

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re:

ARCTIC SENTINEL, INC. [f/k/a Fuhu, Inc.],  
*et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 15-12465-CSS

(Jointly Administered)

**DISCLOSURE STATEMENT WITH RESPECT TO PLAN OF LIQUIDATION OF THE  
DEBTORS PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

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Dated: September 1, 2016

<sup>1</sup> The Debtors, together with the last four digits of each Debtor's tax identification number, are: Arctic Sentinel, Inc. [f/k/a Fuhu, Inc.] (7896); Arctic Sentinel Holdings, Inc. [f/k/a Fuhu Holdings, Inc.] (9761); Arctic Sentinel Direct, Inc. [f/k/a Fuhu Direct, Inc.] (2180); and Sentinel Arctic, Inc. [f/k/a Nabi, Inc.] (4119). The location of the Debtors' headquarters and service address is 1700 E. Walnut Ave., Suite 500, El Segundo, CA 90245.



I.

**INTRODUCTION**

The above-captioned debtors and debtor in possession (the “Debtors”) have filed their proposed Plan of Liquidation of the Debtors Pursuant to Chapter 11 of the Bankruptcy Code, dated September 1, 2016 (the “Plan”), with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). A copy of the Plan is attached hereto as Exhibit A.<sup>2</sup> The Debtors hereby submit this Disclosure Statement with Respect to Plan of Liquidation of the Debtors Pursuant to Chapter 11 of the Bankruptcy Code, dated September 1, 2016 (the “Disclosure Statement”), pursuant to Section 1125 of the Bankruptcy Code in connection with the solicitation of acceptances or rejections of the Plan from certain Holders of Claims against the Debtors.

Following a hearing held on [October 6, 2016], the Disclosure Statement was approved by the Bankruptcy Court as containing “adequate information” in accordance with Section 1125 of the Bankruptcy Code. Pursuant to Section 1125(a)(1) of the Bankruptcy Code, “adequate information” is defined as “information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and the history of the debtor and the condition of the debtor’s books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan.” NO STATEMENTS OR INFORMATION CONCERNING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY HAVE BEEN AUTHORIZED, OTHER THAN THE STATEMENTS AND INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE INFORMATION ACCOMPANYING THIS DISCLOSURE STATEMENT. ALL OTHER STATEMENTS REGARDING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY, WHETHER WRITTEN OR ORAL, ARE UNAUTHORIZED.

APPROVAL OF THE DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT INDICATE THAT THE BANKRUPTCY COURT RECOMMENDS EITHER ACCEPTANCE OR REJECTION OF THE PLAN, NOR DOES SUCH APPROVAL CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT OF THE FAIRNESS OR MERITS OF THE PLAN OR OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT.

THE DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. EACH HOLDER OF A CLAIM OR EQUITY INTEREST SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY. AFTER CAREFULLY REVIEWING THESE DOCUMENTS, IF YOU ARE A CLAIM HOLDER ENTITLED TO VOTE, PLEASE INDICATE YOUR VOTE WITH RESPECT TO THE PLAN ON THE ENCLOSED BALLOT AND RETURN IT IN THE ENVELOPE PROVIDED.

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<sup>2</sup> Capitalized terms used herein that are not otherwise defined herein shall have the meanings ascribed to them in the Plan.

THE PLAN HAS THE SUPPORT OF THE CREDITORS' COMMITTEE.

A. Disclosure Statement Enclosures

Accompanying this Disclosure Statement are copies of the following materials:

1. the Plan (Exhibit A to the Disclosure Statement);
2. a liquidation analysis (Exhibit B to the Disclosure Statement);
3. a Notice (a) fixing the time for filing of acceptances or rejections of the Plan and objections to Confirmation of the Plan and (b) scheduling a hearing on Confirmation of the Plan (the "Notice"); and
4. for creditors entitled to vote, a ballot for acceptance or rejection of the Plan (the "Ballot").

B. Only Impaired Classes Vote

Pursuant to the provisions of the Bankruptcy Code, only Classes of Claims and Equity Interests that are "impaired" under the Plan may vote to accept or reject the Plan. Generally, a claim or interest is impaired under a plan if the holder's legal, equitable, or contractual rights are changed under such plan. In addition, if the holders of claims or interests in an impaired class do not receive or retain any property under the plan on account of such claims or interests, such impaired class is deemed to have rejected the plan and shall not be afforded an opportunity to vote to accept or reject the plan.

Under the Plan, Claims and Equity Interests in Classes 2, 3, and 4 are impaired. Holders of Equity Interests in Class 4 will receive no distribution, and, accordingly, such Equity Interest holders are deemed to reject the Plan, and their votes are not being solicited. ACCORDINGLY, A BALLOT FOR ACCEPTANCE OR REJECTION OF THE PLAN IS BEING PROVIDED ONLY TO HOLDERS OF CLAIMS IN CLASS 2 AND CLASS 3.

C. Confirmation Hearing

The Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan for \_\_\_\_\_, 2016, at 10:00 a.m. (ET) in the Bankruptcy Court, located at 824 N. Market Street, 5<sup>th</sup> Floor, Courtroom 6, Wilmington, DE 19801 (the "Confirmation Hearing"). The Bankruptcy Court has directed that objections, if any, to Confirmation of the Plan be served and filed on or before \_\_\_\_\_, 2016, at 4:00 p.m. (ET) in the manner described in the Notice. The date of the Confirmation Hearing may be adjourned from time to time without further notice except for an in-court announcement at the Confirmation Hearing.

D. Overview of the Plan

THE FOLLOWING IS A BRIEF SUMMARY OF THE TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN. CREDITORS AND OTHER PARTIES IN INTEREST ARE URGED TO REVIEW THE MORE DETAILED DESCRIPTION OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT AND THE PLAN ITSELF.

The Plan is a plan of liquidation, pursuant to which the net proceeds of the sale or other disposition of the Debtors' assets are being pooled and distributed, first to Holders of Allowed Secured Claims, if any, as their interests may appear, then to the Holders of Allowed Administrative and Priority Claims in accordance with the scheme of priorities set forth in the Bankruptcy Code, and thereafter to Holders of Allowed Unsecured Claims. Holders of Equity Interests are not receiving any distribution under the Plan.

Under the Plan, Administrative Claims and Priority Tax Claims are unclassified and are to be paid in full, or upon such other terms as the Debtors and the affected Claimants may agree. Class 1 Priority Claims are unimpaired and Holders of Allowed Priority Claims are to be paid in full or upon such other terms as the Debtors and the affected Holders may agree. Class 2 Secured Claims, if any, are impaired and at the option of the Debtors, Holders of Allowed Secured Claims will receive (i) the legal, equitable, and contractual rights to which such Claim entitles the Holder thereof shall be left unaltered, (ii) the Allowed Secured Claim shall be left unimpaired in the manner described in Section 1124(2) of the Bankruptcy Code, or (iii) the Holder of such Allowed Claim shall receive or retain the collateral securing such Claim. Class 3 Unsecured Claims are impaired and each Holder of an Allowed Class 3 Claim will receive its Pro Rata distribution of the Liquidating Trust Interests following the payment or reserve for Administrative Claims, Priority Tax Claims, Priority Claims, and Secured Claims. Class 4 Equity Interests are impaired and will not receive a distribution.

Set forth below is a table summarizing the classification and treatment of Claims and Equity Interests under the Plan and the estimated distributions to be received by the Holders of such Claims and Equity Interests thereunder. The actual distributions may differ from those set forth in the table depending on the amount of Claims ultimately allowed in each category or Class and the extent of Liquidating Trust Assets ultimately available for distribution.

DESCRIPTION/CLASS	ESTIMATED ALLOWED AMOUNT	ESTIMATED DISTRIBUTION (%)
Administrative Claims	\$785,907 - \$2,446,132	100%
Priority Tax Claims	\$175,830 - \$431,439	100%
Class 1	\$321,998 - \$443,904	100%
Class 2	Up to \$9,813	100%
Class 3	\$119,011,870 - \$603,367,080	0.8 – 5.9%
Class 4	N/A	0%

## II.

### **BACKGROUND; CHAPTER 11 CASES**

#### A. General Background and History

Debtor Fuhu, Inc. was founded in 2008 by John Hui, Steve Hui, and Robb Fujioka. Prior to the Petition Date, the Debtors were the maker of children's Nabi tablets. Between 2010 and 2013, the Debtors' revenues grew to more than \$195 million. The Debtors have sold more than four million tablets, with more than 1.5 million sold during the 2014 fiscal year. The Debtors' array of Nabi tablets were sold in more than 10,000 retail outlets, including Target, Best Buy, Costco Wholesale, Toys 'R Us, and Walmart stores.

Debtor Fuhu Holdings, Inc. was established in 2012 as a wholly-owned subsidiary of Fuhu, Inc., and the entities shared common management. Fuhu Holdings owned significant intellectual property assets of the Debtors, including trademarks and copyrights. Debtors Nabi, Inc. and Fuhu Direct, Inc. are also wholly-owned subsidiaries of Fuhu, Inc.; however, Nabi, Inc. and Fuhu Direct, Inc. did not hold significant assets.

The Debtors' headquarters and corporate offices were located in El Segundo, California. The Debtors also maintained a back-end software development office in San Jose, California. A non-debtor subsidiary of the Debtors conducted front-end software development in Taiwan with funds supplied by the Debtors. The Debtors employed approximately 115 people as of the Petition Date, and the non-debtor subsidiary in Taiwan employed approximately 110 people. The employees were not represented by a union or other labor organization.

#### B. The Debtors' Secured Credit Facilities

Prior to the Petition Date, Obsidian Agency Services, Inc., as Agent for Tennenbaum Special Situations Fund IX, LLC and Tennenbaum Special Situations IX-O, L.P. (collectively, "Tennenbaum"), held a first-priority security interest in substantially all of the assets of the Debtors other than accounts receivable, as well as a second-priority security interest in the Debtors' accounts receivable, under a Credit Agreement dated May 27, 2015 (as amended, the "TCP Credit Agreement") and a Guaranty and Collateral Agreement of the same date. As of November 25, 2015, Tennenbaum asserted that it was owed approximately \$6.5 million by the Debtors, which included principal of approximately \$5.4 million, accrued interest of approximately \$65,000, a yield-enhancement fee of approximately \$400,000, and an early-termination fee of \$700,000.

Prior to the Petition Date, LSQ Funding Group, L.C. ("LSQ") factored certain of the Debtors' accounts receivable under a Factoring and Security Agreement dated April 21, 2015. Although LSQ factored only a limited subset of the receivables, LSQ held a first-priority security interest in all of the Debtors' receivables. As of the Petition Date, the amount owed to LSQ on account of factored receivables was approximately \$1.3 million.

C. Events Leading to Bankruptcy and the Committee Investigation Regarding Same

In or about 2013, the Debtors agreed to move the engineering, development, and manufacturing of the tablets exclusively to Hon Hai Precision Industry Co., Ltd., (“Hon Hai”) and Fusing International, Inc. (“Fusing”, and together with Hon Hai, “Foxconn”). However, in late 2014, Foxconn failed to deliver tablets in time for the 2014 holiday sales season, resulting in significant losses of sales during the Debtors’ most historically profitable season. This delayed delivery and missed holiday season resulted in significant oversupply of tablets during the first quarter of 2015. The Debtors then returned approximately \$90 million of inventory to Foxconn, and agreed to purchase back the inventory as necessary to meet demand. Foxconn then ceased manufacturing tablets for the Debtors. As a result of these events, the Debtors had significant disputes with Foxconn.

In late September 2015, Foxconn began to aggressively pursue repayment of its outstanding accounts payable. Foxconn refused to supply any further products to the Debtors. Since Foxconn was the Debtors’ sole supplier, this dispute caused the Debtors to fail to fulfill purchase orders from various retailers in advance of the 2015 holiday season. Negotiations between the Debtors and Foxconn ceased with Foxconn releasing only limited product. These actions significantly limited the Debtors’ revenue during this period.

Upon learning of the Debtors’ issues with Foxconn, Tennenbaum issued a Notice of Default and exercised its rights under a Deposit Account Control Agreement, sweeping more than \$4.5 million from the Debtors’ bank accounts and leaving the Debtors with insufficient funds to continue to operate the business. Consequently, the Debtors commenced the Chapter 11 Cases to avail themselves of the provisions of the Bankruptcy Code and preserve the status quo of their business through their cases while seeking to sell substantially all of their assets.

As part of the sale of substantially all of the Debtors’ assets, discussed more fully below, claims and causes of action that the Debtors and the Committee held against Foxconn and certain of its affiliates (the “Foxconn Parties”) were sold to Mattel, Inc. (“Mattel”), as described below. Mattel waived and released any claims against the Foxconn Parties, and the Foxconn Parties waived their claims against the Debtors and their Estates.

The Committee is conducting a forensic investigation regarding the Debtors’ prepetition operations and activities, and the Committee has not yet reached any conclusions regarding the reasons behind the Debtors’ financial difficulties leading up to the filing of the Chapter 11 Cases. It is possible that the Committee will determine that the Debtors’ financial difficulties stemmed from actions or inactions of the Debtors’ directors, the Debtors’ officers or others involved with the Debtors prior to the Petition Date. Should the Committee, or any successor thereto, including the Liquidating Trustee, determine that there are claims or causes of action associated with the Debtors’ prepetition activities, it will take action it deems appropriate, which may include the commencement of a lawsuit. However, the investigation is in the early stages and there can be no guarantee as to the outcome thereof or any lawsuit, if one is commenced. As noted above, certain claims and causes of action, including those against Foxconn, were released in connection with the sale of substantially all of the Debtors’ assets. In connection with that sale, however, claims and causes of action against the Debtors’ current and

former directors and current and former officers, including for breach of fiduciary duty, were preserved.

D. Commencement of Chapter 11 Cases

On December 7, 2015 (the “Petition Date”), Debtors Fuhu, Inc. and Fuhu Holdings, Inc. each filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. On December 11, 2015, Debtors Fuhu Direct, Inc. and Nabi, Inc. also each filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Debtors continued in the management and possession of their businesses and properties as debtors-in-possession, pursuant to Sections 1107 and 1108 of the Bankruptcy Code. No trustee or examiner was appointed.

E. Retention of Key Professionals/Appointment of Committee

a. Retention of Bankruptcy Counsel

By Order of the Bankruptcy Court, the Debtors retained Bryan Cave LLP and Pachulski Stang Ziehl & Jones LLP to serve as bankruptcy counsel in the Chapter 11 Cases.

b. Retention of Financial Advisors, Investment Banker, and Claims Agent

By various Orders of the Bankruptcy Court, (a) FTI Consulting, Inc. was retained by the Debtors as their financial advisor, (b) KRyS Global USA, LLC was retained by the Debtors as their financial advisor and investment banker, and (c) Kurtzman Carson Consultants LLC, was retained by the Debtors as their claims, noticing, and balloting agent.

c. Appointment of Official Committee of Unsecured Creditors and Retention of Advisors

On December 16, 2015, the Office of the United States Trustee appointed the Committee. The initial members of the Committee were Morgan Stanley Expansion Capital LP; D&H Distributing Company; Hon Hai<sup>3</sup>; Trend Power Limited; Scott Miller, for himself and in his capacity as proposed class representative, C.D. Cal. Case # 2:14-cv-06119-CAS-AS; 24-7 Intouch Inc.; and Wistron Corporation. Subsequently, Hon Hai and Trend Power Limited resigned from the Committee.

By Orders of the Bankruptcy Court, Cooley LLP and Ballard Spahr LLP were retained as bankruptcy counsel to the Committee, PricewaterhouseCoopers LLP was retained to provide financial advisory and certain data preservation services to the Committee, and Berkeley Research Group LLC was retained as forensic accountants to the Committee.

F. First-Day Motions and Related Relief

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<sup>3</sup> As noted above, Hon Hai is an affiliate of Foxconn.

On the Petition Date, the Debtors filed certain motions seeking emergency relief to allow their efficient and effective continued operations in the Chapter 11 Cases. On December 9, 2015, the Bankruptcy Court, *inter alia*, entered orders (i) authorizing the joint administration of the Debtors' Chapter 11 Cases for procedural purposes only, (ii) permitting the Debtors to pay certain prepetition wages and benefits to their employees, (iii) permitting the Debtors' continued use of their existing cash-management system, (iv) permitting the Debtors to pay prepetition claims of certain critical vendors, (v) permitting the Debtors to continue to honor certain obligations to customers and to maintain customer programs, including with respect to discounts and returns, (vi) permitting the Debtors to perform obligations necessary to maintain insurance coverage, (vii) establishing procedures for providing adequate assurance of future performance to the Debtors' utility providers.

G. Use of Cash Collateral and DIP Financing

On December 9, 2015 and December 21, 2015, the Bankruptcy Court entered orders authorizing, on an interim basis, the Debtors' use of cash collateral. On January 7, 2016, the Bankruptcy Court entered the *Final Order Authorizing Use of Cash Collateral, Confirming Debtors' Ability to Sell Inventory, and Granting Adequate Protection to Pre-Petition Lenders* (the "Final Cash Collateral Order"). The Bankruptcy Court entered the Final Cash Collateral Order following multiple hearings, including evidentiary hearings, during which Tennenbaum and LSQ challenged the Debtors' ability to use cash collateral.

Faced with significant opposition to the use of cash collateral by Tennenbaum and LSQ, the Committee introduced GWS Fuhu, LLC ("GWS"), an affiliate of Great White Shark Enterprises, as an alternative bidder which also offered to provide financing as a bridge to an eventual sale.

By orders entered on January 7, 2016 and January 21, 2016, the Bankruptcy Court approved a debtor-in-possession financing agreement (the "DIP Financing") with GWS in the amount of \$2,000,000, to provide liquidity to the Debtors on an exigent basis. Those funds were used, among other things, to pay LSQ in full.

In connection with the Final Cash Collateral Order, the Committee reserved its rights to object to and challenge the \$400,000 "Yield Enhancement Fee" and the \$700,000 "Applicable Early Termination Fee" (each as defined in Section 2.05 of the TCP Credit Agreement) and the professional fees, costs, charges and other reimbursable expenses claimed by Tennenbaum that had accrued after the Petition Date (together with all interest and any other charges accrued and accruing thereof, collectively, the "Specified TCP Fees"), to the extent not otherwise allowed in Section 14 of the Final Cash Collateral Order, which permitted the payment of \$150,000 of professional fees incurred by Tennenbaum that accrued on and after January 1, 2016 through the consummation of the sale of substantially all of the Debtors' assets. In connection therewith, the Final Cash Collateral Order required the Debtors to segregate \$2,200,000 as adequate protection of Tennenbaum's interest securing the Specified TCP Fees, after paying the allowed secured claims of LSQ and Tennenbaum in full in cash.



Following arms-length negotiations among the Debtors, the Committee and Tennenbaum, the Bankruptcy Court approved a stipulation providing for the release of certain cash collateral that was segregated under the Final Cash Collateral Order. Specifically, the Bankruptcy Court entered the *Second Agreed Order Amending Final Order Authorizing Use of Cash Collateral, Confirming Debtors' Ability to Sell Inventory, and Granting Adequate Protection to Pre-Petition Lenders* which provided, among other things, \$1,630,190.95 of the amount segregated under the Final Cash Collateral Order would be transferred to Tennenbaum, with the balance remaining in the Debtors' estates.

#### H. Schedules of Assets and Liabilities and Statements of Financial Affairs

On January 9, 2016, the Debtors filed their Schedules of Assets and Liabilities and Statements of Financial Affairs with the Bankruptcy Court, which set forth, *inter alia*, scheduled prepetition claims against the Debtors based on their books and records.

#### I. Liquidation Process and Asset Sale

Both before and after the Petition Date, the Debtors engaged in an intensive effort to identify and attract entities interested in purchasing the Debtors' business or their assets. As of the Petition Date, the Debtors had entered into an agreement with Mattel for Mattel's purchase of substantially all of the Debtors' assets in exchange for \$9.5 million, subject to certain adjustments for the assumption of liabilities. Mattel also made a loan in the amount of \$300,000 to the Debtors on or about December 4, 2015, in order to allow the Debtors to complete their preparation for the commencement of the Chapter 11 Cases, including documentation of the proposed sale.

On December 7, 2015, the Debtors filed the *Motion of Debtors for Order (A) Approving Bidding Procedures for the Sale of Substantially All of the Debtors' Operating Assets, (B) Scheduling an Auction and Sale Hearing, (C) Approving Bid Protections, and (D) Approving Procedures for the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases* (the "Bidding Procedures Motion"). In the Bidding Procedures Motion, the Debtors sought authority to conduct one or more auctions (the "Auction") of the Debtors' business operations and related properties and assets, including the Debtors' intellectual property.

On January 7, 2016, the Bankruptcy Court entered the *Order (A) Approving Bidding Procedures for the Sale of Substantially All of the Debtors' Operating Assets, (B) Scheduling an Auction and Sale Hearing, and (C) Approving Procedures for the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases* (the "Bidding Procedures Order"). The Bidding Procedures Order fixed certain deadlines, including a bid deadline of January 15, 2016, at 4:00 p.m. (EST), an auction date of January 19, 2016, at 9:00 a.m. (EST), and a sale hearing date of January 20, 2016 at 11:00 a.m. (EST). Under the Bidding Procedures Order, GWS replaced Mattel as the stalking horse, with a proposed purchase price of \$10 million, subject to certain adjustments.

The Debtors received a competing bid from Mattel and proceeded to conduct the Auction in several rounds of bidding from Mattel and GWS, lasting well over 12 hours. At the conclusion of the auction, the Debtors, in consultation with Tennenbaum and the Committee,

determined that Mattel had made the higher and/or otherwise better bid for the Debtors' assets in the amount of \$21.5 million, subject to certain adjustments.

At the sale hearing on January 20, 2016, the Debtors sought approval of the sale of substantially all of their assets to Mattel (the "Sale"). The Bankruptcy Court approved the Sale and, on January 22, 2016, entered the *Order (A) Authorizing and Approving (1) the Sale of Substantially All of the Debtors' Assets Free and Clear of All Liens, Claims, Encumbrances and Other Interests and (2) the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection Therewith; and (B) Granting Related Relief* (the "Sale Order"). The Sale closed on January 29, 2016.

As a result of the Sale, the Debtors had available funds to pay off their prepetition secured lenders, as well as the DIP Financing.

J. Preservation of Certain Claims and Causes of Action

Under Sections 547, 548, and 550 of the Bankruptcy Code, a debtor may seek to avoid and recover certain pre-petition payments made by the debtor to or for the benefit of a creditor, in the ninety days prior to the petition date, in respect of an antecedent debt if such transfer was made when the debtor was insolvent; transfers made to a creditor that was an "insider" of the debtor are subject to these provisions if the payment was made within one year of the debtor's filing of a petition under Chapter 11 (collectively, the "Avoidance Actions").

Pursuant to the Sale Order, the Debtors' right to pursue certain Avoidance Actions was included in the Sale of substantially all of their assets to Mattel. The Avoidance Actions that were sold were (i) preference actions pursuant to Section 547 of the Bankruptcy Code against non-insider customers, suppliers, vendors, employees, and contract counterparties related to or involved with the operation of the Debtors' business, (ii) non-insider fraudulent conveyance actions pursuant to Section 548 of the Bankruptcy Code, the Uniform Fraudulent Conveyance Act, or similar laws, against customers, suppliers, vendors, employees, and contract counterparties related to or involved with the operation of the Debtors' business, for transfers in an amount of less than \$500,000; and (iii) except for causes of action for breach of fiduciary duty to any Selling Entity, which are excluded assets pursuant to Section 2.2(m) of the Sale Agreement, causes of action and Avoidance Actions against (a) Jim Mitchell, (b) Robb Fujioka, (c) Doug Woo, (d) Ming Cheung, and (e) Lisa Lee. All other Avoidance Actions remain property of the Debtors and will be transferred to the Liquidating Trust under the Plan.

As noted above, as part of the Sale, certain claims and causes of action were preserved for the benefit of the Estates.

K. Claims Bar Date

On April 25, 2016, the Bankruptcy Court entered an order fixing (i) June 28, 2016, as the last day by which creditors were permitted to file proofs of claim with respect to claims against the Debtors arising prior to the Petition Date, including claims arising under section 503(b)(9) of the Bankruptcy Code, and (ii) June 28, 2016, as the last date by which

governmental units were permitted to file proofs of claim with respect to claims against the Debtors arising prior to the Petition Date.

### III.

#### SUMMARY OF THE PLAN

##### A. General

The Plan is a plan of liquidation that contemplates the distribution of the remaining net proceeds realized from the earlier sale of the assets of the Debtors. As a result of the Debtors' asset disposition efforts, the Debtors presently have approximately \$9,002,594 in cash and, after other collections and satisfaction of claims of higher priority, expect to have between \$4,931,306 - \$6,978,859 available for distribution to Class 3 Unsecured Claims under the Plan. Additional funds may become available if Causes of Action produce proceeds in excess of the fees of Professionals.

Under the Plan, available proceeds will be distributed first to satisfy the Allowed Administrative Claims, Priority Tax Claims, Class 1 Priority Claims, and Class 2 Secured Claims in accordance with the scheme of priorities under the Bankruptcy Code. After payment in full of such Claims, the net cash available shall be paid Pro Rata to satisfy the Class 3 Unsecured Claims. Class 4 Equity Interests shall receive no distribution under the Plan. For ease of reference, the Debtors have appended a liquidation analysis to this Disclosure Statement as Exhibit B which shows the amounts expected to be available for distribution as well as the amounts projected to be distributed to each class of Creditors under the Plan.

##### B. Classification and Treatment of Claims and Equity Interests

###### 1. Unclassified Claims.

Certain types of Claims are not placed into voting Classes; instead they are unclassified. They are not considered Impaired and they do not vote on the Plan because they are automatically entitled to the specific treatment provided for them in the Bankruptcy Code. As such, the Debtors have not placed the following Claims in a Class:

Administrative Claims. Except to the extent that a Holder of an Allowed Administrative Claim agrees to a less favorable treatment, each Holder of an Allowed Administrative Claim, other than a Professional Fee Claim, shall receive, without interest, Cash equal to the Allowed amount of such Claim: (a) on or as soon as practicable after the later of (i) the Effective Date, or (ii) the date upon which the Bankruptcy Court enters a Final Order determining or approving such Claim; (b) in accordance with the terms and conditions of agreements between the Holder of such Claim and the Debtors or the Liquidating Trustee, as the case may be; (c) with respect to any Administrative Claims representing obligations incurred in the ordinary course of the Debtors' business, upon such regular and customary payment or performance terms as may exist in the ordinary course of the Debtors' business or as otherwise provided in the Plan; or (d) with

respect to statutory fees due pursuant to 28 U.S.C. § 1930(a)(6), such fees will be paid as and when due under applicable law.

Holders of Administrative Claims (including, without limitation, Professionals requesting compensation or reimbursement of such expenses pursuant to Sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code) that do not file such requests by the applicable deadline provided for herein may be subject to objection for untimeliness and may be prohibited by order of the Bankruptcy Court from asserting such claims against the Debtors, their Estates, the Liquidating Trust, or their successors or assigns, or their property. Any objection to Professional Fee Claims shall be filed on or before the objection deadline specified in the application for final compensation or order of the Bankruptcy Court.

Notwithstanding any provision in the Plan regarding payment of Administrative Claims to the contrary, and without waiver of any argument available that such Claim is already time-barred by prior orders of the Bankruptcy Court, all Administrative Claims that are required to be filed and not filed by the Administrative Claim Bar Date shall be deemed disallowed and discharged. The Administrative Claims Bar Date for all Administrative Claims (other than Professional Fee Claims) shall be sixty (60) days after the occurrence of the Effective Date. Without limiting the foregoing, all fees due and payable under 28 U.S.C. § 1930 that have not been paid shall be paid on or before the Effective Date.

Professional Fee Claims. Professionals requesting compensation or reimbursement of expenses pursuant to Sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code or required to file fee applications by order of the Bankruptcy Court for services rendered prior to the Effective Date must file and serve pursuant to the notice provisions of the Interim Fee Order, an application for final allowance of compensation and reimbursement of expenses no later than forty-five (45) days after the Effective Date. All such applications for final allowance of compensation and reimbursement of expenses will be subject to the authorization and approval of the Bankruptcy Court. For avoidance of doubt, the Liquidating Trustee is not authorized under the Plan to object to applications for final allowance of compensation and reimbursement of expenses.

Priority Tax Claims. Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Priority Tax Claim, the Liquidating Trust shall pay each holder of an Allowed Priority Tax Claim the full unpaid amount of such Allowed Priority Tax Claim under one of the following options (at the Liquidating Trust's sole and exclusive election): (i) payment on the Effective Date, (ii) payment on the date such Allowed Priority Tax Claim becomes an Allowed Claim, (iii) payment on the date such Allowed Priority Tax Claim is payable under applicable non-bankruptcy law, or (iv) payment within the time specified under Bankruptcy Code Section 1129(a)(9).

The Debtors estimate that the total amount of unpaid Allowed Administrative Claims as of the Effective Date will be approximately \$785,907 - \$2,446,132, excluding the fees and expenses of Professionals, which the Debtors estimate total approximately \$5.5 million through Confirmation and which have been satisfied in part through interim fee applications.

Priority Tax Claims consist of any Claims for taxes, interest and penalties against the Debtors entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code. The Debtors estimate that the total amount of Allowed Priority Tax Claims will be approximately \$175,830 - \$431,439.

2. Classification and Treatment of Claims and Equity Interests.

The Plan classifies and treats other Claims and Equity Interests as follows:

Class 1 Claims - Priority Claims. Class 1 is not an Impaired Class and Holders of Priority Claims are not entitled to vote on the Plan. The Liquidating Trustee shall pay the Allowed amount of each Priority Claim to each Entity holding a Priority Claim as soon as practicable following the later of: (a) the Effective Date and (b) the date such Priority Claim becomes an Allowed Claim (or as otherwise permitted by law). The Liquidating Trustee shall pay each Entity holding a Priority Claim in Cash in full in respect of such Allowed Claim without interest from the Petition Date; *provided, however*, that such Entity may be treated on such less favorable terms as may be agreed to in writing by such Entity. The Debtors anticipate that only approximately \$321,998 - \$443,904 of Priority Claims will be Allowed Claims. The Holders of Claims in this Class are not entitled to vote on the Plan.

Class 2 Claims - Secured Claims. Class 2 is an Impaired Class and Holders of Secured Claims are entitled to vote on the Plan. Except to the extent previously paid in full, to the extent any Secured Claims exist, at the option of the Debtors or the Liquidating Trustee, as applicable, one of the following treatments shall be provided: (i) the Holder of such Claim shall retain its Lien on its collateral until such collateral is sold, and the proceeds of such sale, less costs and expenses of disposing of such collateral, shall be paid to such Holder in full satisfaction, release, and discharge of such Allowed Secured Claim; (ii) on or as soon as practicable after the later of (a) the Effective Date, or (b) the date upon which the Bankruptcy Court enters a Final Order determining or allowing such Claim, or as otherwise agreed between the Holder of such Claim and the Debtors or the Liquidating Trustee, as applicable, the Holder of such Secured Claim will receive a Cash payment equal to the amount of its Allowed Secured Claim in full satisfaction, release, and discharge of such Secured Claim; or (iii) the collateral securing the Creditor's Secured Claim shall be abandoned to such Creditor, in full satisfaction, release, and discharge of such Secured Claim.

Class 3 Claims - Unsecured Claims. Class 3 is an Impaired Class and Holders of Claims are entitled to vote to accept or reject the Plan. Each Holder of an Allowed Unsecured Claim in Class 3 shall receive a Pro Rata share of the Liquidating Trust Interests following the payment or reserve for Administrative Claims, Priority Tax Claims, Priority Claims, and Secured Claims. Unsecured Claims are subject to all statutory, equitable, and contractual subordination claims, rights, and grounds available to the Debtors, the Estates, and pursuant to this Plan, the Liquidating Trustee, which subordination claims, rights, and grounds are fully enforceable prior to, on, and after the Effective Date.

Approximately \$2,013,572,980 of Unsecured Claims have been filed against the Debtors' estates, and the sum of approximately \$171,196,829 was scheduled by the Debtors. The Debtors estimate that approximately \$119,011,870 - \$603,367,080 in unsecured claims will ultimately be Allowed Class 3 Claims. The Debtors anticipate that Allowed Class 3 Claims will receive a distribution of 0.8% - 5.9% on account of their Allowed Claims, based solely upon the amount of Cash available for payment to Holders of Unsecured Claims, and without accounting for any recovery from Causes of Action.

Class 4 – Equity Interests. Holders of Equity Interests will receive no distribution under the Plan and therefore are deemed to have rejected the Plan. Accordingly, Holders of Equity Interests are not entitled to vote. There shall be no Distribution on account of Class 4 Equity Interests. Upon the Effective Date, the Equity Interests will be deemed cancelled and will cease to exist.

C. Means for Implementation of the Plan; Distributions

Appointment of the Liquidating Trustee

The Committee will appoint the Liquidating Trustee prior to the filing of the Plan Supplement and the identity of the Liquidating Trustee will be disclosed in the Plan Supplement, as described in Article V of the Plan. The Liquidating Trustee shall serve at the direction of the Liquidating Trust Advisory Committee and in accordance with the Liquidating Trust Agreement and the Plan. The Liquidating Trust Advisory Committee may replace the Liquidating Trustee in accordance with the provisions of the Liquidating Trust Agreement.

The Liquidating Trust

The Liquidating Trust shall administer the Liquidating Trust Assets, prosecute and resolve all Disputed Claims, investigate and pursue Causes of Action, and make Distributions to the Beneficiaries of the Liquidating Trust. The Distributions will be made as provided in Article V of the Plan. The Liquidating Trustee shall have the powers and rights described in Article V of the Plan and the Liquidating Trust Agreement.

D. Unexpired Leases and Executory Contracts

Except as otherwise provided in the Plan, any and all pre-petition leases or executory contracts not previously rejected by the Debtors, unless specifically assumed pursuant to order(s) of the Bankruptcy Court prior to the Confirmation Date or the subject of a motion to assume or assume and assign pending on the Confirmation Date, shall be deemed rejected by the Debtors on the Confirmation Date.

Proofs of claim for rejection damages for any lease or executory contract rejected pursuant to the Plan shall, unless another order of the Bankruptcy Court provides for an earlier date, be filed with the Bankruptcy Court and served in accordance with procedures set forth in the Confirmation Order within thirty (30) days after the mailing of notice of the entry of the Confirmation Order.

E. Retention of Jurisdiction

Following the Confirmation Date and until such time as all payments and distributions required to be made and all other obligations required to be performed under the Plan have been made and performed by the Plan Administrator, the Bankruptcy Court shall retain jurisdiction as is legally permissible, including, without limitation, for the purposes described in Article IX of the Plan.

F. Conditions to Effectiveness

The conditions to the confirmation and effectiveness of the Plan are set forth in Article VII of the Plan. In the event that the conditions specified in Section VII.A of the Plan have not occurred or been waived, the Debtors may withdraw the Plan and the Plan will be of no force or effect.

G. Substantive Consolidation The Plan serves as a motion seeking entry of an order substantively consolidating the Chapter 11 Cases for distribution and voting purposes. Unless an objection to substantive consolidation is made in writing by any Creditor affected by the Plan on or before the Plan Objection Deadline, an order substantively consolidating these Chapter 11 Cases for distribution and voting purposes may be entered by the Bankruptcy Court, which order may be the Confirmation Order. In the event any such objections are timely filed, a hearing with respect thereto shall be scheduled by the Bankruptcy Court, which hearing may, but need not, coincide with the Confirmation Hearing. In effectuation of such substantive consolidation, on the Effective Date: (a) no Distributions will be made under the Plan on account of the Intercompany Claims, if any; (b) the guarantees of the Debtors will be deemed eliminated so that any Claim against the Debtors and any guarantee thereof executed by any Debtor and any joint and several liability of the Debtors with one another will be deemed to be one obligation of these Debtors; (c) each and every Claim against the Debtors will be deemed asserted as a single Claim against the Debtors as a whole, and will be treated in the same Class regardless of the Debtor; and (d) all distributions on account of Allowed Claims will be made from Arctic Sentinel, Inc. [f/k/a Fuhu, Inc.]. Additionally, notwithstanding the substantive consolidation herein, substantive consolidation shall not affect the obligation of each and every one of the Debtors under 28 U.S.C. § 1930(a)(6) until a particular case is closed, converted, or dismissed.

H. Modification or Revocation of the Plan

The Debtors reserve the right, in accordance with the Bankruptcy Code, to amend or modify the Plan at or any time prior to the Confirmation Date, as provided in Section 1127 of the Bankruptcy Code or as provided in Bankruptcy Rule 3019. If the Plan, as altered, amended or modified, is not consummated on or before the Effective Date or such other date as the Bankruptcy Court fixes, all holders of Claims and Equity Interests shall be returned to the status quo ante, as if the Plan had not been filed, and the Confirmation Order shall be deemed vacated ab initio.

The Liquidating Trustee and the Debtors may, with the approval of the Bankruptcy Court and without notice to all holders of Claims and Equity Interests, insofar as it does not materially and adversely affect the interest of holders of Claims, correct any defect, omission or inconsistency in the Plan in such manner and to such extent as may be necessary to expedite consummation of the Plan.

I. Miscellaneous

Committee. On the Effective Date, the Committee will dissolve, and the members of the Committee and the Committee's Professionals will cease to have any role arising from or relating to the Chapter 11 Cases, except in connection with final fee applications of Professionals for services rendered prior to the Effective Date (including the right to object thereto). The Professionals retained by the Committee and the members thereof will not be entitled to assert any fee claims for any services rendered to the Committee or expenses incurred in the service of the Committee after the Effective Date, except for reasonable fees for services rendered, and actual and necessary costs incurred, in connection with any applications for allowance of Professional Fees pending on the Effective Date or filed and served after the Effective Date pursuant to Section II(C) of the Plan. Nothing herein shall prohibit or limit the ability of Committee Professionals (or Debtors' Professionals) to represent the Liquidating Trustee or to be compensated or reimbursed per the Plan and the Liquidating Trust Agreement in connection with such representation.

**Limitation of Liability. The Debtors, the Committee and each of their respective officers, directors, shareholders, members, managers, employees, agents, advisors, accountants, attorneys, and representatives and their respective property (collectively, the "Exculpated Parties"), will neither have nor incur any liability to any entity for any action in good faith taken or omitted to be taken after the Petition Date in connection with or related to the Chapter 11 Cases or the formulation, preparation, dissemination, implementation, Confirmation, or Consummation of the Plan, the Disclosure Statement, or any agreement created or entered into in connection with the Plan; *provided, however*, that this limitation will not affect or modify the obligations created under this Plan, or the rights of any Holder of an Allowed Claim to enforce its rights under the Plan, and shall not release any action (or inaction) constituting willful misconduct, fraud, or gross negligence (in each case subject to determination of such by final order of a court of competent jurisdiction); *provided* that any Exculpated Party shall be entitled to reasonably rely upon the advice of counsel with respect to its duties and responsibilities (if any) under this Plan, and such reasonable reliance shall form an absolute defense to any such claim, cause of action, or liability. Without limiting the generality of the foregoing, each Exculpated Party shall be entitled to and granted the protections of Section 1125(e) of the Bankruptcy Code. Except as specifically set forth in Section 8(E)(1)(a) below, no provision of this Plan or the Disclosure Statement shall be deemed to act to or release any claims, Causes of Action, Litigation claims or rights, or liabilities that the Liquidating Trust or the Estates may have against any Entity or person for any act, omission, or failure to act that occurred prior to the Petition Date, nor shall any provision of this Plan be deemed to act to release any Causes of Action, Litigation, or Litigation claims.**



**Releases. Each Person or Entity participating in Distributions under the Plan or pursuant to the Plan, for itself and its respective successors, assigns, transferees, current and former officers, directors, agents, financial advisors, attorneys, employees, partners, affiliates, and representatives, in each case in their capacity as such, who affirmatively votes to accept the Plan and who does not elect to “opt-out” by marking the appropriate box on their respective ballot, shall, by virtue of Sections 1126(c) and 1141(a) of the Bankruptcy Code, be deemed to have released any and all Claims and Causes of Action against the Released Parties and their respective property; provided, however, that for the avoidance of doubt, any Claims or Causes of Action against the officers and directors of the Debtors related to the period prior to the Petition Date shall not be released and are fully preserved, unless otherwise released as part of the Sale Agreement.**

**Injunction. In implementation of the Plan, except as otherwise expressly provided in the Confirmation Order or the Plan, and except in connection with the enforcement of the terms of the Plan or any documents provided for or contemplated in the Plan, all entities who have held, hold or may hold Claims against or Equity Interests in the Debtors, the Liquidating Trust, or the Estates that arose prior to the Effective Date are permanently enjoined from: (a) commencing or continuing in any manner, directly or indirectly, any action or other proceeding of any kind against the Debtors, the Estates, the Liquidating Trust, or any property of the Liquidating Trust, the Debtors, or the Estates with respect to any such Claim or Equity Interest; (b) the enforcement, attachment, collection, or recovery by any manner or means, directly or indirectly, of any judgment, award, decree, or order against the Debtors, the Estates, the Liquidating Trust, or any property of the Liquidating Trust, the Debtors, or the Estate with respect to any such Claim or Equity Interest; (c) creating, perfecting, or enforcing, directly or indirectly, any Lien or encumbrance of any kind against the Debtors, the Estates, or the Liquidating Trust, or any property of the Liquidating Trust, the Debtors, or the Estates with respect to any such Claim or Equity Interest; and (d) any act, in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan with respect to such Claim or Equity Interest. Nothing contained in this Section shall prohibit the Holder of a timely-filed Proof of Claim from litigating its right to seek to have such Claim declared an Allowed Claim and paid in accordance with the distribution provisions of the Plan, or enjoin or prohibit the interpretation or enforcement by the Claimant of any of the obligations of the Debtors or the Liquidating Trust under the Plan.**

#### **IV.**

#### **VOTING REQUIREMENTS; ACCEPTANCE AND CONFIRMATION OF THE PLAN**

The Bankruptcy Code requires that, in order to confirm the Plan, the Bankruptcy Court must make a series of findings concerning the Plan and the Debtors, including that (i) the Plan has classified Claims and Equity Interests in a permissible manner, (ii) the Plan complies with applicable provisions of the Bankruptcy Code, (iii) the Debtors have complied with applicable provisions of the Bankruptcy Code, (iv) the Debtors have proposed the Plan in good faith and not by any means forbidden by law, (v) the disclosure required by Section 1125 of the

Bankruptcy Code has been made, (vi) the Plan has been accepted by the requisite votes of creditors (except to the extent that cramdown is available under Section 1129(b) of the Bankruptcy Code), (vii) the Plan is feasible and confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors, (viii) the Plan is in the “best interests” of all holders of Claims or Equity Interests in an impaired Class by providing to such holders on account of their Claims or Equity Interests property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain in a chapter 7 liquidation, unless the Holder has accepted the Plan, and (ix) all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on Confirmation, have been paid or the Plan provides for the payment of such fees on the Effective Date.

A. Parties in Interest Entitled to Vote

Pursuant to the Bankruptcy Code, only classes of claims and interests that are “impaired” (as defined in Section 1124 of the Bankruptcy Code) under the plan are entitled to vote to accept or reject the Plan. A class is impaired if the legal, equitable, or contractual rights to which the claims or equity interests of that class entitled the holders of such claims or equity interests are modified, other than by curing defaults and reinstating the debt. Classes of claims and interests that are not impaired are not entitled to vote on the plan and are conclusively presumed to have accepted the plan. In addition, classes of claims and interests that receive no distributions under the plan are not entitled to vote on the plan and are deemed to have rejected the plan.

B. Classes Impaired Under the Plan

The following Classes of Claims and Equity Interests are impaired under the Plan:

- Class 2: Secured Claims
- Class 3: Unsecured Claims
- Class 4: Equity Interests

Acceptances of the Plan are being solicited only from those Holders of Claims in Impaired Classes that will or may receive a distribution under the Plan. Accordingly, the Debtors are soliciting acceptances from members of Class 2 and Class 3. Class 4 (Equity Interests) is receiving no distribution under the Plan and are therefore deemed to reject the Plan.

C. Voting Procedures and Requirements

In voting for or against the Plan, please use only the Ballot or Ballots sent to you with this Disclosure Statement. In addition, you may vote to opt out of the releases provided under the Plan to the Released Parties.

If you are a member of Class 2 or Class 3 and did not receive a Ballot, if your Ballot is damaged or lost, or if you have any questions concerning voting procedures, please call Debtor's voting agent, Kurtzman Carson Consultants, LLC, at (888) 733-1431. PLEASE FOLLOW THE DIRECTIONS CONTAINED ON THE ENCLOSED BALLOT CAREFULLY.

YOU SHOULD COMPLETE AND SIGN YOUR BALLOT AND RETURN IT IN THE ENCLOSED ENVELOPE TO:

**Fuhu, Inc. Processing Center**  
**c/o KCC**  
**2335 Alaska Avenue**  
**El Segundo, CA 90245**

VOTES CANNOT BE TRANSMITTED ORALLY. FACSIMILE BALLOTS WILL NOT BE ACCEPTED. TO BE COUNTED, ORIGINAL SIGNED BALLOTS MUST BE RECEIVED ON OR BEFORE \_\_\_\_\_, 2016, AT 4:00 P.M., PREVAILING PACIFIC TIME. IT IS OF THE UTMOST IMPORTANCE TO THE DEBTORS AND THE COMMITTEE THAT YOU VOTE PROMPTLY TO ACCEPT THE PLAN.

D. Confirmation Without Acceptance of All Impaired Classes

The Bankruptcy Code contains provisions for confirmation of a plan even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. These so-called "cramdown" provisions are set forth in Section 1129(b) of the Bankruptcy Code.

A plan may be confirmed under the cramdown provisions if, in addition to satisfying all other requirements of Section 1129(a) of the Bankruptcy Code, it (a) "does not discriminate unfairly" and (b) is "fair and equitable," with respect to each class of claims or interests that is impaired under, and has not accepted, the plan. As used by the Bankruptcy Code, the phrases "discriminate unfairly" and "fair and equitable" have specific meanings unique to bankruptcy law.

AS CLASS 4 EQUITY INTERESTS ARE DEEMED TO REJECT THE PLAN, THE DEBTORS INTEND TO SEEK CONFIRMATION OF THE PLAN UNDER THE CRAMDOWN PROVISIONS OF SECTION 1129(b) OF THE BANKRUPTCY CODE WITH RESPECT TO SUCH CLASS.

E. Best Interests Test

In order to confirm the Plan, the Bankruptcy Court must independently determine that the Plan is in the best interests of each Holder of a Claim or Equity Interest in any such impaired Class who has not voted to accept the Plan. Accordingly, if an Impaired Class does not unanimously accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides to each member of such impaired Class a recovery on account of the Class member's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such member would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code on such date.

F. Liquidation Analysis

In this case, the Debtors have sold substantially all of their assets, resulting in approximately \$9,002,594 in net liquidation proceeds presently available for distribution to creditors holding Allowed Administrative, Priority, Secured, and Unsecured Claims against the Debtors' Estates. Based upon the Debtors' current projections, Holders of Allowed Administrative, Priority and Secured Claims will be paid in full under the Plan, while Holders of Allowed Unsecured Claims will receive a projected distribution of 0.8% - 5.9%.

If the Chapter 11 Cases were converted to Chapter 7 cases, the Debtors' estates would incur the costs of payment of a statutorily allowed commission to the Chapter 7 trustee, as well as the costs of counsel and other professionals retained by the trustee. The Debtors believe that such amounts would exceed the amount of expenses that will be incurred in implementing the Plan and winding up the affairs of the Debtors. Additionally, the Debtors' estates would suffer substantial additional delays, as a Chapter 7 trustee and his/her counsel took time to develop a necessary learning curve in order to complete the administration of the estates. The Debtors' estates would also be obligated to pay all unpaid expenses incurred by the Debtors during the Chapter 11 Cases (such as compensation for professionals) which will constitute Allowed Claims in any Chapter 7 cases.

Based upon these reasons, the Debtors believe that creditors will receive at least as much under the Plan and likely more, than they would receive if the Chapter 11 Cases were converted to Chapter 7 cases.

G. Feasibility

Under Section 1129(a)(11) of the Bankruptcy Code, the Debtors must show that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors (unless such liquidation or reorganization is proposed in the Plan). The Plan clearly complies with this requirement because all of the Debtors' remaining assets will be distributed to creditors pursuant to the terms of the. Furthermore, feasibility under Section 1129(a)(11) is supported by the liquidation analysis attached as Exhibit B and by the analysis in Article IV, Section F, of this Disclosure Statement, above.

H. Compliance with the Applicable Provisions of the Bankruptcy Code

Section 1129(a)(1) of the Bankruptcy Code requires that the Plan comply with the applicable provisions of the Bankruptcy Code. The Debtors have considered each of these issues in the development of the Plan and believes that the Plan complies with all applicable provisions of the Bankruptcy Code.

V.

**ALTERNATIVES TO CONFIRMATION  
AND CONSUMMATION OF THE PLAN**

The Debtors believe the Plan affords Holders of Claims the potential for the maximum distribution on account of their claims and, therefore, is in the best interests of such Holders. If the Plan is not confirmed, the only viable alternatives are dismissal of the Chapter 11 Cases or conversion to Chapter 7 of the Bankruptcy Code. For the reasons described herein, neither of these alternatives is preferable to confirmation and consummation of the Plan.

If the Chapter 11 Cases were dismissed, creditors would revert to a “race to the courthouse,” the result being that creditors would not receive a fair and equitable distribution of the Debtors’ remaining assets. As set forth above, the Debtors believe the Plan provides a greater recovery to creditors than would be achieved in Chapter 7 cases. Therefore, a Chapter 7 case is not an attractive or superior alternative to the Plan. Thus, the Plan represents the best available alternative for maximizing returns to creditors.

VI.

**RISK FACTORS**

A. Allowed Claims May Exceed Estimates

The projected distributions set forth in this Disclosure Statement are based upon the Debtors’ good-faith estimate of the amount of expenses that will be incurred and total amount of Claims in each Class that will ultimately be Allowed. The actual amount of such expenses could be greater than expected for a variety of reasons, including greater than anticipated administrative and litigation costs associated with resolving Disputed Claims. Additionally, the actual amount of Allowed Claims in any class could be greater than anticipated, which would impact the distributions to be made to Holders of Claims.

B. Plan May Not Be Accepted or Confirmed

While the Debtors believe the Plan is confirmable under the standards set forth in Section 1129 of the Bankruptcy Code, there can be no guarantee that the Bankruptcy Court will agree.

## VII.

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

The following discussion addresses certain United States federal income tax consequences of the consummation of the Plan. This discussion is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), existing and proposed regulations thereunder, current administrative rulings, and judicial decisions as in effect on the date hereof, all of which are subject to change, possibly retroactively. No rulings or determinations by the Internal Revenue Service have been obtained or sought by the Debtors with respect to the Plan. An opinion of counsel has not been obtained with respect to the tax aspects of the Plan. This discussion does not purport to address the federal income tax consequences of the Plan to particular classes of taxpayers (such as foreign persons, S corporations, mutual funds, small business investment companies, regulated investment companies, broker-dealers, insurance companies, tax-exempt organizations and financial institutions) or the state, local, or foreign income and other tax consequences of the Plan. **NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE PLAN TO ANY HOLDER OF A CLAIM OR EQUITY INTEREST. EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS STRONGLY URGED TO CONSULT A TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.**

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

A Holder of an Allowed Claim or Equity Interest will generally recognize ordinary income to the extent that the amount of Cash or property received (or to be received) under the Plan is attributable to interest that accrued on a Claim but was not previously paid by the Debtors or included in income by the Holder of the Allowed Claim or Equity Interest. A Holder of an Allowed Claim or Equity Interest will generally recognize gain or loss equal to the difference between the Holder's adjusted basis in its Claim and the amount realized by the Holder upon consummation of the Plan that is not attributable to accrued but unpaid interest. The amount realized will equal the sum of Cash and the fair market value of other consideration received (or to be received).

The character of any gain or loss that is recognized will depend upon a number of factors, including the status of the Creditor, the nature of the Claim or Equity Interest in its hands, whether the Claim was purchased at a discount, whether and to what extent the Creditor has previously claimed a bad debt deduction with respect to the Claim, and the Creditor's holding period of the Claim or Equity Interest. If the Claim or Interest in the Creditor's hands is a capital asset, the gain or loss realized will generally be characterized as a capital gain or loss. Such gain or loss will constitute long-term capital gain or loss if the Creditor is a non-corporate taxpayer and held such Claim or Equity Interest for longer than one year or short-term capital gain or loss if the Creditor held such Claim or Interest for less than one year.

A holder of an Allowed Claim or Equity Interest who receives, in respect of its Claim, an amount that is less than its tax basis in such Claim or Equity Interest may be entitled to a bad debt deduction if either: (i) the holder is a corporation; or (ii) the Claim or Equity Interest constituted (a) a debt created or acquired (as the case may be) in connection with a trade or business of the holder or (b) a debt the loss from the worthlessness of which is incurred in the holder's trade or business. A holder that has previously recognized a loss or deduction in respect of its Claim or Equity Interest may be required to include in its gross income (as ordinary income) any amounts received under the Plan to the extent such amounts exceed the holder's adjusted basis in such Claim or Equity Interest.

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

Holders of a Claim constituting any installment obligation for tax purposes may be required to currently recognize any gain remaining with respect to such obligation if, pursuant to the Plan, the obligation is considered to be satisfied at other than its face value, distributed, transmitted, sold or otherwise disposed of within the meaning of section 453B of the Tax Code.

The Holders of Class 3 Unsecured Claims are expected to receive only a partial distribution of their Allowed Claims and Class 4 Equity Interests will not receive any distributions under the Plan on account of their Equity Interests. Whether the Holder of such Claims or Equity Interests will recognize a loss, a deduction for worthless securities or any other tax treatment will depend upon facts and circumstances that are specific to the nature of the holder and its Claims or Equity Interests. Accordingly, the holders of Class 3 Claims and Class 4 Equity Interests should consult their own tax advisors.

#### B. Federal Income Tax Consequences to the Debtors

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

Section 108 of the Tax Code requires the amount of COD income so excluded from gross income to be applied to reduce certain tax attributes of the taxpayer. The tax attributes that may be subject to reduction include the taxpayer's net operating losses and net operating loss carryovers (collectively, "NOLs"), certain tax credits and most tax credit carryovers, capital losses and capital loss carryovers, tax bases in assets, and foreign tax credit carryovers. Attribute reduction is calculated only after the tax for the year of the discharge has been

determined. Section 108 of the Tax Code further provides that a taxpayer does not realize COD income from cancellation of indebtedness to the extent that payment of such indebtedness would have given rise to a deduction.

Under the Plan, Holders of certain Claims are expected to receive less than full payment on their Claims. The Debtors' liability to the Holders of Claims in excess of the amount satisfied by distributions under the Plan will be canceled and therefore, will result in COD income to the Debtors. The Debtors should not realize any COD income, however, to the extent that payment of such Claims would have given rise to a deduction to the Debtors had such amounts been paid. In addition, any COD income that the Debtors realize should be excluded from the Debtors' gross income pursuant to the bankruptcy exception to Section 108 of the Tax Code described in the immediately preceding paragraph.

The exclusion of COD income, however, will result in a reduction of certain tax attributes of the Debtors. Because attribute reduction is calculated only after the tax for the year of discharge has been determined, the COD income realized by the Debtors under the Plan should not diminish the NOLs and other tax attributes that may be available to offset any income and gains recognized by the Debtors in the taxable year that includes the Effective Date.



C. Importance of Obtaining Professional Tax Assistance

The foregoing is intended to be only a summary of certain of the United States federal income tax consequences of the Plan and is not a substitute for careful tax planning with a tax professional. Holders of Claims or Equity Interests are strongly urged to consult with their own tax advisors regarding the federal, state, local and foreign income and other tax consequences of the Plan, including, in addition to the issues discussed above, whether a bad debt deduction may be available with respect to their Claims and if so, when such deduction or loss would be available.

THE FOREGOING DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, HOLDERS OF CLAIMS OR EQUITY INTERESTS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES OF THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

**VIII.**

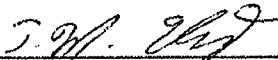
**RECOMMENDATION**


The Debtors strongly recommend that all creditors receiving a Ballot vote in favor of the Plan. The Debtors believe that the Plan is in the best interests of creditors. In addition, the Committee supports the Plan and encourages all creditors to vote for the Plan. The Plan as structured, among other things, allows creditors with Allowed Claims to participate in distributions believed to be in excess of those that would otherwise be available were the Chapter 11 Cases dismissed or converted under Chapter 7 of the Bankruptcy Code and minimizes delays in recoveries to creditors.

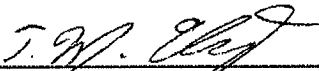
FOR ALL THE REASONS SET FORTH IN THIS DISCLOSURE STATEMENT, THE DEBTORS BELIEVE THAT THE CONFIRMATION AND CONSUMMATION OF THE PLAN IS PREFERABLE TO ALL OTHER ALTERNATIVES. THE DEBTORS AND THE COMMITTEE URGE ALL CREDITORS ENTITLED TO VOTE TO ACCEPT THE PLAN AND TO EVIDENCE SUCH ACCEPTANCE BY RETURNING THEIR BALLOTS SO THAT THEY WILL BE RECEIVED BY 4:00 P.M. PACIFIC STANDARD TIME ON \_\_\_\_\_, 2016.

Dated: September 1, 2016

Respectfully submitted,

  
\_\_\_\_\_  
ARCTIC SENTINEL, INC.  
By: Ming Cheung, its President

  
\_\_\_\_\_  
ARCTIC SENTINEL HOLDINGS, INC.  
By: Ming Cheung, its President

  
\_\_\_\_\_  
ARCTIC SENTINEL DIRECT, INC.  
By: Ming Cheung, its President

  
\_\_\_\_\_  
SENTINEL ARCTIC, INC.  
By: Ming Cheung, its President

**EXHIBIT A**  
**(THE PLAN)**

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re:

ARCTIC SENTINEL, INC. [f/k/a Fuhu, Inc.],  
*et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 15-12465-CSS

(Jointly Administered)

**PLAN OF LIQUIDATION OF THE DEBTORS  
PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

Counsel for Debtors and Debtors in Possession:

**PACHULSKI STANG ZIEHL & JONES  
LLP**

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Dated: September 1, 2016

<sup>1</sup> The Debtors, together with the last four digits of each Debtor's tax identification number, are: Arctic Sentinel, Inc. [f/k/a Fuhu, Inc.] (7896); Arctic Sentinel Holdings, Inc. [f/k/a Fuhu Holdings, Inc.] (9761); Arctic Sentinel Direct, Inc. [f/k/a Fuhu Direct, Inc.] (2180); and Sentinel Arctic, Inc. [f/k/a Nabi, Inc.] (4119). The location of the Debtors' headquarters and service address is 1700 E. Walnut Ave., Suite 500, El Segundo, CA 90245.

### **Preliminary Statement**

Pursuant to Chapter 11, Title 11 of the United States Code, 11 U.S.C. §§ 101-1532, the above-captioned debtors and debtors in possession (the “Debtors”) hereby propose the following Plan of Liquidation.<sup>2</sup> Reference is made to the Disclosure Statement accompanying the Plan, including the exhibits thereto, for a discussion of the Debtors’ history, business, results of operations, and the post-petition disposition of substantially all of the Debtors’ assets, and a summary and analysis of the Plan. All Holders of Claims should read the Disclosure Statement and the Plan carefully—and consult with their counsel and other applicable professionals—before voting to accept or reject the Plan.

The Plan sets forth a proposal for the resolution of all Claims and Equity Interests against the Debtors. With the Plan, Creditors entitled to vote will receive a Ballot for voting on the Plan, a Disclosure Statement that provides information concerning the Debtors and the Plan and a letter from counsel for the Committee indicating the Committee’s support of the Plan. The Disclosure Statement includes a summary of the assets and liabilities of the Debtors, a summary of what Creditors and Equity Interest Holders will receive under the Plan, a summary of the procedures and voting requirements necessary for confirmation of the Plan, and a discussion of certain alternatives to the Plan in the event that the Plan is not confirmed. You should thoroughly review both the Plan and Disclosure Statement before deciding whether you will vote to accept or reject the Plan.

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<sup>2</sup> Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in Article 1 of this Plan.

As more fully described in the Disclosure Statement, the Plan must be approved by the requisite number of Creditors, and the Bankruptcy Court must find that the Plan meets the applicable legal standards before it can be confirmed.<sup>3</sup> If the Plan is not confirmed, the Bankruptcy Court may order the Chapter 11 Cases dismissed or converted to liquidating cases under Chapter 7 of the Bankruptcy Code, or the Debtors or other parties in interest may propose a different plan.

The Plan proposes to substantively consolidate the Debtors' estates and to vest all of the assets of the consolidated Debtors into a single Liquidating Trust for administration and distribution in accordance with the Plan and the Liquidating Trust Agreement.

THE PLAN HAS THE SUPPORT OF THE CREDITORS' COMMITTEE.

**I.**

**DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION  
OF TIME AND GOVERNING LAW**

**A. Rules of Interpretation, Computation of Time and Governing Law**

1. For purposes of the Plan: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and each pronoun, whether stated in the masculine, feminine, or neuter gender, shall include the masculine, feminine, and the neuter gender; (b) any reference in the Plan to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in

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<sup>3</sup> Equity Interest Holders will receive nothing under the Plan, and therefore, the Class of Equity Interests is deemed to have rejected the Plan. Accordingly, acceptances are not being solicited from the Holders of Equity Interests.

such form or substantially on such terms and conditions; (c) any reference in the Plan to an existing document or exhibit filed, or to be filed, shall mean such document or exhibit, as it may have been or may be amended, modified, or supplemented; (d) unless otherwise specified, all references in the Plan to Sections, Articles, and Exhibits are references to Sections, Articles, and Exhibits of or to the Plan; (e) the words “herein,” “hereof,” “hereunder,” and “hereto” and similar terms refer to the Plan in its entirety rather than to a particular portion of the Plan; (f) references to a part includes the whole, except where the context clearly requires otherwise; (g) unless otherwise specified, “or” has the inclusive meaning represented by the phrase “and/or”; (h) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (i) the rules of construction set forth in Section 102 of the Bankruptcy Code shall apply; and (j) any term used in capitalized form in the Plan that is not defined herein but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

2. In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

3. Except to the extent that the Bankruptcy Code or Bankruptcy Rules are applicable, and subject to the provisions of any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof.

**B. Defined Terms**

Unless the context otherwise requires, the following terms shall have the following meanings when used in capitalized form in the Plan:

1. “Administrative Claim” means a Claim for an expense of administration of the Chapter 11 Cases arising under Sections 503(b), 507(b), 503(b)(9) or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date of preserving the Estates; (b) the value of any goods received by a Debtor within 20 days before the Petition Date to the extent that goods were sold to the Debtors in the ordinary course of the Debtors’ business; (c) compensation for legal, financial advisory, accounting and other services and reimbursement of expenses awarded or allowed under Section 330(a) or 331 of the Bankruptcy Code; (d) all fees and charges assessed against the Estates under 28 U.S.C. §§ 1911-1930; (e) all obligations designated as Allowed Administrative Claims pursuant to an order of the Bankruptcy Court; (f) administrative claims that were timely filed prior to the Administrative Claims Bar Date; and (g) any Tax Claims incurred by the Debtors after the Petition Date or relating to a tax year or period which occurs after the Petition Date.

2. “Administrative Claims Bar Date” means the applicable last date set by the Bankruptcy Court for a Claimant to file a request for payment of any Administrative Claim that arose between the Petition Date and the Effective Date, or any claim under section 503(b)(9) of the Bankruptcy Code for the value of any goods received by a Debtor within twenty (20) days before the Petition Date to the extent that goods were sold to the Debtors in the ordinary course



of the Debtors' business. The Administrative Claims Bar Date shall be sixty (60) days after the Effective Date.

3. "Allowed" means, with respect to any Claim, except as otherwise provided herein: (a) a Claim that has been scheduled by the Debtors on their Schedules as other than disputed, contingent, or unliquidated and as to which Debtors, the Liquidating Trustee or other party in interest have not filed an objection on or before the Claims Objection Deadline, unless such date is extended, for cause, by the Bankruptcy Court upon request of the Liquidating Trustee; (b) a Claim that is set forth in a timely filed Proof of Claim as to which no objection has been filed and which is not otherwise a Disputed Claim; (c) a Claim that has been allowed by a Final Order; (d) a Claim that is allowed: (i) in any stipulation of amount and nature of Claim executed by the Debtors prior to the Effective Date and approved by the Bankruptcy Court; (ii) in any stipulation of amount and nature of Claim executed by the Liquidating Trustee on or after the Effective Date; (iii) in any stipulation of amount and nature of any Administrative Claim, Priority Claim, or Priority Tax Claim executed by (y) the Debtors and approved by the Bankruptcy Court, or (z) the Liquidating Trustee; or (iv) in any contract, instrument, indenture or other agreement entered into or assumed by Debtors in connection with and in accordance with the Plan; (e) a Claim relating to a rejected executory contract or unexpired lease that either (i) is not a Disputed Claim or (ii) has been allowed by a Final Order, in either case only if a Proof of Claim has been timely filed by the Claimant before the applicable rejection Bar Date for such claim or has otherwise been deemed timely filed under applicable law; or (f) a Claim that is allowed pursuant to the terms of this Plan.

4. “Allowed Claim” or “Allowed ... Claim” means a Claim that has been Allowed.
5. “Available Cash” means the aggregate amount of all Cash held by the Debtors on the Effective Date.
6. “Ballots” mean the ballots upon which the Holders of Impaired Claims shall indicate their acceptance or rejection of the Plan in accordance with the Plan and the Voting Instructions.
7. “Bankruptcy Code” means title I of the Bankruptcy Reform Act of 1978, as amended from time to time, as set forth in Sections 101 *et seq.* of title 11 of the United States Code, and applicable portions of titles 18 and 28 of the United States Code.
8. “Bankruptcy Court” means the United States Bankruptcy Court for the District of Delaware having jurisdiction over these Chapter 11 Cases.
9. “Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure, as amended from time to time, as applicable to the Chapter 11 Cases, promulgated under 28 U.S.C. § 2075 and the General and Local Rules of the Bankruptcy Court.
10. “Bar Date” means 4:00 p.m. prevailing Pacific time on June 28, 2016, which is the date set by the Bankruptcy Court as the last day for filing a Claim arising prior to the Petition Date against the Debtors in these Chapter 11 Cases.
11. “Beneficiaries” means holders of Allowed Claims entitled to receive Distributions from the Liquidating Trust under the Plan, whether or not such Claims were Allowed on the Effective Date.

12. “Business Day” means any day, other than a Saturday, Sunday or legal holiday (as defined in Bankruptcy Rule 9006(a)).

13. “Cash” means cash and cash equivalents, including, but not limited to, bank deposits, wire transfers, checks, and readily marketable securities, instruments, and legal tender of the United States of America or instrumentalities thereof.

14. “Causes of Action” means all claims, actions, causes of action, choses in action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, remedies, rights of setoff, third-party claims, subrogation claims, contribution claims, reimbursement claims, indemnity claims, counterclaims, and crossclaims (including, without limitation, all claims and any avoidance, preference, recovery, subordination or other actions against Creditors, insiders, and/or any other entities under the Bankruptcy Code, and any and all state and common-law claims for breach of fiduciary duty against the Debtors’ current directors and officers or former directors and officers, based in law or equity, including, without limitation, under the Bankruptcy Code, whether direct, indirect, derivative, or otherwise and whether asserted or unasserted as of the Effective Date; *provided, however*, that notwithstanding anything herein or in any of the Plan Documents to the contrary, Causes of Action shall not include claims or causes of action purchased by Mattel, Inc. pursuant to the Sale Agreement or released pursuant to this Plan, the Sale Order, or the Sale Agreement.

15. “Chapter 11 Cases” means the Chapter 11 cases commenced when the Debtors each filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code on the

Petition Date and with the following case numbers: 15-12465 (CSS), 15-12466 (CSS), 15-12504 (CSS) and 15-12505 (CSS), which are jointly administered under case number 15-12465 (CSS).

16. “Claim” means a claim (as defined in Section 101(5) of the Bankruptcy Code) against a Debtor, including, but not limited to: (a) any right to payment from a Debtor whether or not such right is reduced to judgment, liquidated, unliquidated, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or (b) any right to an equitable remedy for breach of performance if such performance gives rise to a right of payment from a Debtor, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

17. “Claimant” means the Holder of a Claim.

18. “Claims Agent” means Kurtzman Carson Consultants LLC, which was appointed as the Debtors’ claims, noticing, and balloting agent.

19. “Claims Objection Deadline” means (a) 180 days after the Effective Date, or (b) such other period as may be fixed by an order of the Bankruptcy Court for objecting to Claims.

20. “Class” means a category of Holders of Claims or Equity Interests, as set forth in Article 3 of the Plan.

21. “Committee” means the Official Committee of Unsecured Creditors appointed by the U.S. Trustee in these Chapter 11 Cases on December 16, 2015.

22. “Confirmation” means the entry of the Confirmation Order, subject to all conditions specified in Article 7 of the Plan having been (a) satisfied or (b) waived pursuant to Article 7.

23. “Confirmation Date” means the date upon which the Confirmation Order is entered by the Bankruptcy Court on its docket, within the meaning of Bankruptcy Rules 5003 and 9021.

24. “Confirmation Order” means the order of the Bankruptcy Court confirming the Plan pursuant to Section 1129 of the Bankruptcy Code.

25. “Consummation” or “Consummate” means the occurrence of the Effective Date.

26. “Contingent Claim” means any Claim for which a Proof of Claim has been filed with the Bankruptcy Court but was not filed in a sum certain and which Claim has not been estimated, fixed, or liquidated by the Bankruptcy Court at a sum certain as of the Effective Date, or a Claim that has accrued but nonetheless remains dependent on the occurrence of a future event that may never occur.

27. “Creditor” means any Holder of a Claim against Debtors that arose on or prior to the Petition Date.

28. “D&O Liability Insurance Policy” means all insurance policies for directors’, managers’ and officers’ liability maintained by the Debtors as of the Petition Date, including the policies provided through Starr Indemnity & Liability Company for the policy period from June 3, 2015 through June 3, 2016 (Policy No. SISIFNL20207615) and Allied

World Assurance Company (U.S.) Inc. for the policy period from June 3, 2015 through June 3, 2016 (Policy No. 0309-6296), as well as any “tail” policies with respect to each of the foregoing.

29. “Debt” means liability on a Claim.

30. “Debtors” means Arctic Sentinel, Inc. [f/k/a Fuhu, Inc.]; Arctic Sentinel Holdings, Inc. [f/k/a Fuhu Holdings, Inc.]; Arctic Sentinel Direct, Inc. [f/k/a Fuhu Direct, Inc.]; and Sentinel Arctic, Inc. [f/k/a Nabi, Inc.].

31. “Disallowed Claim” means (i) a Claim, or any portion thereof, that has been disallowed by a Final Order or by other agreement of a Claimant; (ii) a Claim that has been listed in the Schedules at zero or as contingent, disputed, or unliquidated and as to which no Proof of Claim has been timely filed or deemed timely filed with the Bankruptcy Court pursuant to the Bankruptcy Code, a Final Order, or other applicable law; or (iii) a Claim that has not been listed in the Schedules and as to which no Proof of Claim has been timely filed or deemed timely filed with the Bankruptcy Court pursuant to the Bankruptcy Code, a Final Order, or other applicable law.

32. “Disclosure Statement” means Debtors’ Disclosure Statement dated \_\_\_\_, 2016, as amended, supplemented, or modified from time to time, describing the Plan, which was prepared and distributed in accordance with the Bankruptcy Code and Bankruptcy Rules and other applicable law.

33. “Disputed” means, with respect to any Claim or Equity Interest, any Claim or Equity Interest: (a) listed on the Schedules as unliquidated, disputed, or contingent; (b) as to which the Debtors, the Liquidating Trustee, or any other party in interest has interposed a timely

objection or request for estimation in accordance with the Bankruptcy Code and the Bankruptcy Rules or is otherwise disputed by the Debtors or the Liquidating Trustee in accordance with applicable law, which objection, request for estimation or dispute has not been withdrawn or determined by a Final Order; or (c) unless otherwise indicated in the Plan, a Claim as to which the period within which to object to such Claim has not yet expired.

34. “Disputed Claim” means: (i) any Claim or portion of a Claim as to which an objection to the allowance thereof has been interposed as of the deadline fixed under the Plan or by order of the Bankruptcy Court, which objection has not been withdrawn or determined by Final Order; (ii) any Claim scheduled by the Debtors in the Schedules as disputed, contingent, or unliquidated; (iii) a Proof of Claim filed in a greater amount, or of a different nature or priority, than the amount, nature, or priority listed for that Claim in the Schedules; or (iv) a Claim that is not listed in the Schedules. To the extent an objection relates to the allowance of only a part of a Claim, such Claim shall be a Disputed Claim only to the extent of the objection.

35. “Distributions” means the distributions of Cash to be made in accordance with the Plan.

36. “Distribution Dates” means collectively the Initial Distribution Date, any Subsequent Distribution(s) Date, and the date of the Final Distribution.

37. “Distribution Record Date” means the close of business on the Business Day immediately preceding the Effective Date.

38. “Effective Date” means the date selected by the Debtors which is a Business Day after the Confirmation Date on which: (a) no stay of the Confirmation Order is in

effect, and (b) all conditions specified in Article 7 of the Plan have been satisfied, unless waived by the Debtors. Within five (5) business days after the Effective Date, notice of the Effective Date shall be filed with the Bankruptcy Court by the Liquidating Trustee.

39. “Entity” means an entity as defined in Section 101(15) of the Bankruptcy Code and the Committee.

40. “Equity Interest” means any equity interest in any Debtor, including, but not limited to, all issued, unissued, authorized, or outstanding shares or stock, together with any warrants, options, or contract rights to purchase or acquire such interests at any time.

41. “Estates” means the estates of the Debtors in these Chapter 11 Cases created pursuant to Section 541 of the Bankruptcy Code upon the commencement of these Chapter 11 Cases.

42. “Final Decree” means the decree contemplated under Bankruptcy Rule 3022.

43. “Final Distribution” means the last payment to Holders of Allowed Claims in accordance with the provisions of the Plan.

44. “Final Order” means an order or judgment of the Bankruptcy Court or other court of competent jurisdiction: (i) that has not been reversed, stayed, modified, or amended; (ii) as to which the time to or the right to appeal or seek reconsideration, review, rehearing, or certiorari has expired or been waived (without regard to whether the time to seek relief from a judgment under Bankruptcy Rule 9024 has expired); and (iii) as to which no appeal or petition for reconsideration, review, rehearing, or certiorari is pending.



45. “Governmental Unit” means the United States; State; Commonwealth, District, Territory, municipality, foreign state, department, agency, or instrumentality of the United States (but not a United States trustee while serving as a trustee in a case under Chapter 11), a State, a Commonwealth, a District, a Territory, a municipality, or a foreign state; or other foreign or domestic government.

46. “Holder” means an Entity holding a Claim or Equity Interest.

47. “Impaired” means with respect to a Claim or Class of Claims, a Claim or Class of Claims that is impaired within the meaning of Section 1124 of the Bankruptcy Code.

48. “Initial Distribution Date” means the Effective Date, or as soon as practicable thereafter when the initial distribution shall be made to the Holders of Allowed Claims, as determined by the Liquidating Trustee in its reasonable discretion.

49. “Insider” means an insider of any Debtor, as defined in Section 101(31) of the Bankruptcy Code.

50. “Intercompany Claim” means a Claim held by a Debtor against another Debtor.

51. “Interim Fee Order” means that certain “Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals” [D.I. 419] entered by the Bankruptcy Court on February 23, 2016.

52. “Lien” means any charge against or interest in property (including, but not limited to, any mortgage, lien, pledge, charge, security interest, encumbrance, or other security device of any kind) to secure payment of a debt or performance of an obligation.

53. “Liquidation Proceeds” means any Cash or other consideration paid to or realized by the Debtors or the Liquidating Trustee, as applicable, upon the sale, transfer, assignment, or other disposition of the Liquidating Trust Assets.

54. “Liquidating Trust” means the grantor trust to be created upon the Effective Date for the benefit of the Trust Beneficiaries.

55. “Liquidating Trust Advisory Committee” means the committee appointed pursuant to Article V of this Plan and acting in accordance with the Liquidating Trust Agreement.

56. “Liquidating Trust Agreement” means the agreement, substantially in the form included in the Plan Supplement governing the Liquidating Trust, as it may be subsequently modified from time to time.

57. “Liquidating Trust Assets” means the assets held in the Liquidating Trust comprised of (i) Cash; (ii) all Causes of Action; (iii) all Claims and rights of the Debtors under any D&O Liability Insurance Policy; and (iv) any and all other assets, interests, rights, claims and defenses of the Debtors or Estates, including, without limitation, all rights under the Sale Order or any order of the Bankruptcy Court.

58. “Liquidating Trust Assets Account” means an interest-bearing bank account or money-market account to be established and held in trust by the Liquidating Trustee on or after the Effective Date for the purpose of holding the Liquidating Trust Assets and Trust Proceeds to be distributed under the Plan and any interest, dividends, or other income earned upon the investment of the Liquidating Trust Assets. The Liquidating Trust Assets Account will

be funded by the Debtors or Liquidating Trustee, as applicable, on or immediately after the Effective Date with the Available Cash.

59. “Liquidating Trust Interests” means the non-transferable interests in the Liquidation Trust, distributions of which will be made to Holders of Allowed Secured Claims, Allowed Priority Claims, and Allowed Unsecured Claims in accordance with Article V hereof.

60. “Liquidating Trustee” means the Person appointed by the Committee to act as trustee of the Liquidating Trust in accordance with the terms of the Plan, the Confirmation Order, and the Liquidating Trust Agreement, or such successor appointed as the trustee in accordance with the Liquidating Trust Agreement.

61. “Litigation” means the interest of the Estates, the Debtors, or the Liquidating Trust, as applicable, in any and all claims, rights, and Causes of Action that have been or may be commenced by the Debtors or the Liquidating Trust, as applicable. Litigation includes, without limitation, any action: (i) to avoid and recover any transfers of property determined to be preferential, fraudulent, or avoidable pursuant to Sections 544, 545, 547, 548, 549(a), and 550 of the Bankruptcy Code, to the extent not sold or released as part of the Sale Agreement; (ii) for the turnover of property to the Debtors or the Liquidating Trust, as applicable; (iii) for the recovery of property or payment of money that belongs to or can be asserted by the Debtors or the Liquidating Trust, as applicable; (iv) for compensation for damages incurred by the Debtors; and (v) equitable subordination actions against Creditors.

62. “Litigation Recovery” means any Cash or other property received by the Debtors or the Liquidating Trust, as applicable, from all or any portion of the Litigation,

including, but not limited to, awards of damages, attorneys' fees and expenses, interest, and punitive damages, whether recovered by way of settlement, execution on judgment, or otherwise. If any Litigation is pursued on a contingent-fee basis, the Litigation Recovery will be net of any contingent fee paid to legal counsel.

63. "Other Insurance Policy" means all insurance policies maintained by the Debtors as of the Petition Date, except for the D&O Liability Insurance Policies.

64. "Person" means any individual, corporation, limited liability company, general partnership, association, joint stock company, joint venture, estate, trust, unincorporated organization, Governmental Unit, or other Entity.

65. "Petition Date" means December 7, 2015, the date on which Debtors Fuhu, Inc., n/k/a Arctic Sentinel, Inc., and Fuhu Holdings, Inc., n/k/a Arctic Sentinel Holdings, Inc., each filed a voluntary petition for relief commencing its Chapter 11 Case; *provided, however*, that when the term Petition Date is used with specific reference to the rights and liabilities of Fuhu Direct, Inc. or Nabi, Inc., the term means December 11, 2015, the date on which Fuhu Direct, Inc. and Nabi, Inc. filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.

66. "Plan" means this Joint Plan of Liquidation, either in its present form or as it may be altered, amended, modified, or supplemented from time to time in accordance with the Plan, the Bankruptcy Code, and the Bankruptcy Rules, including, without limitation, any exhibits and schedules hereto, either in its present form or as the same may be amended, modified, or supplemented from time to time in accordance with the terms and provisions hereof.

67. “Plan Documents” means the Plan, the Disclosure Statement, the Plan Supplement, any plan support letters, or other documents or pleadings filed by the Debtors relating to the Plan.

68. “Plan Interest Rate” means the rate of interest determined by the Bankruptcy Court upon Confirmation, if necessary, for purposes of the application of Section 1124 (impairment) or Section 1129(b) of the Bankruptcy Code (Present Value), as the case may be, to the distributions to certain Creditors under the Plan. The Plan Interest Rate may be different for different Classes of Claims.

69. “Plan Objection Deadline” means the deadline established by the Bankruptcy Court for filing and serving objections to Confirmation of the Plan.

70. “Plan Supplement” means the pleading or pleadings identified in the Plan or Disclosure Statement for filing with the Bankruptcy Court not later than ten (10) calendar days prior to the Plan Objection Deadline, which shall include certain exhibits and schedules to this Plan, as well as documents, agreements, and instruments evidencing and effectuating the Plan.

71. “Present Value” means the present value as of the Effective Date of Cash payments made under the Plan by the Debtors using the Plan Interest Rate.

72. “Priority Claim” means any Claim, other than an Administrative Claim or a Priority Tax Claim, to the extent entitled to priority under Section 507(a) of the Bankruptcy Code.

73. “Priority Tax Claim” means a Claim of a Governmental Unit of the kind specified in Sections 502(i) and 507(a)(8) of the Bankruptcy Code.

74. “Pro Rata” means proportionately so that, with respect to a Claim, the ratio of: (a) (i) the amount of property distributed on account of a particular Claim to (ii) the Allowed amount of the Claim, is the same as the ratio of (b) (i) the amount of property distributed on account of all Allowed Claims in the Class or Classes entitled to share in the applicable distribution to (ii) the amount of all Allowed Claims in such Class or Classes.

75. “Professional” means an Entity: (a) employed pursuant to a Final Order in accordance with Sections 327 and 1103 of the Bankruptcy Code and to be compensated for services rendered prior to the Effective Date, pursuant to Sections 327, 328, 329, 330, and 331 of the Bankruptcy Code, or (b) for which compensation and reimbursement has been allowed by the Bankruptcy Court pursuant to Section 503(b)(4) of the Bankruptcy Code.

76. “Professional Fee Claim” means those fees and expenses claimed by Professionals pursuant to Sections 330, 331, or 503 of the Bankruptcy Code, and accrued and unpaid as of the Effective Date.

77. “Proof of Claim” means a proof of claim filed pursuant to Section 501 of the Bankruptcy Code or any order of the Bankruptcy Court, together with supporting documents.

78. “Released Parties” means, collectively, (a) the Debtors, (b) the Committee and the individual members thereof in their capacity as such, and (c) with respect to their service in such capacity after the Petition Date, the Debtors’ and the Committee’s officers, directors, employees, advisors, attorneys, professionals, accountants, investment bankers, financial

advisors, consultants, and agents; provided, however, that for the avoidance of doubt, that any Claims or Causes of Action against the current and/or former officers and current and/or former directors of the Debtors related to the period prior to the Petition Date shall not be released and are fully preserved, unless otherwise released as part of the Sale Agreement.

79. “Sale Agreement” means the Asset Purchase Agreement by and among Fuhu, Inc., each of the subsidiaries of Fuhu, Inc. listed on the signature pages thereto, and Mattel, Inc., dated as of January 21, 2016, as amended pursuant to the Amendment No. 1 to Asset Purchase Agreement, effective as of January 29, 2016, and as further amended, supplemented, or modified from time to time.

80. “Sale Order” means the Order (A) Authorizing and Approving (1) the Sale of Substantially All of the Debtors’ Assets Free and Clear of All Liens, Claims, Encumbrances and Other Interests and (2) the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection Therewith; and (B) Granting Related Relief [D.I. 345].

81. “Schedules” means the schedules of assets and liabilities as the Bankruptcy Court required the Debtors to file pursuant to Section 521 of the Bankruptcy Code, the Official Bankruptcy Forms, and the Bankruptcy Rules, as they may be amended and supplemented from time to time, and the Debtors’ statements of financial affairs filed with the Bankruptcy Court, as the Bankruptcy Court required the Debtors to file pursuant to Section 521 of the Bankruptcy Code, the Official Bankruptcy Forms, and the Bankruptcy Rules, as they may be amended and supplemented from time to time.

82. “Secured Claim” means any Claim that is secured in whole or part, as of the Petition Date, by a Lien which is valid, perfected, and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code or applicable non-bankruptcy law, or subject to setoff under Section 553 of the Bankruptcy Code, to the extent of the value of such Lien or right of setoff as determined under Sections 506(a) or 1129(b) of the Bankruptcy Code, as applicable.

83. “Subsequent Distribution Date” means any date after the Initial Distribution Date upon which the Liquidating Trust makes a distribution to any Holders of Allowed Administrative, Secured, Priority, or Unsecured Claims.

84. “Tax” means any tax, charge, fee, levy, impost, or other assessment by any federal, state, local, or foreign taxing authority, including, without limitation, income, excise, property, sales, transfer, employment, payroll, franchise, profits, license, use, *ad valorem*, estimated, severance, stamp, occupation, and withholding tax. “Tax” shall include any interest or additions attributable to, imposed on, or with respect to such assessments.

85. “Tax Claim” means all or that portion of an Allowed Claim held by a Governmental Unit for a Tax assessed or assessable against a Debtor.

86. “Trust Proceeds” means the aggregate amount of Cash or other funds of the Debtors available for payment of the Allowed Claims of Creditors of the Liquidating Trust, including, without limitation, Available Cash of the Liquidating Trust and any proceeds of Liquidating Trust Assets.



87. “Unimpaired Claim” means an unimpaired Claim within the meaning of Section 1124 of the Bankruptcy Code.

88. “Unsecured Claim” means any Claim against any of the Debtors or their Estate that is not a Secured Claim, Administrative Claim, Priority Tax Claim or Priority Claim.

89. “U. S. Trustee” means the Office of the United States Trustee for the District of Delaware.

90. “Voting Instructions” means the instructions for voting on the Plan contained in Article 1 of the Disclosure Statement and in the Ballots.

91. “Voting Record Date” means the date as of which the identity of Holders of Claims is set for purposes of determining the Entities entitled to receive and vote on the Plan. Pursuant to Bankruptcy Rules 3017(d) and 3018(a); this date is the date of commencement of the hearing to consider approval of the Disclosure Statement, October 6, 2016.

## II.

### **UNCLASSIFIED ADMINISTRATIVE CLAIMS, PROFESSIONAL FEES,**

### **AND PRIORITY TAX CLAIMS**

#### **A. Introduction**

Certain types of Claims are not placed into voting Classes; instead they are unclassified. They are not considered Impaired and they do not vote on the Plan because they are automatically entitled to the specific treatment provided for them in the Bankruptcy Code. As such, the Debtors have not placed the following Claims in a Class:

**B. Administrative Claims**

Except to the extent that a Holder of an Allowed Administrative Claim agrees to a less favorable treatment, each Holder of an Allowed Administrative Claim, other than a Professional Fee Claim, shall receive, without interest, Cash equal to the Allowed amount of such Claim: (a) on or as soon as practicable after the later of (i) the Effective Date, or (ii) the date upon which the Bankruptcy Court enters a Final Order determining or approving such Claim; (b) in accordance with the terms and conditions of agreements between the Holder of such Claim and the Debtors or the Liquidating Trustee, as the case may be; (c) with respect to any Administrative Claims representing obligations incurred in the ordinary course of the Debtors' business, upon such regular and customary payment or performance terms as may exist in the ordinary course of the Debtors' business or as otherwise provided in the Plan; or (d) with respect to statutory fees due pursuant to 28 U.S.C. § 1930(a)(6), such fees will be paid as and when due under applicable law.

Holders of Administrative Claims (including, without limitation, Professionals requesting compensation or reimbursement of such expenses pursuant to Sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code) that do not file such requests by the applicable deadline provided for herein may be subject to objection for untimeliness and may be prohibited by order of the Bankruptcy Court from asserting such claims against the Debtors, their Estates, the Liquidating Trust, or their successors or assigns, or their property. Any objection to Professional Fee Claims shall be filed on or before the objection deadline specified in the application for final compensation or order of the Bankruptcy Court.

Notwithstanding any provision in the Plan regarding payment of Administrative Claims to the contrary, and without waiver of any argument available that such Claim is already time-barred by prior orders of the Bankruptcy Court, all Administrative Claims that are required to be filed and not filed by the Administrative Claim Bar Date shall be deemed disallowed and discharged. The Administrative Claims Bar Date for all Administrative Claims (other than Professional Fee Claims) shall be sixty (60) days after the occurrence of the Effective Date. Without limiting the foregoing, all fees due and payable under 28 U.S.C. § 1930 that have not been paid shall be paid on or before the Effective Date.

**C. Professional Fee Claims**

Professionals requesting compensation or reimbursement of expenses pursuant to Sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code or required to file fee applications by order of the Bankruptcy Court for services rendered prior to the Effective Date must file and serve pursuant to the notice provisions of the Interim Fee Order, an application for final allowance of compensation and reimbursement of expenses no later than forty-five (45) days after the Effective Date. All such applications for final allowance of compensation and reimbursement of expenses will be subject to the authorization and approval of the Bankruptcy Court. For avoidance of doubt, the Liquidating Trustee is not authorized under the Plan to object to applications for final allowance of compensation and reimbursement of expenses.

**D. Priority Tax Claims**

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Priority Tax Claim, the Liquidating Trust shall pay each holder of an Allowed Priority Tax Claim the full unpaid amount of such Allowed Priority Tax Claim under one of the

following options (at the Liquidating Trust's sole and exclusive election): (i) payment on the Effective Date, (ii) payment on the date such Allowed Priority Tax Claim becomes an Allowed Claim, (iii) payment on the date such Allowed Priority Tax Claim is payable under applicable non-bankruptcy law, or (iv) payment within the time specified under Bankruptcy Code Section 1129(a)(9).

### III.

#### **CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS**

##### **A. Summary**

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes, including voting, Confirmation, and Distribution (if any) pursuant to the Plan and pursuant to Sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that such Claim or Equity Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date. As the Plan provides for substantive consolidation of the Debtors' estates, there is only a single Class for each category of Claims or Equity Interests into which all such Claims or Equity Interests against any one or more of the Debtors are classified.

**B. Classification and Treatment of Claims against the Debtor**

The classification of Claims and Equity Interests against the Debtors pursuant to the Plan is as follows:

<b>Class</b>	<b>Status</b>	<b>Voting Rights</b>
Class 1 – Priority Claims	Unimpaired	Not Entitled to Vote
Class 2 – Secured Claims	Impaired	Entitled to Vote
Class 3 – Unsecured Claims	Impaired	Entitled to Vote
Class 4 – Equity Interests	Impaired	Not Entitled to Vote

1. Class 1 – Priority Claims

a. **Classification:** Class 1 consists of Priority Claims.

b. **Treatment:** The Liquidating Trustee shall pay the Allowed amount of each Priority Claim to each Entity holding a Priority Claim as soon as practicable following the later of: (a) the Effective Date and (b) the date such Priority Claim becomes an Allowed Claim (or as otherwise permitted by law). The Liquidating Trustee shall pay each Entity holding a Priority Claim in Cash in full in respect of such Allowed Claim without interest from the Petition Date; *provided, however*, that such Entity may be treated on such less favorable terms as may be agreed to in writing by such Entity.

c. **Voting:** Class 1 is not an Impaired Class and Holders of Priority Claims are not entitled to vote on the Plan.

2. Class 2 – Secured Claims

a. **Classification:** Class 2 consists of Secured Claims.

b. **Treatment:** Except to the extent previously paid in full, to the extent any Secured Claims exist, at the option of the Debtors or the Liquidating Trustee, as

applicable, one of the following treatments shall be provided: (i) the Holder of such Claim shall retain its Lien on its collateral until such collateral is sold, and the proceeds of such sale, less costs and expenses of disposing of such collateral, shall be paid to such Holder in full satisfaction, release, and discharge of such Allowed Secured Claim; (ii) on or as soon as practicable after the later of (a) the Effective Date, or (b) the date upon which the Bankruptcy Court enters a Final Order determining or allowing such Claim, or as otherwise agreed between the Holder of such Claim and the Debtors or the Liquidating Trustee, as applicable, the Holder of such Secured Claim will receive a Cash payment equal to the amount of its Allowed Secured Claim in full satisfaction, release, and discharge of such Secured Claim; or (iii) the collateral securing the Creditor's Secured Claim shall be abandoned to such Creditor, in full satisfaction, release, and discharge of such Secured Claim.

**c. Voting:** Class 2 is an Impaired Class and Holders of Secured Claims are entitled to vote on the Plan.

3. Class 3 – Unsecured Claims

**a. Classification:** Class 3 consists of Unsecured Claims.

**b. Treatment:** Each Holder of an Allowed Unsecured Claim in Class 3 shall receive a Pro Rata share of the Liquidating Trust Interests following the payment or reserve for Administrative Claims, Priority Tax Claims, Priority Claims, and Secured Claims. Unsecured Claims are subject to all statutory, equitable, and contractual subordination claims, rights, and grounds available to the Debtors, the Estates, and pursuant to this Plan, the

Liquidating Trustee, which subordination claims, rights, and grounds are fully enforceable prior to, on, and after the Effective Date.

c. **Voting:** Class 3 is an Impaired Class and Holders of Claims are entitled to vote to accept or reject the Plan.

4. Class 4 – Equity Interests

a. **Classification:** Class 4 consists of all Equity Interests in the Debtors.

b. **Treatment:** There shall be no Distribution on account of Class 4 Equity Interests. Upon the Effective Date, the Equity Interests will be deemed cancelled and will cease to exist.

c. **Voting:** Holders of Equity Interests will receive no distribution under the Plan and therefore are deemed to have rejected the Plan. Accordingly, Holders of Equity Interests are not entitled to vote.

**IV.**

**ACCEPTANCE OR REJECTION OF THE PLAN**

**A. Voting Classes**

Each Holder of an Allowed Claim in Classes 2 and 3 is entitled to vote either to accept or to reject the Plan. Only those votes cast by Holders of Allowed Claims shall be counted in determining whether acceptances have been received sufficient in number and amount to obtain Confirmation.

**B. Acceptance by Impaired Classes**

An Impaired Class of Claims shall have accepted the Plan if: (a) the Holders (other than any Holder designated under Section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan, and (b) the Holders (other than any Holder designated under Section 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Claims actually voting in such Class have voted to accept the Plan.

**C. Presumed Rejection of Plan**

The Holders of Class 4 Equity Interests shall not receive any distributions under the Plan and are therefore deemed to reject the Plan and are not entitled to vote.

**D. Nonconsensual Confirmation**

Because Class 4 is deemed to reject the Plan by operation of law, the Debtors will request the Bankruptcy Court to confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code. Without limiting the foregoing, in the event that any Class of Claims entitled to vote on the Plan fails to accept the Plan as required by Section 1129(a) of the Bankruptcy Code, the Plan may be amended and, in any event, the Debtors reserve the right to seek confirmation of the Plan over such rejection pursuant to Section 1129(b) of the Bankruptcy Code.

**V.**

**MEANS FOR IMPLEMENTATION OF THE PLAN**

**A. Appointment of the Liquidating Trustee**

The Committee will appoint the Liquidating Trustee prior to the filing of the Plan Supplement and the identity of the Liquidating Trustee will be disclosed in the Plan Supplement.



From and after the Effective Date, the Committee's Professionals and any other professionals may be retained by the Liquidating Trust Advisory Committee and/or the Liquidating Trustee, without further need for documentation or Bankruptcy Court approval. All fees and expenses incurred by the professionals retained by the Liquidating Trust Advisory Committee and/or the Liquidating Trustee following the Effective Date shall be paid by the Liquidating Trust from the Liquidating Trust Assets (after payment in full of all Allowed Administrative Claims) in accordance with the Liquidating Trust Agreement.

The Liquidating Trustee shall serve at the direction of the Liquidating Trust Advisory Committee and in accordance with the Liquidating Trust Agreement and this Plan. The Liquidating Trust Advisory Committee may replace the Liquidating Trustee in accordance with the provisions of the Liquidating Trust Agreement.

**B. The Liquidating Trust**

1. Formation of the Liquidating Trust

On the Effective Date, the Liquidating Trust shall be established pursuant to the Liquidating Trust Agreement for the purpose of, *inter alia*, (a) administering the Liquidating Trust Assets, (b) prosecuting and/or resolving all Disputed Claims, (c) investigating and pursuing the Causes of Action, and (d) making all Distributions to the Beneficiaries provided for under the Plan. The Liquidating Trust is intended to qualify as a liquidating trust pursuant to Treas. Reg. § 301.7701-4(d).

2. Funding of the Liquidating Trust

On the Effective Date, the Liquidating Trust Assets shall vest automatically in the Liquidating Trust. The Plan shall be considered a motion pursuant to Sections 105, 363 and 365 of the Bankruptcy Code for such relief. The transfer of the Liquidating Trust Assets to the

Liquidating Trust shall be made for the benefit and on behalf of the Beneficiaries. The assets comprising the Liquidating Trust Assets will be treated for tax purposes as being transferred by the Debtors to the Beneficiaries pursuant to the Plan in exchange for their Allowed Claims and then by the Beneficiaries to the Liquidating Trust in exchange for the beneficial interests in the Liquidating Trust. The Beneficiaries shall be treated as the grantors and owners of the Liquidating Trust. Upon the transfer of the Liquidating Trust Assets, the Liquidating Trust shall succeed to all of the Debtors' rights, title and interest in the Liquidating Trust Assets, and the Debtors will have no further interest in or with respect to the Liquidating Trust Assets.

Except to the extent definitive guidance from the IRS or a court of competent jurisdiction (including the issuance of applicable Treasury Regulations or the receipt by the Liquidating Trustee of a private letter ruling if the Liquidating Trustee so requests one) indicates that such valuation is not necessary to maintain the treatment of the Liquidating Trust as a liquidating trust for purposes of the Internal Revenue Code and applicable Treasury Regulations, as soon as possible after the Effective Date, the Liquidating Trustee shall make a good-faith valuation of the Liquidation Trust Assets. The valuation shall be used consistently by all parties (including, without limitation, the Debtors, the Liquidating Trust, the Beneficiaries and the Liquidating Trust Advisory Committee) for all federal income tax purposes.

**C. Rights and Powers of the Liquidating Trustee**

The Liquidating Trustee shall be deemed the Estates' representative in accordance with Section 1123 of the Bankruptcy Code and shall have all the rights and powers set forth in Section II of the Liquidating Trust Agreement, including, without limitation, the powers of a trustee under Sections 704 and 1106 of the Bankruptcy Code and Rule 2004 of the Bankruptcy Rules to act on behalf of the Liquidating Trust. Without limiting the foregoing, the Liquidating Trustee

will have the right to, among other things, (1) effect all actions and execute all agreements, instruments and other documents necessary to implement the provisions of the Plan and the Liquidating Trust Agreement; (2) liquidate the Liquidating Trust Assets; (3) investigate, prosecute, settle, abandon or compromise any Causes of Action; (4) make Distributions as contemplated hereby, (5) establish and administer any necessary reserves for Disputed Claims that may be required; (6) object to the Disputed Claims and prosecute, settle, compromise, withdraw or resolve in any manner approved by the Bankruptcy Court such objections; (7) assert or waive any attorney-client privilege on behalf of the Debtors and their Estates with regard to acts or events during time periods prior to the Petition Date; and (8) employ and compensate professionals and other agents, including, without limitation, existing Professionals employed by the Debtors or the Committee in accordance with the Liquidating Trust Agreement or the Plan, *provided, however*, that any such compensation shall be made only out of the Liquidating Trust Assets, to the extent not inconsistent with the status of the Liquidating Trust as a liquidating trust within the meaning of Treas. Reg. § 301.7701-4(d) for federal income tax purposes.

**D. Fees and Expenses of the Liquidating Trust**

Subject to payment in full of all Allowed Administrative Claims, and except as otherwise ordered by the Bankruptcy Court, expenses incurred by the Liquidating Trust on or after the Effective Date shall be paid in accordance with the Liquidating Trust Agreement without further order of the Bankruptcy Court.

**E. Transfer of Beneficial Interests in the Liquidating Trust**

Liquidating Trust Interests shall not be transferable except upon death of the interest holder or by operation of law. The Liquidating Trust shall not have any obligation to recognize any transfer of Claims or Equity Interests occurring after the Distribution Record Date.

**F. Available Cash.**

On or as soon as practicable following the Effective Date, the Liquidating Trust Assets Account shall be opened by the Liquidating Trustee and funded with the Available Cash to the extent of any unencumbered Cash, which funds shall constitute Liquidating Trust Assets. Thereafter, from time to time, upon receipt of any Liquidation Proceeds or any Litigation Recovery, the Liquidating Trustee shall deposit such funds into the Liquidating Trust Assets Account, and they shall become part of the Liquidating Trust Assets.

**G. Litigation.**

Except as otherwise provided in this Plan, all Litigation is retained, vested in the Liquidating Trust, and preserved pursuant to Section 1123(b) of the Bankruptcy Code. From and after the Effective Date, all Litigation will be prosecuted or settled by the Liquidating Trustee. To the extent any Litigation is already pending on the Effective Date, the Liquidating Trustee, as successor to the Debtors or the Committee (in any derivative capacity or as an intervening party), will continue the prosecution of such Litigation and shall be substituted as plaintiff, defendant, or in any other capacity for the Debtors or the Committee pursuant to this Plan and the Confirmation Order on the Effective Date without need for any further motion practice or notice in any case, action, or matter.

**H. Dissolution of Committee.**

On the Effective Date, the Committee will dissolve, and the members of the Committee and the Committee's Professionals will cease to have any role arising from or relating to the Chapter 11 Cases, except in connection with final fee applications of Professionals for services rendered prior to the Effective Date (including the right to object thereto). The Professionals

retained by the Committee and the members thereof will not be entitled to assert any fee claims for any services rendered to the Committee or expenses incurred in the service of the Committee after the Effective Date, except for reasonable fees for services rendered, and actual and necessary costs incurred, in connection with any applications for allowance of Professional Fees pending on the Effective Date or filed and served after the Effective Date pursuant to Section 2(C) of the Plan. Nothing herein shall prohibit or limit the ability of Committee Professionals (or Debtors' Professionals) to represent the Liquidating Trustee or to be compensated or reimbursed per the Plan and the Liquidating Trust Agreement in connection with such representation.

**I. Full and Final Satisfaction.**

Commencing upon the Effective Date, subject to the terms of this Plan and the Liquidating Trust Agreement, the Liquidating Trustee shall be authorized and directed to distribute the amounts required under the Plan to the Holders of Allowed Claims according to the provisions of the Plan. Upon the Effective Date, all Debts of the Debtors shall be deemed fixed and adjusted pursuant to this Plan, and the Liquidating Trust shall have no liability on account of any Claims or Equity Interests except as set forth in this Plan and in the Liquidating Trust Agreement. All payments and all distributions made by the Liquidating Trustee under the Plan shall be in full and final satisfaction, settlement, and release of all Claims against the Liquidating Trust; *provided, however*, that nothing contained in this Section V of the Plan, or in any other provision of this Plan, shall be deemed to constitute or result in a discharge of the Debtors under Bankruptcy Code Section 1141(d).

**J. Distribution Procedures.**

1. **Distribution Dates.** The Liquidating Trustee shall make Distributions to Holders of Claims as provided in Article III of the Plan. Subject to the terms of the Liquidating Trust Agreement, the Liquidating Trustee may, in its sole discretion, make a full or partial Pro Rata Distribution to the Holders of Class 3 Unsecured Claims on the Initial Distribution Date or a Subsequent Distribution Date.

2. **Subsequent Distributions.** Any Distribution not made on the Initial Distribution Date or a Subsequent Distribution Date because the Claim relating to such Distribution had not been Allowed on that Distribution Date shall be held by the Liquidating Trust for Distribution on any Subsequent Distribution Date after such Claim is Allowed. No interest shall accrue or be paid on the unpaid amount of any Distribution.

3. **Distribution Record Date.** Except as otherwise provided in a Final Order of the Bankruptcy Court, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 on or prior to the Distribution Record Date will be treated as the Holders of those Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to the transfer may not have expired by the Distribution Record Date. The Liquidating Trustee shall have no obligation to recognize any transfer of any Claim occurring after the Distribution Record Date. In making any Distribution with respect to any Claim, the Liquidating Trustee shall be entitled instead to recognize and deal with, for all purposes hereunder, only the Entity that is listed on the proof of claim filed with respect thereto or on the Schedules as the Holder thereof as of the close of business on the Distribution Record Date and upon such other

evidence or record of transfer or assignment that is known to the Liquidating Trustee as of the Distribution Record Date.

4. Manner of Cash Payments Under the Plan or Liquidating Trust Agreement. Cash payments made pursuant to the Plan or Liquidating Trust Agreement shall be in United States dollars by checks drawn on a domestic bank selected by the Liquidating Trustee or by wire transfer from a domestic bank, at the option of the Liquidating Trustee.

5. Time Bar to Cash Payments by Check. Checks issued by the Liquidating Trustee on account of Allowed Claims shall be null and void if not negotiated within 90 days after the date of issuance thereof. Requests for the reissuance of any check that becomes null and void pursuant to this Article shall be made directly to the Liquidating Trustee by the Holder of the Allowed Claim to which the check was originally issued. Any Claim in respect of such voided check shall be made in writing on or before the later of six months from the Effective Date or 90 days after the date of issuance thereof. After that date, all Claims in respect of voided checks shall be discharged and forever barred and the proceeds of those checks shall revert in and become the property of the Liquidating Trust as unclaimed property in accordance with Section 347(b) of the Bankruptcy Code.

**K. Liquidating Trust Assets Account.**

Unless otherwise provided in the Confirmation Order, the Liquidating Trust Assets Account shall be invested by the Liquidating Trustee in a manner consistent with the objectives of Section 345(a) of the Bankruptcy Code and in its reasonable and prudent exercise of discretion. The Liquidating Trustee shall have no obligation or liability to Beneficiaries in

connection with such investments in the event of any unforeseeable insolvency of any financial institution where such funds are held.

**L. Resolution of Disputed Claims.**

1. No Distribution Pending Allowance. Notwithstanding any other provision of the Plan, the Liquidating Trustee shall not Distribute any Cash or other property on account of any Disputed Claim unless and until such Claim becomes Allowed. Nothing contained herein, however, shall be construed to prohibit or require payment or Distribution on account of any undisputed portion of a Claim.

2. Resolution of Disputed Claims. Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Liquidating Trustee shall have the right to the exclusion of all others (except as to the Professionals' applications for allowance of compensation and reimbursement of expenses under Sections 330 and 503 of the Bankruptcy Code) to make, file, prosecute, settle, withdraw, or resolve objections to Claims. The costs of pursuing the objections to Claims shall be borne by the Liquidating Trust. From and after the Confirmation Date, all objections with respect to Disputed Claims shall be litigated to a Final Order except to the extent, subject to the approval of the Liquidation Trust Advisory Committee in accordance with the terms of the Liquidating Trust Agreement, the Liquidating Trustee elects to withdraw any such objection or the Liquidating Trustee and the Claimant elect to compromise, settle, or otherwise resolve any such objection, in which event they may settle, compromise, or otherwise resolve any Disputed Claim or Disputed Equity Interest without approval of the Bankruptcy Court.



3. **Objection Deadline.** All objections to Disputed Claims shall be filed and served upon the Claimant not later than the Claims Objection Deadline. If and when the Liquidating Trustee ever determines that there is likely to be remaining Liquidation Proceeds realized by the Liquidating Trust after the payment in full of all Liquidating Trust expenses, Allowed Administrative Claims, Allowed Priority Claims, Allowed Secured Claims, and Allowed Unsecured Claims, with interest accrued from and after the Petition Date, the Liquidating Trustee will file a notice to this effect with the Bankruptcy Court.

4. **Estimation of Claims.** At any time, (a) prior to the Effective Date, the Debtors, and (b) after the Effective Date, the Liquidating Trustee, may request that the Bankruptcy Court estimate any contingent or unliquidated Claim to the extent permitted by Section 502(c) of the Bankruptcy Code regardless of whether the Debtors or the Liquidating Trust have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall have jurisdiction to estimate any Claim at any time during Litigation concerning any objection to such Claim, including during the pendency of any appeal relating to any such objection. If the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on the Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the Claim, the Debtors or the Liquidating Trust, as applicable, may elect to pursue supplemental proceedings to object to the ultimate allowance of the Claim. All of the aforementioned Claims objection, estimation, and resolution procedures

are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism of the Bankruptcy Court.

5. Disallowance of Claims.

(a) Except as otherwise agreed, any and all proofs of claim filed after the Bar Date shall be deemed disallowed as of the Effective Date without any further notice or action, order, or approval of the Bankruptcy Court, and Holders of such Claims may not receive any Distributions on account of such Claims, unless on or before the Confirmation Date the Bankruptcy Court has entered an order deeming such Claim to be timely filed; *provided, however,* that such Claims shall be deemed Allowed (unless Disputed) after the payment in full of all Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Secured Claims, Allowed Priority Claims, and all Allowed Unsecured Claims. For the avoidance of doubt, Holders of Equity Interests shall not be paid from the Liquidating Trust unless and until the full payment of all Allowed Claims for which a proof of claim was filed after the Bar Date.

(b) Any Claims held by Entities from which property is recoverable under Sections 542, 543, 550, or 553 of the Bankruptcy Code or Entities that are transferees of transfers avoidable under Section 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code, provided that such Cause of Action is retained by the Liquidating Trust, shall be deemed disallowed pursuant to Section 502(d) of the Bankruptcy Code, and Holders of such Claims may not receive any Distributions on account of such Claims until such time as such Causes of Action against that Entity have been resolved or a Bankruptcy Court order with

respect thereto has been entered and all sums due, if any, to the Estates by that Entity have been turned over or paid to the Debtors or Liquidating Trust.

6. Adjustment Without Objection. Any Claim that has been paid or satisfied, or any Claim that has been amended or superseded, may be adjusted or expunged on the Claims Register at the direction of the Debtors or the Liquidating Trustee, as applicable, without an objection filed and without further notice to or action, order, or approval of the Bankruptcy Court.

**M. Reserve Provisions for Disputed Claims.**

1. Establishment of Disputed Reserves. On or after the Effective Date, the Liquidating Trustee, with the consent of the Liquidating Trust Advisory Committee, shall reserve Cash reserves for the treatment of Disputed Claims (the "Disputed Claim Reserve"). On each Distribution date after the Effective Date in which the Liquidating Trustee makes Distributions to Holders of Allowed Claims, the Liquidating Trustee shall retain on account of Disputed Claims an amount the Liquidating Trustee estimates is necessary to fund the Pro Rata Share of such Distributions to Holders of Disputed Claims if such Claims were Allowed, with any Disputed Claims that are unliquidated or contingent being reserved in an amount reasonably determined by the Liquidating Trustee.

2. Maintenance of Disputed Reserves. The Liquidating Trust shall hold property in the Disputed Claim Reserve in trust for the benefit of the Holders of Claims ultimately determined to be Allowed. Each Reserve shall be closed and extinguished by the Liquidating Trust when all Distributions and other dispositions of Cash of other property required to be made

hereunder will have been made in accordance with the terms of the Plan. Upon closure of a Disputed Reserve, all Cash or other property held in that Disputed Reserve shall revert in and become unrestricted property of the Liquidating Trust. All funds or other property that vest or revert in the Liquidating Trust pursuant to this paragraph shall be (a) used to pay the fees and expenses of the Liquidating Trust as and to the extent set forth in the Liquidating Trust Agreement, and (b) thereafter distributed on a Pro Rata basis to Holders of Allowed Claims.

3. Limitations on Funding Disputed Reserves. Except as expressly set forth in the Plan, neither the Debtors nor the Liquidating Trustee shall have any duty to fund the Disputed Reserves.

**N. Rounding.**

Whenever any payment of a fraction of a cent would otherwise be called for, the actual distribution shall reflect a rounding of such fraction down to the nearest cent.

**O. No Interim Cash Payments of Less Than \$50 on Account of Allowed Claims.**

Notwithstanding anything herein to the contrary, except with respect to Administrative, Priority Tax, Secured and Priority Claims, if a Distribution to be made to a Holder of an Allowed Claim on the Initial Distribution Date or any Subsequent Distribution Date would be \$50 or less in the aggregate, no such Distribution will be made to that Holder unless a request therefor is made in writing to the Liquidating Trustee no later than 20 days after the Effective Date. Such Cash shall be held for such Holder until the earlier of (i) the next time an interim distribution is made to the Holders of Allowed Claims (unless the distribution would still be less than \$50, in

which case this Section shall again apply), or (ii) subject to Section P below, the date on which Final Distributions are made to the Holders of Allowed Claims.

**P. Delivery of Distributions and Unclaimed Property.**

1. Delivery of Distributions. Subject to Bankruptcy Rule 9010 and except as otherwise provided herein, Distributions to the Holders of Allowed Claims shall be made by the Liquidating Trustee at (a) the address of each Claimant as set forth in the Schedules, unless superseded by the address set forth on proof(s) of claim filed by such Claimant, or (b) the last known address of such Claimant if no proof of claim is filed or the Debtors have been notified in writing of a change of address. If any Distribution is returned as undeliverable, the Liquidating Trustee may, in its discretion, make reasonable efforts to determine the current address of the Holder of the Claim with respect to which the Distribution was made as the Liquidating Trustee deems appropriate, but no Distribution to any such Holder shall be made unless and until the Liquidating Trustee has determined the then-current address of such Holder, at which time the Distribution to such Holder shall be made without interest. Amounts in respect of any undeliverable Distributions shall be returned to, and held in trust by, the Liquidating Trustee until the Distributions are claimed or are deemed to be unclaimed property under Section 347(b) of the Bankruptcy Code, as set forth in Article V, Paragraph J of the Plan. The Liquidating Trustee shall have the discretion to determine how to make Distributions in the most efficient and cost-effective manner possible; *provided, however*, that its discretion may not be exercised in a manner inconsistent with any express requirements of the Plan or Liquidating Trust Agreement. On or about the time that the Final Distribution is made, the Liquidating Trustee

may make a charitable donation with undistributed funds if, in the reasonable judgment of the Liquidating Trustee, the cost of calculating and making the Final Distribution of the remaining funds is excessive in relation to the benefits to the holders of Claims that would otherwise be entitled to such Distributions, and such charitable donation is provided to an entity not otherwise related to the Debtors or the Liquidating Trustee.

2. Unclaimed Property. Except with respect to property not distributed because it is being held in a Disputed Reserve, Distributions that are not claimed by the later of the expiration of six (6) months from the Effective Date or (90) days after the date of a Distribution shall be deemed to be unclaimed property under Section 347(b) of the Bankruptcy Code and shall vest or revert in the Liquidating Trust, and the Claims with respect to which those Distributions are made shall be automatically cancelled. After the expiration of that period, the claim of any Entity to those Distributions shall be discharged and forever barred. Nothing contained in the Plan shall require the Liquidating Trust to attempt to locate any holder of an Allowed Claim. All funds or other property that vest or revert in the Liquidating Trust pursuant to this Article shall be distributed by the Liquidating Trustee to the other holders of Allowed Claims in accordance with the provisions of the Plan or the Liquidating Trust Agreement.

**Q. Withholding Taxes.**

In connection with making Distributions under this Plan, to the extent applicable, the Liquidating Trustee shall comply with all tax withholding and reporting requirements imposed on it by any Governmental Unit, and all Distributions pursuant to this Plan shall be subject to such withholding and reporting requirements. The Liquidating Trustee may withhold the entire

Distribution to any Holder of an Allowed Claim until such time as such Holder provides the necessary information to comply with any withholding requirements of any Governmental Unit.

Any property so withheld will then be paid by the Liquidating Trustee to the appropriate authority. If the Holder of an Allowed Claim fails to provide the information necessary to comply with any withholding requirements of any Governmental Unit within six months after the date of first notification to the Holder of the need for such information or for the Cash necessary to comply with any applicable withholding requirements, then such Holder's

Distribution shall be treated in accordance with Article V, Paragraph P of the Plan.

**R. United States Trustee Fees.**

All outstanding amounts due under 28 U.S.C. § 1930 that have not been paid shall be paid by the Debtors on or before the Effective Date. Thereafter, the Liquidating Trustee shall pay any statutory fees due pursuant to 28 U.S.C. § 1930(a)(6) and such fees shall be paid until entry of a Final Decree or an order converting or dismissing the Chapter 11 Cases.

**S. Books and Records.**

The Debtors shall transfer dominion and control over all of their books and records, in whatever form, manner or media, including, without limitation, the specific provision and presentation, to the Liquidating Trustee of all passcodes for security systems and computers, keys, keycards, and notice letters to landlords, warehousemen or other relevant parties.

VI.

**TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

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

Except with respect to executory contracts or unexpired leases that: (i) were previously assumed or rejected by order of the Bankruptcy Court, and (ii) are the subject of a pending motion to assume or reject, pursuant to Section 365 of the Bankruptcy Code, on the Effective Date, each executory contract and unexpired lease entered into by Debtors prior to the Petition Date that has not previously expired or terminated pursuant to its own terms shall be deemed rejected pursuant to Section 365 of the Bankruptcy Code; *provided, however*, that nothing in this Section VI.A shall cause the rejection, breach, or termination of any contract of insurance benefiting the Debtors and their Estates and/or the Liquidating Trust. Furthermore, this Plan shall be deemed a motion to assume such insurance contracts. Nothing in this Article VI shall be construed as an acknowledgement that a particular contract or agreement is executory or is properly characterized as a lease. The Confirmation Order shall constitute an order of the Bankruptcy Court approving such rejections pursuant to Section 365 of the Bankruptcy Code, as of the Effective Date. The non-Debtor parties to any rejected personal property leases shall be responsible for taking all steps necessary to retrieve the personal property that is the subject of such executory contracts and leases, and the Liquidating Trust shall bear no liability for costs associated with such matters.

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

All proofs of claim with respect to Claims arising from the rejection of executory contracts or unexpired leases pursuant to Confirmation of the Plan, if any, must be filed with the



Claims Agent within thirty (30) days after the earlier of the Effective Date or an order of the Bankruptcy Court approving such rejection. Any Claim arising from the rejection of an executory contract or unexpired lease pursuant to Confirmation of the Plan that is not filed within such times will be subject to objection. All such Claims for which Proofs of Claim are timely and properly filed and ultimately Allowed will be treated as Unsecured Claims subject to the provisions of Article 3 hereof.

**C. D&O Liability Insurance Policies**

Notwithstanding anything herein to the contrary, as of the Effective Date, the Debtors shall assume all of the D&O Liability Insurance Policies pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Debtors' assumption of the D&O Liability Insurance Policies. Notwithstanding anything to the contrary contained herein, Confirmation of the Plan shall not discharge, impair or otherwise modify any obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such obligation shall be deemed and treated as an executory contract that has been assumed by the Debtors under the Plan as to which no Proof of Claim need be Filed. To the extent one or more of the D&O Liability Insurance Policies provide potential coverage related to one or more Causes of Action the Debtors shall, to the extent permissible under each D&O Liability Insurance Policy, assign all of their respective rights thereunder with respect to the Causes of Action to the Litigation Trust and, the Debtors and the Litigation Trustee shall otherwise reasonably cooperate in diligently pursuing such recoveries, and the Debtors shall promptly transfer any recovery received by them to the Litigation Trust, all net proceeds (including, for the avoidance of doubt, net of any deductibles or retentions) of D&O Liability Insurance Policies received by the Litigation Trust shall be treated as proceeds of the Causes of

Action for all purposes under the Plan. The Debtors shall take no action to or otherwise impair the D&O Liability Insurance Policies. Nothing in this Plan shall diminish or impair the enforceability of the D&O Liability Insurance Policies and related agreements that may cover Claims and Causes of Action against the Debtors or any other Entity.

**D. Other Insurance Policies**

Notwithstanding anything herein to the contrary, as of the Effective Date, the Debtors shall assume all of the Other Insurance Policies pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Debtors' assumption of the Other Insurance Policies. Notwithstanding anything to the contrary contained herein, Confirmation of the Plan shall not discharge, impair or otherwise modify any obligations assumed by the foregoing assumption of the Insurance Policies, and each such obligation shall be deemed and treated as an executory contract that has been assumed by the Debtors under the Plan as to which no Proof of Claim need be Filed. To the extent permissible under each Other Insurance Policy, the Debtors shall assign all of their respective rights thereunder to the Litigation Trust. The Debtors shall take no action to or otherwise impair the Other Insurance Policies. Nothing in this Plan shall diminish or impair the enforceability of the Other Insurance Policies and related agreements.

**VII.**

**CONDITIONS PRECEDENT TO CONFIRMATION**

**OF THE PLAN AND TO THE EFFECTIVE DATE**

**A. Conditions to Confirmation of the Plan.**

Confirmation of this Plan is conditioned upon the satisfaction of each of the following conditions precedent, any one or more of which may be waived by the Debtors, in consultation with the Committee: (i) the Bankruptcy Court shall have approved a disclosure statement to this Plan in form and substance acceptable to the Debtors, and (ii) the Bankruptcy Court shall have signed the Confirmation Order and entered it on the docket of the Debtors' Chapter 11 Cases.

**B. Effect of Failure of Conditions to Confirmation.**

If any one or more of the conditions in Section VII.A is not met, the Debtors may withdraw this Plan and, if withdrawn, this Plan shall be of no further force or effect.

**C. Conditions to Effective Date.**

The occurrence of the Effective Date is conditioned upon the satisfaction of each of the following conditions precedent, any one or more of which may be waived by the Debtors, in consultation with the Committee: (i) the Confirmation Order shall have become a Final Order which is not subject to any stay of effectiveness; and (ii) the appointment of the Liquidating Trustee shall have been confirmed by order of the Bankruptcy Court, which may be the Confirmation Order.

**D. Substantive Consolidation of the Debtors' Estates.**

1. Substantive Consolidation Order.

The Plan shall serve as a motion seeking entry of an order substantively consolidating the Estates and these Chapter 11 Cases. Unless an objection to substantive consolidation is made in writing by any Creditor affected by the Plan as herein provided on or before the Plan Objection Deadline, an order substantively consolidating the Estates and these Chapter 11 Cases may be entered by the Bankruptcy Court, which order may be the Confirmation Order. In the event any such objections are timely filed, a hearing with respect thereto shall be scheduled by the Bankruptcy Court, which hearing may, but need not, coincide with the Confirmation Hearing.

2. Effect/Extent of Substantive Consolidation.

In effectuation of such substantive consolidation, on the Effective Date: (a) no Distributions will be made under the Plan on account of the Intercompany Claims, if any; (b) the guarantees of the Debtors will be deemed eliminated so that any Claim against one or more Debtors and any guarantee thereof executed by any Debtor and any joint and several liability of the Debtors with one another will be deemed to be one obligation of these Debtors; and (c) each and every Claim against the Debtors will be deemed asserted as a single Claim against the Liquidating Trust as a whole, and will be treated in the same Class regardless of the Debtor. Additionally, notwithstanding the substantive consolidation herein, substantive consolidation shall not affect the obligation of each of the Debtors under 28 U.S.C. § 1930(a)(6) until a particular case is closed, converted, or dismissed.

3. Reservation of Rights.

The Debtors reserve the right at any time up to the conclusion of the Confirmation Hearing to withdraw their request for substantive consolidation of these Chapter 11 Cases, to

seek Confirmation of the Plan as if there were no substantive consolidation, and to seek Confirmation of the Plan with respect to one Debtor even if Confirmation with respect to the other Debtors is denied.

**E. Effective Date.**

Provided the above-referenced conditions to the occurrence of the Effective Date are satisfied, this Plan shall become effective on the Effective Date.

**VIII.**

**EFFECTS OF CONFIRMATION**

**A. Binding Effect of Plan.**

The provisions of the confirmed Plan shall bind the Debtors, the Liquidating Trust, the Liquidating Trustee, any Entity acquiring property under the Plan, and any Creditor or Equity Interest Holder, whether or not such Creditor or Equity Interest Holder has filed a Proof of Claim or Equity Interest in the Chapter 11 Cases, whether or not the Claim of such Creditor or the Equity Interest of such Equity Interest Holder is impaired under the Plan, and whether or not such Creditor or Equity Interest Holder has accepted or rejected the Plan. All Claims and Debts shall be fixed and adjusted pursuant to this Plan. This Plan shall also bind any taxing authority, recorder of deeds, or similar official for any county, state, or Governmental Unit or parish in which any instrument related to under this Plan or related to any transaction contemplated under this Plan is to be recorded with respect to any taxes of the kind specified in Bankruptcy Code Section 1146(a).

**B. Vesting of Property of Debtors in the Liquidating Trust.**

Upon the Effective Date, title to all property of the Estates of the Debtors in the Chapter 11 Cases shall vest in the Liquidating Trust and shall be retained by the Liquidating Trust for the purposes contemplated under this Plan pursuant to the Liquidating Trust Agreement. Without limiting the generality of the foregoing, all Causes of Action, Litigation Recoveries, rights to Liquidation Proceeds, and all resulting Trust Assets earmarked for distribution to Creditors under the Plan shall vest in the Liquidating Trust upon the Effective Date and shall no longer constitute property of the Estates.

**C. Property Free and Clear.**

Except as otherwise provided in this Plan or the Confirmation Order, all property that shall vest in the Liquidating Trust shall be free and clear of all Claims, Equity Interests, Liens, interests, charges, or other encumbrances of Creditors or Interest Holders, other than as set forth herein, in the Liquidating Trust Agreement, and in relevant documents, agreements, and instruments contained in the Plan Supplement, which Plan Supplement documents, agreements, and instruments shall be in form and substance acceptable to the Committee. Following the Effective Date, the Liquidating Trustee may transfer and dispose of any such property free of any restrictions imposed by the Bankruptcy Code or the Bankruptcy Rules and without further approval of the Bankruptcy Court or notice to Creditors, except as may otherwise be required under the Plan or the Confirmation Order.

**D. Limitation of Liability.**

**The Debtors, the Committee and each of their respective officers, directors,**

shareholders, members, managers, employees, agents, advisors, accountants, attorneys, and representatives and their respective property (collectively, the “Exculpated Parties”), will neither have nor incur any liability to any entity for any action in good faith taken or omitted to be taken after the Petition Date in connection with or related to the Chapter 11 Cases or the formulation, preparation, dissemination, implementation, Confirmation, or Consummation of the Plan, the Disclosure Statement, or any agreement created or entered into in connection with the Plan; *provided, however*, that this limitation will not affect or modify the obligations created under this Plan, or the rights of any Holder of an Allowed Claim to enforce its rights under the Plan, and shall not release any action (or inaction) constituting willful misconduct, fraud, or gross negligence (in each case subject to determination of such by final order of a court of competent jurisdiction); *provided that* any Exculpated Party shall be entitled to reasonably rely upon the advice of counsel with respect to its duties and responsibilities (if any) under this Plan, and such reasonable reliance shall form an absolute defense to any such claim, cause of action, or liability. Without limiting the generality of the foregoing, each Exculpated Party shall be entitled to and granted the protections of Section 1125(e) of the Bankruptcy Code. Except as specifically set forth in Section 8(E)(1)(a) below, no provision of this Plan or the Disclosure Statement shall be deemed to act to or release any claims, Causes of Action, Litigation claims or rights, or liabilities that the Liquidating Trust or the Estates may have against any Entity or person for any act, omission, or failure to act that occurred prior to the Petition Date, nor shall any provision of this Plan be deemed to act to release any Causes of

**Action, Litigation, or Litigation claims.**

**E. Releases.**

**Each Person or Entity participating in Distributions under the Plan or pursuant to the Plan, for itself and its respective successors, assigns, transferees, current and former officers, directors, agents, financial advisors, attorneys, employees, partners, affiliates, and representatives, in each case in their capacity as such, who affirmatively votes to accept the Plan and who does not elect to “opt-out” by marking the appropriate box on their respective ballot, shall, by virtue of Sections 1126(c) and 1141(a) of the Bankruptcy Code, be deemed to have released any and all Claims and Causes of Action against the Released Parties and their respective property; provided, however, that for the avoidance of doubt, any Claims or Causes of Action against the officers and directors of the Debtors related to the period prior to the Petition Date shall not be released and are fully preserved, unless otherwise released as part of the Sale Agreement.**

**F. Injunction.**

**In implementation of the Plan, except as otherwise expressly provided in the Confirmation Order or the Plan, and except in connection with the enforcement of the terms of the Plan or any documents provided for or contemplated in the Plan, all entities who have held, hold or may hold Claims against or Interests in the Debtors, the Liquidating Trust, or the Estates that arose prior to the Effective Date are permanently enjoined from: (a) commencing or continuing in any manner, directly or indirectly, any action or other proceeding of any kind against the Debtors, the Estates, the Liquidating Trust, or any property of the Liquidating Trust, the Debtors, or the Estates with respect to any such Claim or Interest; (b) the enforcement, attachment, collection, or recovery by any**



manner or means, directly or indirectly, of any judgment, award, decree, or order against the Debtors, the Estates, the Liquidating Trust, or any property of the Liquidating Trust, the Debtors, or the Estate with respect to any such Claim or Interest; (c) creating, perfecting, or enforcing, directly or indirectly, any Lien or encumbrance of any kind against the Debtors, the Estates, or the Liquidating Trust, or any property of the Liquidating Trust, the Debtors, or the Estates with respect to any such Claim or Interest; and (d) any act, in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan with respect to such Claim or Interest. Nothing contained in this Section shall prohibit the Holder of a timely-filed Proof of Claim from litigating its right to seek to have such Claim declared an Allowed Claim and paid in accordance with the distribution provisions of this Plan, or enjoin or prohibit the interpretation or enforcement by the Claimant of any of the obligations of the Debtors or the Liquidating Trust under this Plan.

G. **Preservation of Rights of Action.**

1. Vesting of Causes of Action.

(a) Except as otherwise provided in the Plan or Confirmation Order, in accordance with Section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that the Debtors may hold against any Entity shall vest upon the Effective Date in the Liquidating Trust.

(b) Except as otherwise provided in the Plan or Confirmation Order, after the Effective Date, the Liquidating Trustee shall have the exclusive right to institute, prosecute, abandon, settle, or compromise any Causes of Action, in accordance with the terms of the Liquidating Trust Agreement and without further order of the Bankruptcy Court, in any court or

other tribunal, including, without limitation, in an adversary proceeding filed in one or more of the Chapter 11 Cases.

(c) Causes of Action and recoveries therefrom shall remain the sole property of the Liquidating Trust, for the Beneficiaries of the Liquidating Trust, and holders of Claims shall have no right to any such recovery.

2. Preservation of All Causes of Action Not Expressly Settled or Released

(a) Unless a Cause of Action against a holder of a Claim or other Entity is expressly waived, relinquished, released, compromised, or settled in the Plan or any final Order (including the Confirmation Order), the Debtors and the Liquidating Trustee expressly reserve such retained Cause of Action for later adjudication by the Debtors or the Liquidating Trustee (including, without limitation, Causes of Action not specifically identified or described in the Plan Supplement or elsewhere, or of which the Debtors may be presently unaware, or which may arise or exist by reason of additional facts or circumstances unknown to the Debtors at this time, or facts or circumstances that may change or be different from those the Debtors now believe to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise) or laches shall apply to such Causes of Action upon or after the entry of the Confirmation Order or Effective Date based on the Disclosure Statement, Plan, or Confirmation Order, except where such Causes of Action have been released or otherwise resolved by a final Order (including the Confirmation Order). In addition, the Debtors and Liquidating Trustee expressly reserve the right to pursue or adopt claims alleged in any lawsuit in which the Debtors are a defendant or an interested party against any Entity, including, without limitation, the plaintiffs or co-defendants in such lawsuits.

(b) Subject to the immediately preceding paragraph, and except as otherwise released under the Sale Agreement, any Entity to which the Debtors have incurred an obligation (whether on account of services, the purchase or sale of goods, or otherwise), or has received services from the Debtors or a transfer of money or property of the Debtors, or has received services from the Debtors or a transfer or money or property of the Debtors, or has transacted business with the Debtors, or leased equipment or property from the Debtors, should assume that any such obligation, transfer, or transaction may be reviewed by the Liquidating Trustee subsequent to the Effective Date and may be the subject of an action after the Effective Date, regardless of whether (i) such Entity has filed a proof of claim against the Debtors in these Chapter 11 Cases; (ii) the Debtors or Liquidating Trustee have objected to any such Entity's proof of claim; (iii) any such Entity's Claim was included in the Schedules; (iv) the Debtors or Liquidating Trustee have objected to any such Entity's scheduled Claim; or (v) any such Entity's scheduled Claim has been identified by the Debtors or Liquidating Trustee as disputed, contingent, or unliquidated.

## **IX.**

### **RETENTION OF JURISDICTION**

From and after the Confirmation Date, the Bankruptcy Court shall retain such jurisdiction as is legally permissible, including, but not limited to, for the following purposes:

1. To hear and determine any and all objections to the allowance of a Claim, actions to equitably subordinate a Claim, approval of any necessary claims reconciliation protocols, or any controversy as to the classification of a Claim in a particular Class under the Plan;

2. To administer the Plan, the Liquidating Trust, the Trust Assets and the Trust Proceeds;
3. To liquidate any Disputed Claims;
4. To hear and determine any and all adversary proceedings, contested matters or applications pending on the Effective Date or otherwise relating to, arising from, or in connection with the Litigation; *provided, however*, that the Liquidating Trustee shall reserve the right to commence actions in all appropriate jurisdictions;
5. To hear and determine any and all motions and/or objections to fix and allow any Claims arising therefrom;
6. To hear and determine any and all applications by Professionals for an award of Professional Fees;
7. To enable the Liquidating Trustee to commence and prosecute any Litigation which may be brought after the Effective Date;
8. To interpret and/or enforce the provisions of the Plan and the injunction provided for in the Plan and to determine any and all disputes arising under or regarding interpretation of the Plan or any agreement, document, or instrument contemplated by the Plan;
9. To enter and implement such orders as may be appropriate in the event Confirmation is for any reason stayed, reversed, revoked, modified, or vacated;
10. To modify any provision of the Plan to the extent permitted by the Bankruptcy Code and to correct any defect, cure any omission, or reconcile any inconsistency in

the Plan or in the Confirmation Order as may be necessary to carry out the purposes and intent of the Plan;

11. To enter such orders as may be necessary or appropriate in furtherance of Confirmation and the successful implementation of the Plan and to determine such other matters as may be provided for in the Confirmation Order or as may be authorized under the provisions of the Bankruptcy Code;

12. To enter any orders as required by Rule 23 of the Federal Rules of Civil Procedure; and

13. To close the Chapter 11 Cases when administration of the Liquidating Trust and the Cases have been completed.

**X.**

**MISCELLANEOUS**

**A. Revocation of Plan of Reorganization.**

The Debtors reserve the right to revoke and withdraw the Plan at any time on or before the Confirmation Date. If the Debtors revoke or withdraw the Plan pursuant to this Section, or if Confirmation or the Effective Date does not occur, then the Plan shall be deemed null and void and, in such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Debtors or any other entity or to prejudice in any manner the rights of the Debtors or any entity in any further proceedings involving the Debtors.

**B. Severability of Plan Provisions.**

In the event that, prior to the Confirmation Date, any term or provision of this Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall, with the consent of the Debtors, have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions hereof shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision hereof, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

**C. Exhibits.**

All exhibits attached to this Plan, the Plan Supplement, or the Disclosure Statement are, by this reference, hereby incorporated into the Plan. The final version of all Exhibits to the Plan, the Plan Supplement, and the Disclosure Statement will be substantially in the forms attached hereto or thereto. The Debtors reserve the right to make non-substantive changes and corrections to such Exhibits in advance of the Confirmation Hearing. If any Exhibits are changed or corrected, the replacement Exhibits will be filed with the Bankruptcy Court prior to the commencement of the Confirmation Hearing.

**D. Notices.**

All notices required or permitted to be made in accordance with the Plan shall be in writing and shall be delivered personally or by nationally recognized overnight or next-day courier service, first-class mail, electronic mail, or via facsimile with electronic confirmation of receipt as follows:

Pachulski Stang Ziehl & Jones LLP  
919 North Market Street, 17th Floor  
Wilmington, DE 19899-8705 (Courier 19801)  
Tel. 302-652-4100, Fax 302-652-4400  
Attn: Michael R. Seidl  
mseidl@pszjlaw.com

- and -

Bryan Cave LLP  
One Metropolitan Square  
211 N. Broadway, Suite 3600  
St. Louis, MO 63102  
Tel. 314-259-2000, Fax 314-259-2500  
Attn: Brian C. Walsh  
Brian.walsh@bryancave.com

- and -

Cooley LLP  
1114 Avenue of the Americas  
New York, NY 10036  
Tel. 212-479-6000, Fax 212-479-6275  
Attn: Jay Indyke  
Jeffrey L. Cohen  
jindyke@cooley.com  
jcohen@cooley.com

**E. Reservation of Rights.**

Neither the filing of the Plan nor any statement or provision contained in the Plan or in the Disclosure Statement, nor the taking by any party in interest of any action with respect to the

Plan, shall: (a) be or be deemed to be an admission against interest, and (b) until the Effective Date, be or be deemed to be a waiver of any rights any party in interest may have (i) against any other party in interest, or (ii) in any of the assets of any other party in interest, and, until the Effective Date, all such rights are specifically reserved. In the event that the Plan is not confirmed or fails to become effective, neither the Plan nor the Disclosure Statement nor any statement contained in the Plan or in the Disclosure Statement may be used or relied upon in any manner in any suit, action, proceeding, or controversy within or without these Chapter 11 Cases involving the Debtors, except with respect to Confirmation of the Plan.

**F. Defects, Omissions and Amendments.**

The Debtors may, with the approval of the Bankruptcy Court and without notice to all Holders of Claims or Interests, insofar as it does not materially and adversely affect Holders of Claims, correct any defect, omission, or inconsistency in the Plan in such manner and to such extent as may be necessary or desirable to expedite the execution of the Plan. The Plan may be altered or amended before or after Confirmation as provided in Section 1127 of the Bankruptcy Code if, in the opinion of the Bankruptcy Court, the modification does not materially and adversely affect the interests of Holders of Claims, so long as the Plan, as modified, complies with Sections 1122 and 1123 of the Bankruptcy Code and the Debtors have complied with Section 1125 of the Bankruptcy Code. The Plan may be altered or amended before or after the Confirmation Date but, prior to substantial Consummation, in a manner which, in the opinion of the Bankruptcy Court, materially and adversely affects Holders of Claims, so long as the Plan, as modified, complies with Bankruptcy Code Sections 1122 and 1123, the Debtors have complied



with Bankruptcy Code Section 1125 and, after notice and a hearing, the Bankruptcy Court confirms such Plan, as modified, under Bankruptcy Code Section 1129.

**G. Filing of Additional Documents.**

The Debtors shall file with the Bankruptcy Court such agreements, instruments, pleadings, orders, papers, or other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

**H. Successors and Assigns.**

The rights, benefits, and obligations of any entity named or referred to in this Plan shall be binding on, and shall inure to the benefit of, the heirs, executors, administrators, successors, and/or assigns of such entity.

**I. Setoffs and Recoupments.**

The Liquidating Trust may, but shall not be required to, set off against or recoup from the payments to be made pursuant to this Plan in respect of a Claim, any claim of any nature whatsoever that the Debtors, the Liquidating Trust, or the Estates, as applicable, may have against the Holder of such Claim, but neither the failure to do so or the allowance of any Claim hereunder shall constitute a waiver or release of any such claim by the Debtors, the Liquidating Trust, or the Estates, against such Holder.

**J. Tax Exemption**

Pursuant to Section 1146 of the Bankruptcy Code, the issuance, transfer, or exchange of any security under this Plan, or the execution, delivery, or recording of an instrument of transfer pursuant to, in implementation of, or as contemplated by this Plan, including, without limitation,

any transfers to or by the Debtors, if on the Effective Date, and the Liquidating Trustee, if after the Effective Date, of the Debtors' property in implementation of or as contemplated by this Plan (including, without limitation, any subsequent transfer of property by the Liquidating Trust) shall not be taxed under any state or local law imposing a stamp tax, transfer tax, or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or Governmental Unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, intangible tax, or similar tax.

**K. Securities Exemption**

Any rights issued under, pursuant to, or in effecting this Plan, and the offering and issuance thereof by any party, including without limitation, the Liquidating Trustee or the Liquidating Trust, shall be exempt from Section 5 of the Securities Act of 1933, if applicable, and from any state or federal securities laws requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, or broker or dealer in, a security, and shall otherwise enjoy all exemptions available for distributions of securities under a plan of reorganization in accordance with all applicable law, including without limitation, Section 1145 of the Bankruptcy Code.

**L. Plan Interest Rate.**

If and to the extent it is determined by the Bankruptcy Court that interest is required to be paid on an Allowed Claim other than as set forth in this Plan, the interest rate to be used shall be the Plan Interest Rate as determined by the Bankruptcy Court for such Claim.

**M. Implementation.**

Upon Confirmation, the Debtors shall be authorized to take all steps and execute all documents necessary to effectuate the provisions contained in the Plan.

**N. Record Date.**

To the extent a “Record Date” is required for implementation of this Plan, the record date shall be the voting record date established by the Bankruptcy Court in the order approving the Disclosure Statement or such other date as the Bankruptcy Court may set.

**O. Certain Actions.**

1. By reason of entry of the Confirmation Order, prior to, on, or after the Effective Date (as appropriate), all matters provided for under the Plan that would otherwise require approval of directors or stockholders of the Debtors under the Plan, including, without limitation, (i) the distribution of Cash pursuant to the Plan, (ii) the adoption, execution, delivery, and implementation of all contracts, leases, instruments, releases, and other agreements or documents related to the Plan, and (iii) the adoption, execution, and implementation of other matters provided for under the Plan involving the company or organizational structure of the Debtors, shall be deemed to have occurred and shall be in effect prior to, on or after the Effective Date (as appropriate), pursuant to the applicable general corporation, limited liability, or

partnership law of the state in which the applicable Debtor is chartered, organized, or incorporated, without any requirement of further action by the directors and stockholders of the Debtors.

2. Effective upon the Effective Date, each of the Debtors' formation documents shall each be deemed amended to prohibit the issuance by the Debtors of nonvoting securities to the extent required under Section 1123(a)(6) of the Bankruptcy Code.

3. On or as soon as practicable following the Effective Date, the Liquidating Trustee shall be authorized to cancel, annul, and extinguish all Equity Interests.

**P. Waiver of Fourteen-Day Stay.**

The Debtors request as part of the Confirmation Order a waiver from the Bankruptcy Court of the 14-day stay of Bankruptcy Rule 3020(e) and, to the extent applicable, a waiver of the 14-day stay of Bankruptcy Rule 6004(g).

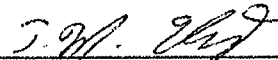
**Q. Substantial Consummation.**

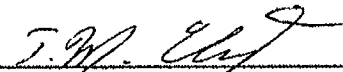
On the Effective Date, the Plan shall be deemed substantially consummated under Bankruptcy Code Sections 1101 and 1127(b).

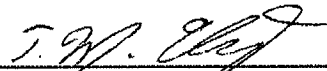
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Dated: September 1, 2016

Respectfully submitted,

  
\_\_\_\_\_  
ARCTIC SENTINEL, INC.  
By: Ming Cheung, its President

  
\_\_\_\_\_  
ARCTIC SENTINEL HOLDINGS, INC.  
By: Ming Cheung, its President

  
\_\_\_\_\_  
ARCTIC SENTINEL DIRECT, INC.  
By: Ming Cheung, its President

  
\_\_\_\_\_  
SENTINEL ARCTIC, INC.  
By: Ming Cheung, its President

**EXHIBIT B**  
**(LIQUIDATION ANALYSIS)**

**Arctic Sentinel, Inc.**

Liquidation Analysis

As of a 11/20/16 Effective Date

	Chapter 7	Chapter 11
<b>Estimated Cash at Effective Date</b>	<b>\$ 9,002,594</b>	<b>\$ 9,002,594</b>
<i>Trustee Fees and Incremental Legal Fees:</i>		
Chapter 7 Trustee Fee (3%)	\$ 270,078 [1]	\$ -
Ch. 7 Incremental Trustee Counsel (3%)	270,078 [2]	-
Ch. 11 Liquidating Trustee Fee	-	240,000 [3]
<b>Total Trustee Fees</b>	<b>\$ 540,156</b>	<b>\$ 240,000</b>
<b>Initial Creditor Recovery</b>	<b>\$ 8,462,438</b>	<b>\$ 8,762,594</b>
Additional Recoveries	TBD [4]	TBD [4]
Recovery Costs (Professional Fees) [5]	\$ (500,000)	\$ (500,000)
Chapter 7 Trustee Fee	TBD [6]	N/A
<b>Estimated Creditor Recovery [7]</b>	<b>\$ 7,962,438</b>	<b>\$ 8,262,594</b>

[1] 3% statutory rate.

[2] Assumes trustee hires own counsel and will incur costs and time to get up to speed.

[3] Liquidating Trustee has not been selected and actual fees may be different than estimated.

[4] Includes D&amp;O recovery, etc. and additional recoveries would be the same in a Chapter 7 and Chapter 11 proceeding.

[5] It is estimated that the costs to investigate and pursue any additional recoveries would be the same in a Chapter 7 and Chapter 11 proceeding and are estimated at \$500K. There would likely be incremental costs to pursue litigation.

[6] Assumes 3% of recoveries for a Chapter 7 trustee on additional recoveries.

[7] Estimated Creditor Recovery for all claim classes.