under the laws of the State of West Virginia. BRNI is a medical research organization focused on the continued active conduct of medical research on neurologic and cognitive disorders. BRNI was established with the generous support of the family of retired West Virginia Senator John D. (Jay) Rockefeller IV, in memory of his mother, Blanchette Ferry Hooker Rockefeller.

BRNI was established with the goal to make a unique contribution to critical science and research by bringing together intellectual and financial resources to accelerate the research and develop the pathways necessary to expedite the translation of discoveries to globally available treatments. The research conducted by scientists working at BRNI has been on the leading edge of the development of diagnostic and therapeutic technology related to neurodegenerative diseases, with a specific emphasis on the diagnosis and treatment of Alzheimer's disease.

BRNI occupies a building on the Health Sciences campus of West Virginia University in Morgantown, West Virginia. BRNI also leased research and laboratory facilities in Rockville, Maryland, owned by Johns Hopkins University. Since June 1, 2016, BRNI had subleased the Rockville facility to West Virginia University ("WVU"). During the bankruptcy case, the Rockville lease expired on August 31, 2016, and BRNI did not assume or further extend the Rockville lease beyond that date. The BRNI Rockville operations were transferred to NeuroDiagnostics, LLC, which currently occupies the Rockville facility in connection with a proposed sublicense of the technology from WVU. As of August 1, 2016, BRNI conducted all of its research and operations from the Morgantown location and vacated the Rockville location.

After seventeen years of painstaking and exciting work, BRNI had licensed both its mature therapeutic and diagnostic technologies. BRNI's research is focused on the basic science underlying neurodegenerative diseases, and as is common for such not-for-profit organizations, BRNI's business plan was to license its technology and intellectual property to third parties with the structures and resources to bring such technology to market. As is also common for organizations that pursue drug development, the development of these technologies to the point of licensure required BRNI to substantially deplete its capital resources.

BRNI has two affiliates, which are involved in the licensing of certain technologies and intellectual property. Neuroscience Research Ventures, Inc. ("NRV") is wholly-owned by BRNI; NRV II, LLC is 70%-owned by NRV and 30%-owned by outside investors. The affiliates facilitate the flow of royalties arising from certain licensing activity of BRNI.

Some of BRNI's therapeutic technologies and intellectual property have been licensed for commercial development to Neurotrope, Inc., dba Neurotrope BioScience.

Prior to the filing of its bankruptcy case, BRNI's diagnostic technology and intellectual property were licensed to West Virginia University Research Corporation ("WVURC") for commercial development.

B. Insiders of the Debtor

The following are insiders of the Debtor: each of the Managers listed in subparagraph II.C. below; Neuroscience Research Ventures, Inc. (wholly-owned subsidiary of the Debtor); and NRV II (70%-owned by NRV). Compensation paid by the Debtor to insiders during the two years prior to the commencement of the Chapter 11 case is listed in Schedule 4 to the Statement of Financial Affairs (Doc 47), filed on August 12, 2016. During the Chapter 11 Case, the following insiders received compensation from the Debtor: Shana Kay Phares ($61,537.55); Jeremy D. Drennen ($24,542.03).

C. Management of the Debtor Before and During the Bankruptcy

During the two years prior to the date on which the bankruptcy petition was filed, the officers, directors, managers or other persons in control of the Debtor (collectively the "Managers") were: Shana Kay Phares, President and CEO; Jeremy D. Drennen, Interim CFO; C. Peter Magrath, Chair of Board of Directors; James A. Corton, Secretary/Treasurer; Herschel Abbott, Director; Daniel Alkon, M.D.; Ex-Officio Director, Scientific Director; Phyllis Arnold, Director; Constantino Amores, M.D., Director; R. Lane Bailey, Director; Ralph J. Bean, Jr., Director; James Gottlieb, Director; Barry D. Lebowitz, PhD, Director; Carolyn Long, Director; Guy McKhann, M.D., Director; George Spirou, PhD, Director; Glenn Dillon, PhD., Director; Jose "Zito" Sartarelli, PhD., Director; William S. Singer, Director; and Thomas A. Vorbach, Assistant Secretary/Treasurer.

The Managers have continued to manage the Debtor during the Debtor's Chapter 11 Case.; provided, however, during the Chapter 11 Case, the following directors resigned from the Debtor's board and are no longer Managers of the Debtor: Glenn Dillon; Jose "Zito" Sartarelli; and William S. Singer.

D. Events Leading to Chapter 11 Filing

Following the licensing of BRNI's two mature technologies and intellectual property and given the state of BRNI's finances and basic science, BRNI determined that it would be desirable to enter into a mutually beneficial transaction with WVU, an established R-1 research university. Such a transaction would allow BRNI's basic research to continue with increased organizational support that would ensure the continuance of BRNI's charitable mission and provide an environment where the research will flourish and grow.

In addition to the depletion of its liquid capital assets in the development of its diagnostic and therapeutic technologies and intellectual property, BRNI experienced financial pressures in

the two fiscal years before the bankruptcy filing as a result of decreased funding through the West Virginia state budgeting process. During the 2015-2016 fiscal year, expected appropriations of over $900,000 to BRNI were reduced to approximately $300,000.

In furtherance of its fiduciary duties to support and continue BRNI's charitable mission, its board of directors evaluated the financial sustainability of BRNI's operations and determined that the operations were not sustainable under its prepetition structure and fiscal environment beyond approximately September 2016. Also, BRNI evaluated the employment contracts to which it was a party and determined that one or more of the contracts would need to be rejected if BRNI were to be viable and sustainable in the future, with or without the completion of a transaction with WVU or other strategic partner.

In that environment, the Debtor elected to file its voluntary Chapter 11 petition on July 28, 2016.

E. Significant Events During the Bankruptcy Case

1. **Asset Sale to WVU Pursuant to Section 363 of the Bankruptcy Code**

Prior to the commencement of the Chapter 11 case, BRNI entered into discussions with WVU concerning a strategic arrangement through which most of the work of BRNI would be brought under the umbrella of WVU's neurosciences activities, under the BRNI name. The Debtor determined that such an affiliation would allow BRNI's charitable mission and important scientific research to continue with adequate future support. As of the Petition Date, those discussions were ongoing, and after the filing of the petition, BRNI and WVU entered into a definitive asset purchase agreement for the sale of substantially all of the assets of BRNI to WVU through a court-approved sale pursuant to § 363 of the Bankruptcy Code (the "363 Sale").

The Bankruptcy Court entered its order authorizing the 363 Sale on September 23, 2016, and the 363 Sale was closed on October 4, 2016. The 363 Sale resulted in the realization of the Net Sale Proceeds for the Debtor, which funds are the basis for the full payment of Creditors and Allowed Claims in the Chapter 11 case.

Certain Assets of the Debtor related to licenses and intellectual property now affiliated with Neurotrope were excluded from the 363 Sale and are not included in the Assets to be distributed to Creditors pursuant to the Plan.

2. **Rejection of Executory Contracts and Unexpired Leases**

Anticipating the 363 Sale and the related transitions of the work of BRNI, the Debtor determined that certain executory contracts (including employment agreements), and unexpired leases were no longer needed by the Debtor and should be rejected. The employment agreement with the most potential rejection claim exposure for the Debtor was the Debtor's agreement with Dr. Daniel L. Alkon, the Debtor's Scientific Director. The Debtor rejected Dr. Alkon's contract and, following negotiations among the Debtor, Dr. Alkon, and WVU, the parties reached a mutually agreeable global resolution of all issues. The Debtor and Dr. Alkon

resolved the claim for rejection damages arising from the rejection of Dr. Alkon's employment agreement for the payment of the statutory cap for damages under the contract, $500,000, which was paid at the time of the closing of the 363 Sale from the sale proceeds. No additional distributions will be made to Dr. Alkon pursuant to the Plan.

3. Settlement of Significant Claims Against the Debtor

The Debtor had limited claims and Creditors as of the Petition Date. Other than the now-settled rejection claim of Dr. Alkon, the principal disputed claim in the Chapter 11 Case was the claim of Milbank Tweed Hadley & McCloy LLP ("Milbank"), a law firm that formerly represented the Debtor in certain matters. Milbank filed a proof of claim in the Chapter 11 Case in the amount of $826,368.13. The Debtor engaged Milbank in discussions and negotiations about the amount of the Milbank claim, resulting in an agreed settlement of the claim for the amount of $200,000. That amount will be paid to Milbank as its Allowed Claim pursuant to the Plan in full satisfaction of the Milbank claim.

4. Retention of Professionals

The Debtor retained three law firms, with Court approval, during the pendency of the Chapter 11 Case:

1. Spilman Thomas & Battle, PLLC has served as bankruptcy counsel for the Debtor in the Chapter 11 Case.

2. Steptoe & Johnson PLLC ("Steptoe") has served as special counsel for the Debtor in corporate and business matters during the bankruptcy case. Steptoe generally represented BRNI prior to the filing of the Chapter 11 Case.

3. Finnegan, Henderson, Farabow, Garrett & Dunner, LLP ("Finnegan") has served as special counsel for the Debtor on intellectual property matters during the Chapter 11 Case. Finnegan represented the Debtor on such matters prior to the filing of the bankruptcy case. The continuation of Finnegan's post-petition services was necessary in order to prosecute and protect patents held by BRNI.

The Debtor did not retain an accounting firm during the Chapter 11 Case. No committee of unsecured creditors was appointed during the case; therefore, no professionals were retained to represent a creditors' committee.

F. Projected Recovery of Avoidable Transfers

The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions. At the present time, the Debtor is not aware of any facts that would form the basis for any avoidance actions. In any event, since the Plan proposes to pay all Creditors in full from available funds of the Net Sale Proceeds, the pursuit of avoidance actions would have little,

if any, net beneficial effect on the Debtor's estate or the Creditors.

G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in section VII of the Plan.

H. Liquidation and Plan Distribution Proforma

Because substantially all of the Debtor's Assets were liquidated through the 363 Sale and the Net Sale Proceeds are sufficient to pay all Creditors in full, the Debtor has not prepared a traditional liquidation analysis. Instead, Exhibit B to this Disclosure Statement provides a summary of the Claims in the Chapter 11 Case, the available funds to pay the Claims, and the details of the expected distribution of the Net Sales Proceeds and the full payment of all Claims in the case.

III. SUMMARY OF THE PLAN OF DISTRIBUTION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places claims in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims is impaired or unimpaired. Because the Debtor is a not-for-profit organization, it does not have shareholders. Therefore, the Plan does not address or provide treatment for equity interests in the Debtor. If the Plan is confirmed, your Claim will be paid as provided by the Plan.

B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

1. *Administrative Expenses*

Administrative expenses are costs or expenses of administering the Chapter 11 Case that are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different

treatment.

Exhibit B lists the Debtor's estimated administrative expenses and their proposed treatment under the Plan. All administrative expense claims will be paid in full on the Effective Date or promptly thereafter upon approval of such claims by the Court.

2. *Priority Tax Claims*

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief. There are no priority tax claims in the Chapter 11 Case.

C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

1. *Class 1 – Class of Secured Claims*

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff or recoupment) to the extent allowed as secured claims under § 506 of the Code. As described in Exhibit B, the only scheduled secured claim in the Chapter 11 Case was a recoupment right of WVU, which was resolved in the 363 Sale. The WVU claim does not represent a claim entitled to any distribution from the Net Sale Proceeds. No other secured claims were scheduled or filed.

2. *Class 2 – Class of Priority Non-Tax Unsecured Claims*

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

All priority wage claims of the Debtor have been paid in full pursuant to a first day order of the Court. No other priority unsecured claims have been scheduled or filed in the Chapter 11 Case. Therefore, the Plan does not propose any payments with respect to Class 2 Claims.

3. *Class 3 – Class of General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not

entitled to priority under § 507(a) of the Code.

Exhibit B lists the known General Unsecured Claims in the Chapter 11 Case. Each Allowed Claim in Class 3 shall be paid in full on or after the Effective Date, as described in the Plan.

4. *Class of Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (*i.e.*, equity interest) in the Debtor. Since the Debtor is a not-for-profit corporation, it does not have shareholders and, therefore, has no equity interests to be addressed in the Plan. The Plan includes no class of equity interests.

D. Means of Implementing the Plan

1. *Source of Payments*

Payments and distributions under the Plan will be funded by the Net Sale Proceeds from the 363 Sale, supplemented, if necessary, by the APA Supplemental Funds, as that term is defined in the Plan and the APA.

2. *Post-confirmation Management*

After the Confirmation Date, the directors and officers of the Reorganized Debtor (collectively the "Post-Confirmation Managers") will be those Managers identified in Section II.C. above. The Post-Confirmation Managers will conduct the remaining business activities of the Debtor and will serve without compensation from the Reorganized Debtor. Shana Kay Phares will remain the President and CEO of the Reorganized Debtor. Ms. Phares is now employed by WVURC following the 363 Sale, and she will continue her management role with the Reorganized Debtor without compensation.

E. Risk Factors

The proposed Plan has no risks to Creditors. As shown in Exhibit B, there are sufficient funds to pay all Allowed Claims in full. In the unlikely event that the Net Sale Proceeds are not sufficient to pay all Allowed Claims, the Plan and the amended APA provide that the APA Supplemental Funds, in the amount of approximately $872,000, will be available from WVU to complete full payment of all Allowed Claims.

F. Executory Contracts and Unexpired Leases

The Plan, in section VI, lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. The Debtor believes that there are no defaults under any of the executory contracts that it will assume. Therefore, the Plan does not propose any payments with respect to those contracts.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not listed in section VI of the Plan will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

> ***The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract pursuant to the Plan is thirty (30) days after the Confirmation Date.*** Note that if your contract or lease was rejected earlier in the Chapter 11 Case, the deadline imposed at that time for the filing of rejection claims is still effective. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

G. Tax Consequences of Plan

Creditors Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, and/or Advisors.

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

TO COMPLY WITH INTERNAL REVENUE SERVICE CIRCULAR 230, TAXPAYERS ARE HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A TAXPAYER UNDER THE INTERNAL REVENUE CODE, (B) ANY SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN, AND (C) TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

1. General

The following discussion summarizes certain material U.S. federal income tax consequences to the Debtors and Creditors entitled to vote on the Plan or to receive distributions under the Plan. This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the "**IRC**"), applicable Treasury Regulations, judicial authority and current administrative rulings and pronouncements of the Internal Revenue Service (the "**Service**"). There can be no assurance that the Service will not take a contrary view, no ruling from the Service has been or will be sought nor will any counsel provide a legal opinion as to any of the expected tax consequences set forth below.

Legislative, judicial or administrative changes or interpretations may be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences to Creditors or the Debtors. It cannot be predicted at this time whether any tax legislation will be enacted or, if enacted, whether any tax law changes contained therein would affect the tax consequences described herein.

The following summary is for general information only. The tax treatment of a Creditor may vary depending upon such Creditor's particular situation. This summary does not address all of the tax consequences that may be relevant to a Creditor, including any alternative minimum tax consequences and does not address the tax consequences to a Creditor that has made an agreement to resolve its claim in a manner not explicitly provided for in the Plan. This summary also does not address the U.S. federal income tax consequences to persons not entitled to vote on the Plan or Creditors subject to special treatment under the U.S. federal income tax laws, such as brokers or dealers in securities or currencies, certain securities traders, tax-exempt entities, financial institutions, insurance companies, foreign persons, partnerships and other pass-through entities, Creditors that have a "functional currency" other than the United States dollar and Creditors that have acquired Claims in connection with the performance of services. The following summary assumes that the Claims are held by Creditors as "capital assets" within the meaning of section 1221 of the IRC and that all Claims denominated as indebtedness are properly treated as debt for U.S. federal income tax purposes.

The tax treatment of Creditors and the character, amount and timing of income, gain or loss recognized as a consequence of the Plan and the distributions provided for by the Plan may vary, depending upon, among other things: (i) whether the Claim (or portion thereof) constitutes a Claim for principal or interest; (ii) the type of consideration received by the Creditor in exchange for the Claim and whether the Creditor receives Distributions under the Plan in more than one taxable year; (iii) whether the Creditor is a citizen or resident of the United States for tax purposes, is otherwise subject to U.S. federal income tax on a net basis, or falls into any special class of taxpayers, such as those that are excluded from this discussion as noted above; (iv) the manner in which the Creditor acquired the Claim; (v) the length of time that the Claim has been held; (vi) whether the Claim was acquired at a discount; (vii) whether the Creditor has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years; (viii) whether the Creditor has previously included in income accrued but unpaid interest with respect to the Claim; (ix) the method of tax accounting of the Creditor; (x) whether the Claim is an installment obligation for U.S. federal income tax purposes; and (xi) whether the

"market discount" rules are applicable to the Creditor. Therefore, each Creditor should consult its tax advisor for information that may be relevant to its particular situation and circumstances, and the particular tax consequences to such Creditor of the distributions contemplated by the Plan.

2. U.S. Federal Income Tax Consequences to the Debtors

BRNI is a not-for-profit corporation that is exempt from federal income taxation under 501(c)(3) of the IRC. It is intended that nothing in the Plan shall adversely affect the tax-exempt status of BRNI or the Reorganized Debtor. Accordingly, the Debtor does not expect the implementation of the Plan to have any adverse federal income tax consequences on the Debtor before or after the Effective Date. If the tax-exempt status of BRNI would terminate, BRNI may be subject to tax on its income.

3. U.S. Federal Income Tax Consequences to Creditors Holding Allowed Claims to be Paid Pursuant to the Plan

Holders of Allowed Claims as of the Effective Date that are entitled to receive payment in full of their Claims pursuant to the Plan should be treated as receiving from the Debtor their respective payments in satisfaction of their Allowed Claims. Accordingly, a Holder of such Claim should generally recognize gain or loss in an amount equal to the amount deemed realized on the Effective Date (as described above) less its adjusted tax basis of its Claim.

The character of any gain or loss as capital gain or loss or ordinary income or loss and, in the case of capital gain or loss, as short-term or long-term, will depend on a number of factors, including: (i) the nature and origin of the Claim; (ii) the tax status of the Holder of the Claim; (iii) whether the Claim has been held for more than one year; (iv) the extent to which the Creditor previously claimed a loss or bad debt deduction with respect to the Claim; and (v) whether the Claim was acquired at a market discount. A Creditor that purchased its Claim from a prior Creditor at a market discount may be subject to the market discount rules of the IRC. Under those rules (subject to a *de minimis* exception), assuming that such Creditor has made no election to accrue the market discount and include it in income on a current basis, any gain recognized on the exchange of such Claim generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

Although not free from doubt, Holders of Disputed Claims should not recognize any gain or loss on the Effective Date, but should recognize gain or loss in an amount equal to: (i) the amount of cash and the fair market value of any other property actually distributed to such Holder less (ii) the adjusted tax basis of its Claim. It is possible, however, that such Holders may be required to recognize the fair market value of such Holder's allocable distribution, as an amount received for purposes of computing gain or loss, either on the Effective Date or the date such Holder's Claim becomes an Allowed Claim.

Holders of Allowed Claims will be treated as receiving a payment of interest (includible in income in accordance with the Holder's method of accounting for tax purposes) to the extent that any cash or other property received (or deemed received) pursuant to the Plan is attributable

to accrued but unpaid interest, if any, on such Allowed Claims. The extent to which the receipt of cash or other property should be attributable to accrued but unpaid interest is unclear. The Debtor intends to take the position, and the Plan provides, that such cash or property distributed pursuant to the Plan will first be allocable to the principal amount of an Allowed Claim and then, to the extent necessary, to any accrued but unpaid interest thereon. Each Holder should consult its tax advisor regarding the determination of the amount of consideration received under the Plan that is attributable to interest (if any). A Creditor generally will be entitled to recognize a loss to the extent any accrued interest was previously included in its gross income and is not paid in full.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan provides that all Creditors will be paid in full on or promptly after the Effective Date. Therefore, the Debtor believes that **all classes identified in the Plan are unimpaired** and that Holders of Claims in each of the classes do not have the right to vote to accept or reject the Plan because they are deemed to have accepted the Plan under the Code.

1. *What Is an Allowed Claim or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing,

either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was November 17, 2016.

Pursuant to the Plan, the deadline for the Debtor to file objections to Claims is sixty (60) days after the later of (1) the Effective Date or (2) the date of the timely filing of an Administrative Expense Claim or Priority Claim by a Creditor.

2. *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is* ***Not*** *Entitled to Vote*

The holders of the following types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan;
- administrative expenses.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes, as discussed later in Section [B.2.].

1. *Votes Necessary for a Class to Accept the Plan*

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not "discriminate unfairly," and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a Chapter 7 liquidation. Because the Plan provides for the payment in full of all Allowed Claims, the Debtor has provided complete information concerning the Claims in the Chapter 11 Case and the proposed distributions to Creditors in Exhibit B attached to this Disclosure Statement. The Debtor asserts that Exhibit B provides sufficient information to satisfy the liquidation test of § 1129(a)(7)(ii).

D. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to

the Debtor, unless such liquidation or reorganization is proposed in the Plan. Because the Plan provides for the distribution of the Net Sale Proceeds (and if necessary, the APA Supplemental Funds) to pay all Allowed Claims in full, this "feasibility" requirement is met, *a fortiori.*

As shown in Exhibit B, the Debtor has enough cash on hand on the Effective Date of the Plan to pay all Claims and expenses in the Chapter 11 Case that are entitled to be paid on that date or thereafter as final Administrative Expense Claims are allowed. Therefore, it is unnecessary for the Debtor to provide projections of future performance or ability to make later payments to Creditors. No later or continuing payments to Creditors are proposed in the Plan.

V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of Debtor

As of the Effective Date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the Effective Date, to the extent specified in § 1141(d)(1)(A) of the Code and subject to the provisions of § 1141(d)(6) of the Code.

B. Modification of Plan

The Debtor may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan. The Debtor may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated *and* (2) the Court authorizes the proposed modifications after notice and a hearing.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Debtor will file a motion with the Court to obtain a final decree to close the Chapter 11 Case. Alternatively, the Court may enter such a final decree on its own motion.

Dated: February 27, 2017.

BLANCHETTE ROCKEFELLER NEUROSCIENCES INSTITUTE, INC.

By: */s/ Shana Kay Phares*
Name: Shana Kay Phares
Title: President and Chief Executive Officer

/s/ Rayford K. Adams III
Rayford K. Adams III (NC Bar No. 8622)
SPILMAN THOMAS & BATTLE, PLLC
110 Oakwood Dr., Suite 500
Winston-Salem, North Carolina 27103
Telephone: 336-725-4710
Email: tadams@spilmanlaw.com

/s/ David R. Croft
David R. Croft (WV Bar No. 8061)
SPILMAN THOMAS & BATTLE, PLLC
Century Centre Building
1233 Main Street, Suite 4000
Wheeling, West Virginia 26003
Telephone: 304-230-6950
Email: dcroft@spilmanlaw.com

/s/ Alexander Macia
Alexander Macia (WV Bar No. 6077)
SPILMAN THOMAS & BATTLE, PLLC
300 Kanawha Blvd., East
Charleston, West Virginia 25301
Telephone: 304-340-3800
Email: amacia@spilmanlaw.com

Counsel for Debtor