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**UNITED STATES BANKRUPTCY COURT**  
**WESTERN DISTRICT OF WASHINGTON AT SEATTLE**

In re:

VADIUM TECHNOLOGY, INC.,

Debtor.

Case No.: 12-10808

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**CHAPTER 11 PLAN OF VADIUM TECHNOLOGY, INC**

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**Dated: August 8, 2012**

**THE DISCLOSURE STATEMENT FOR THIS PLAN HAS BEEN APPROVED FOR SOLICITATION, OF THE PARTIES IN INTEREST, FOR ACCEPTANCE OR REJECTION BY THE DEBTOR PURSUANT TO AN ORDER OF THE COURT ENTERED ON AUGUST 8, 2012. THIS PLAN HAS NOT YET BEEN ACCEPTED, REJECTED OR CONFIRMED. THE VOTING DEADLINE FOR THIS PLAN IS SEPTEMBER 21, 2012, AND ALL VOTES TO ACCEPT OR REJECT THE PLAN NOT RECEIVED BY 5:00 P.M. PREVAILING PACIFIC TIME ON SEPTEMBER 21, 2012 WILL NOT BE COUNTED. THE CONFIRMATION HEARING FOR THE PLAN IS SCHEDULED FOR OCTOBER 5, 2012.**

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## **INTRODUCTION**

The Debtor in this Chapter 11 Case respectfully proposes the following Chapter 11 plan ("Plan"). Capitalized terms used in the Plan and not otherwise defined shall have the meanings ascribed to such terms in Article I.A hereof. The Objective of this Plan is to provide for the orderly sale of the Debtor's assets along with a reorganization and liquidation of the Debtor's business pursuant to an asset sale transaction and planned reorganization and liquidation of the Debtor's business that was initiated and in process prior to the filing of the Chapter 11 petition on January 30, 2012. A successful implementation of this Plan would see all of the Debtor's assets sold to the Purchaser in exchange for up to \$12.5 million in Cash and 10,477,500 in Common Stock of the Purchaser (the "Sale Proceeds" as defined below.) Concurrent with the closing of the sale of the Debtor's assets to the Purchaser, the Sale Proceeds would be distributed, pursuant to the terms and conditions of the Plan, to the Creditors and Interest holders of the Debtor in full satisfaction of their respective Claims against the Debtor. Under this Plan, the Sale Proceeds will be distributed in a manner that is sufficient to provide for 100% Cash payment of amounts owed the non-shareholder Creditors of the Debtor, and provide an equity position in the Purchaser all of the existing shareholders and the creditor-shareholders.

## **ARTICLE I: DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME AND GOVERNING LAW**

### **A. Defined Terms**

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

1. "AAC Equity Interests" means the common stock of the Purchaser Distributed pursuant to this Plan.
2. "Accrued Professional Compensation" means, at any given moment, all accrued, contingent and/or unpaid fees (including success fees pursuant to previously agreed terms of engagement) for legal, financial advisory, accounting and other services and obligations for reimbursement of expenses in each case rendered or incurred before the Effective Date by any retained Professional in the Chapter 11 Case that are awardable and allowable under sections 328, 330(a) or 331 of the Bankruptcy Code, or that are awardable and allowable under section 503 of the Bankruptcy Code, that the Bankruptcy Court has not denied by a Final Order, all to the extent that any such fees and expenses have not been previously paid. To the extent that the Bankruptcy Court or any higher court denies or reduces by a Final Order any amount of a Professional's fees or expenses, then those reduced or denied amounts shall no longer constitute Accrued Professional Compensation.
3. "Acquired Assets" shall have the meaning assigned and set forth in Exhibit 1(a) of the Purchase Agreement.
4. "Administrative Claim" means any right to payment constituting a cost or expense of administration of the Chapter 11 Case of the Debtor of the kind specified in section 503(b) of the Bankruptcy Code and entitled to priority pursuant to sections 507(a)(2) or 507(b) of the Bankruptcy Code, including, but not limited to: (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estate and operating the businesses of the Debtor; (b) compensation for legal, financial advisory, accounting and other services and reimbursement of expenses allowed pursuant to sections 328, 330(a), 331 or 363 of the Bankruptcy Code or otherwise for the period commencing on the Petition Date and through the Effective Date; and (c) all fees and charges assessed against the Estate pursuant to chapter 123 of title 28 of the United States Code, 28 U.S.C. §§ 1-4001.
5. "Administrative Claims Bar Date" means the bar date for Administrative Claims as such term is defined in Article II.A.3 hereof.

6. “Affiliate” has the meaning set forth in section (101)(2) of the Bankruptcy Code.

7. “Allowed Claim” or “Allowed [\_\_\_\_] Claim” (with respect to a specific type of Claim, if specified) means: (a) any Claim (or a portion thereof) as to which no action to dispute, deny, equitably subordinate or otherwise limit recovery with respect thereto, or alter priority thereof, has been filed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or applicable law; or (b) any Claim or portion thereof that is allowed (i) in any contract, instrument, indenture or other agreement entered into in connection with the Plan, (ii) pursuant to the terms of the Plan, (iii) by Final Order of the Bankruptcy Court, or (iv) with respect to an Administrative Expense Claim only (x) that was incurred by a Debtor in the ordinary course of business during the Chapter 11 Case of the Debtor to the extent due and owing without defense, offset, recoupment or counterclaim of any kind, and (y) that is not otherwise disputed.

8. “Applicable Law” means any law, regulation, rule, order, judgment, guideline or decree to which the Business, any Acquired Asset, or any Debtor, is subject.

9. “AlphaCipher Acquisition Corporation” means the Purchaser as set forth in the Purchase Agreement, which is defined in Paragraph 68, below.

10. “AlphaCipher Technology Platform” means the Debtor’s right title and interest in the computer source code, drawing, specifications, supporting documents, patent, patent applications, copyrights, trademarks, trade secrets, in, about and related to the encryption technology known as AlphaCipher which is based on the One-Time Pad cipher. The AlphaCipher Technology Platform includes also includes all source code, drawing, technical specifications, documentation, patent, patent applications, copyrights, trademarks, trade secrets in regards to the associated technology known as AlphaCipher KeyGen, all owned by the Debtor.

11. “Avoidance Actions” means any and all avoidance, recovery, subordination or other actions or remedies that may be brought on behalf of the Debtor or their estates under the Bankruptcy Code or applicable non- bankruptcy law, including, without limitations, actions or remedies under sections 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 552 and 553 of the Bankruptcy Code.

12. “Bankruptcy Code” means title 11 of the United States Code, as amended from time to time.

13. “Bankruptcy Court” means the United States Bankruptcy Court for the Western District of Washington having jurisdiction over the Chapter 11 Case or any other court having jurisdiction over the Chapter 11 Case.

14. “Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure, as applicable to the Chapter 11 Case, promulgated under section 2075 of title 28 of the United States Code, 28 U.S.C. §§ 1–4001, as well as the general and local rules of the Bankruptcy Court, as it may be amended from time to time.

15. “Business” means the Debtor’s business of developing computer software based on the AlphaCipher Technology Platform.

16. “Business Day” means any day other than a Saturday, Sunday or a day on which banks in Washington State are authorized or obligated by Applicable Law or executive order to close or are otherwise generally closed.

17. “Cash” means the legal tender of the United States of America or the equivalent thereof.<sup>18</sup> “Causes of Action” means any action, claim, cause of action, controversy, demand, right, action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, offset, power, privilege, license and franchise of any kind or character whatsoever of the Debtor, known, unknown, contingent or non- contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on, or after the Petition Date, in contract or in tort, in law or in equity or pursuant to any other theory of law. Causes of Action

also include: (a) any right of setoff, counterclaim or recoupment and any claim on contracts or for breaches of duties imposed by law or in equity; (b) the right to object to Claims or Interests; (c) any claim pursuant to section 362 or chapter 5 of the Bankruptcy Code, including Avoidance Actions; (d) any claim or defense including fraud, mistake, duress and usury and any other defenses set forth in section 558 of the Bankruptcy Code; (e) any state law fraudulent transfer claim; and (f) any claim set forth on the Schedule of Retained Causes of Action.

19. “Chapter 11 Case” means the chapter 11 case pending under chapter 11 of the Bankruptcy Code in the Bankruptcy Court under Case No. 12-10808-MLB.

20. “Claim” means any claim against a Debtor as defined in section 101(5) of the Bankruptcy Code.

21. “Class” means a category of holders of Claims or Interests as set forth in Article III.

22. “Closing” shall have the meaning assigned and set forth in the Purchase Agreement.

23. “Closing Date” shall have the meaning assigned and set forth in the Purchase Agreement.

24. “Closing Date Payment” means up to \$12.5 million and the ACC Interests payable by AlphaCipher Acquisition Corporation to Debtor as set forth in Section 2 of the Purchase Agreement.

25. “Collateral” means any property or interest in property of the Debtor subject to a Lien to secure the payment or performance of a Claim.

26. “Confirmation” means entry of the Confirmation Order on the docket of the Chapter 11 Case.

27. “Confirmation Date” means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Case of the Debtor within the meaning of Bankruptcy Rules 5003 and 9021.

28. “Confirmation Hearing” means the hearing held by the Bankruptcy Court concerning confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code, as such hearing may be continued from time to time.

29. “Confirmation Order” means the order entered by the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

30. “Creditors’ Committee” means the statutory committee of unsecured creditors of the Debtor appointed in the Chapter 11 Case pursuant to section 1102 of the Bankruptcy Code by the U.S. Trustee, as such committee membership may be reconstituted from time to time.

31. “Debtor” means Vadium Technology, Inc., a Washington corporation as a debtor in possession in this Chapter 11 Case.

32. “Disallowed” means a finding of the Bankruptcy Court in a Final Order, or provision in the Plan providing that a Disputed Claim or Interest shall not be Allowed.<sup>33</sup> “Disbursing Agent” means the Debtor, Purchaser, Debtor’s Attorney, or the Entity or Entities chosen by the Debtor (upon consultation with the Creditors’ Committee) to make or facilitate Distributions pursuant to the Plan.

34. “Disclosure Statement” means the disclosure statement that relates to this Plan, as such disclosure statement may be amended, modified, or supplemented (including all exhibits and schedules annexed thereto or referred to therein).

35. “Disputed Claim” or “Disputed [\_\_\_\_] Claim” (with respect to a specific type of Claim, if specified) means a Claim that is not an Allowed Claim or Disallowed Claim as of the relevant date.



36. "Distributions" means the distributions of Cash and/or AAC Interests. For the avoidance of doubt, "Distributions" shall not refer to payments made pursuant to the Paydown Orders. For the further avoidance of doubt, Distributions shall not include any Acquired Assets.

37. "Distribution Date" means any of the Initial Distribution Date or the Periodic Distribution Dates.

38. "Distribution Record Date" means the date that the Confirmation Order is entered by the Bankruptcy Court.

39. "Effective Date" means the first Business Day after which all provisions, terms and conditions specified in Article X.B have been satisfied or waived pursuant to Article X.C.

40. "Entity" has the meaning set forth in section 101(15) of the Bankruptcy Code.

41. "Estate" means the estate created for the Debtor in its Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

42. "Exculpated Claim" means any claim related to any act or omission in connection with, relating to or arising out of the Debtor's restructuring efforts, the Debtor's Chapter 11 Case, the Purchase Agreement, the formulation, preparation, dissemination, negotiation or filing of the Disclosure Statement, Plan, DIP Financing Agreement or any contract, instrument, release or other agreement or document created or entered into in connection with the Disclosure Statement, the Plan, the filing of the Chapter 11 Case, the pursuit of consummation of the Plan, the administration and implementation of the Plan, including the issuance of Plan securities, or the Distribution of property under the Plan or any other related agreement; provided, however, that Exculpated Claims shall not include any act or omission that is determined in a Final Order to have constituted gross negligence, willful misconduct or fraud. For the avoidance of doubt, no Cause of Action, obligation or liability expressly set forth in or preserved by the Plan or the Schedule of Retained Causes of Action constitutes an Exculpated Claim.

43. "Exculpated Party" means each of: (a) the Debtor; (b) the Creditors' Committee and the current and former members thereof, in their capacity as such; and (c) with respect to each of the foregoing Entities in clauses (a) and (b), such Entities' subsidiaries, affiliates, members, officers, directors, agents, financial advisors, accountants, investment bankers, consultants, attorneys, employees, partners, and representatives, in each case solely in their capacity as such.

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44. “Final Order” means, as applicable, an order or judgment of the Bankruptcy Court or other court of competent jurisdiction with respect to the relevant subject matter, which has not been reversed, stayed, modified or amended, and as to which the time to appeal or petition for certiorari has expired and as to which no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be filed has been resolved, by the highest court to which such order or judgment could be appealed, or from which certiorari could be sought or the new trial, reargument or rehearing, shall have been denied, resulted in no modification of such order or has otherwise been dismissed with prejudice.

45. “Governmental Units” has the meaning set forth in section 101 of the Bankruptcy Code.

46. “Holdback Amount” means, with respect to Accrued Professional Compensation, amounts held back pursuant to an order or orders of the Bankruptcy Court in the Chapter 11 Case, including the Interim Compensation Order.

47. “Holdback Amount Reserve” means, with respect to Accrued Professional Compensation, a reserve established by the Debtor and the Purchaser, on the Effective Date for the benefit of the Professionals, and to be held in trust for the Professionals, for the payment of the Holdback Amount. To the extent any amounts held in the Holdback Amount Reserve are not ultimately paid to Professionals, such amounts shall be returned to the Purchaser in accordance with the Plan and the Purchase Agreement. The Debtor and the Purchaser shall be responsible for funding the Holdback Amount Reserve in accordance with the Purchase Agreement.

48. “Impaired” has the meaning set forth in section 1124 of the Bankruptcy Code.

49. “Impaired Class” means a Class of Claims or Interests that are Impaired. For the avoidance of doubt, Impaired Classes are Classes 2, 6, 7, 9, 10, 11, 12, and 15.

50. “Indemnification Provisions” means each of the indemnification provisions, agreements or obligations in place as of the Petition Date, whether in the bylaws, certificates of incorporation or other formation documents in the case of a limited liability company, board resolutions or employment contracts, for the Debtor and the current directors, officers, members (including ex officio members), employees, attorneys, other professionals and agents of the Debtor.

51. “Initial Distribution Date” means the date occurring on or as soon as reasonably practicable after the Effective Date when Distributions under the Plan shall commence.

52. “Interest” means any equity security in a Debtor as defined in section 101(16) of the Bankruptcy Code, including all issued, unissued, authorized or outstanding shares of capital stock of the Debtor together with any warrants, options or contractual rights to purchase or acquire such equity securities at any time and all rights arising with respect thereto. For the avoidance of doubt, Interests include the Series A-2 Preferred Stock, Series A-1 Preferred Stock, Series Z Proffered Stock, Common Stock, Common Stock Options and Common Stock Warrants issued by the Debtor.

53. “Lien” has the meaning set forth in section 101(37) of the Bankruptcy Code, including, with respect to any asset, any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Uniform Commercial Code as in effect from time to time in the State of Washington or comparable law of any jurisdiction) and, in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

54. “Net Closing Proceeds” means the amount of the Purchase Price remaining any Paydown or any other similar payment to creditors pursuant to an order of the Bankruptcy Court.

55. “Ordinary Course Professional Order” means the Orders Authorizing the Debtor’s Retention and Compensation of Certain Professionals Utilized in the Ordinary Course of Business [Docket Nos. 51 and 60].

56. “Other Priority Claim” means any Claim accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than: (a) an Administrative Claim; or (b) a Priority Tax Claim.

57. “Other Secured Claims” means a Secured Claim against the Debtor, other than the Secured Claims – Liquidated described in Exhibit-2 to the Plan.

58. “Paydown” means any payment to creditors, or for Administrative Claims made pursuant to an order of the Bankruptcy Court.

59. “Payment Order” means any order issued by the Bankruptcy Court to make a payment to a Claim holder or Creditor.

60. “Person” has the meaning set forth in section 101(41) of the Bankruptcy Code.

61. “Petition Date” means January 30, 2012.

62. “Plan” means this plan of reorganization under chapter 11 of the Bankruptcy Code, either in its present form or as it may be altered, amended, modified or supplemented from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules or herewith, as the case may be.

63. “Priority Tax Claim” means any Claim of a governmental unit, as defined in section 101(27) of the Bankruptcy Code, of the kind specified in section 507(a)(8) of the Bankruptcy Code.

64. “Pro Rata” means, as applicable: (a) the proportion that an Allowed Claim or Interest in a particular Class bears to the aggregate amount of Allowed Claims or Interests in that Class and (b) the proportion that all Allowed Claims or Interests in a particular Class bear to the aggregate amount of Allowed Claims or Interests in such Class and other Classes entitled to share in the same recovery under the Plan.

65. “Professional” means an Entity: (a) retained pursuant to a Final Order in accordance with sections 327, 363 or 1103 of the Bankruptcy Code and to be compensated for services rendered before or on the Effective Date, pursuant to sections 327, 328, 329, 330, 363 and 331 of the Bankruptcy Code or (b) awarded compensation and reimbursement by the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code.

66. “Proof of Claim” means a proof of Claim filed against any of the Debtor in the Chapter 11 Case.

67. “Purchaser” means AlphaCipher Acquisition Corporation, a Washington corporation.

68. “Purchase Agreement” means that certain Asset Purchase Agreement entered into on May 20, 2012 by and among the Debtor, as sellers, and Purchaser, subject to approval of the Bankruptcy Court, as such agreement may be amended from time to time in accordance with its terms.

69. “Purchase Price” means up to a maximum of \$12.5 million in Cash and 10,477,500 Common Shares of Purchaser, as further described in the Purchase Agreement, which has been paid or will be paid by the Purchaser to the Debtor pursuant to the Purchase Agreement, and which shall consist of: (i) the Funding Date Consideration; (ii) the Closing Date Payment; and (iii) the Purchaser’s assumption of any Assumed Liabilities in its sole discretion on the Closing Date.

70. “Releasing Parties” means all Entities who have held, hold or may hold Claims or Interests that have been released pursuant to Article IX.B or Article IX.C, discharged pursuant to Article IX.E or are subject to exculpation pursuant to Article IX.D of the Plan.

71. “Released Party” means each of (in each case solely in their respective capacities): (a) the Debtor; (b) the current and former directors and officers of the Debtor who were directors or officers of the Debtor as of or after the Petition Date; (c) the Creditors’ Committee and the current and former members thereof; and (d) with respect to each of the foregoing Entities in clauses (a) through (c), such Entities’ subsidiaries, Affiliates, members, officers, directors, agents, financial advisors, accountants, investment bankers, consultants, attorneys, employees, partners, and representatives, in each case, only in their capacity as such; provided, however, that for the avoidance of doubt, nothing in this Plan shall be deemed to release the Purchaser or any of its Affiliates from their obligations under the Purchase Agreement.

72. “Reorganized” means, with respect to the Debtor, any Debtor or any successor thereto, by merger, consolidation or otherwise, on or after the Effective Date.

73. “Restructuring Transactions” means a dissolution or winding up of the corporate existence of a debtor or the consolidation, merger, restructuring, conversion, dissolution, transfer, liquidation, contribution of assets, or other transaction pursuant to which a Reorganized Debtor merges with or transfers substantially all of its assets and liabilities to a Reorganized Debtor or newly formed Entity, prior to, on or after the Effective Date.

74. “Retained Assets” means those assets that are retained by the Debtor and will not be sold or assigned to Purchaser, as set forth in Section 2.2 of the Purchase Agreement.

75. “Retained Causes of Action” the Causes of Action to be retained by the Disbursement Agent (or such other Entity or Person determined by the Reorganized Debtor and the Creditors’ Committee) after the Effective Date.

76. “Retained Causes of Action Net Proceeds” the proceeds of the Retained Causes of Action, if any, net of direct expenses of the recovery thereof (e.g., the fees, expenses and costs of the subject litigation).

77. “Sale” means the sale of substantially all of the Debtor’s assets to the Purchaser pursuant to the Purchase Agreement.

78. “Sale Order” means the Order Approving Asset Purchase Agreement [Docket No. 52], entered by the Bankruptcy Court on July 9, 2012.

79. “Schedule of Retained Causes of Action” means the schedule, to be included as part of the Plan Supplement, listing the Retained Causes of Action.

80. “Schedules” means, collectively, the schedules of assets and liabilities, schedules of Executory Contracts and Unexpired Leases and statements of financial affairs filed by the Debtor pursuant to section 521 of the Bankruptcy Code and in substantial accordance with the Official Bankruptcy Forms, as may be amended from time to time before entry of a final decree.

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81. “Secured” means, when referring to a Claim: (a) secured by a Lien on property in which the Estate of the Debtor against which the Claim is asserted has an interest, which Lien is valid, perfected and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, to the extent of the value of the creditor’s interest in the Estates’ interest in such property as determined pursuant to section 506(a) of the Bankruptcy Code; (b) subject to setoff pursuant to section 553 of the Bankruptcy Code, to the extent of the value of the property subject to setoff; or (c) otherwise Allowed by Final Order of the Court, which may be the Confirmation Order, as a Secured Claim.

82. “Secured Creditor Claims - Liquidated” means the Allowed Claims of the certain Secured Creditors described in Exhibit 4 who are being paid in Cash in full satisfaction of their Claim against the Debtor.

83. “Secured Creditor Claims - Participatory” means the Allowed Claims of the certain Secured Creditors described in Exhibit 5 who are agreeing to take a partial Cash Payment and an AAC Equity Interest in full satisfaction of their Claim against the Debtor.

84. “Third Party” means any Person other than Debtor and their Affiliates.

85. “Unimpaired” means any Claim or Interest that is not designated as Impaired. For the avoidance of doubt the Unimpaired Claims include all Administrative Claims, US Trustee Fee Claims and Priority Tax Claims along with the Claims in Classes 1, 3, 4, 5, 8, 13 and 14.

86. “Unsecured Claims” means any unsecured claim against any Debtor including, without limitation, a trade claim.

87. “U.S. Trustee” means the United States Trustee for the Western District of Washington.

88. “U.S. Trustee Fees” means fees arising under 28 U.S.C. § 1930(a)(6) or accrued interest thereon arising under 31 U.S.C. § 3717.

89. “Voting Deadline” means 5:00 p.m. (prevailing Pacific Time) on September 21, 2012.

## **B. Rules of Interpretation**

For purposes of this Plan: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (c) any reference herein to an existing document or exhibit having been filed or to be filed shall mean that document or exhibit, as it may thereafter be amended, modified or supplemented; (d) unless otherwise specified, all references herein to “Articles” are references to Articles hereof or hereto; (e) unless otherwise stated, the words “herein,” “hereof” and “hereto” refer to the Plan in its entirety rather than to a particular portion of the Plan; (f) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) the word “including” shall always mean, “including, without limitation”; (h) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (i) any immaterial effectuating provisions may be interpreted by the Reorganized Debtor in a manner that is consistent with the overall purpose and intent of the Plan all without further Bankruptcy Court order.

### **C. Computation of Time**

The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

### **D. Governing Law**

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of Washington, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction and implementation of the Plan, any agreements, documents, instruments or contracts executed or entered into in connection with the Plan, except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control.

### **E. Reference to Monetary Figures**

All references in the Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

## **ARTICLE II - ADMINISTRATIVE CLAIMS, U.S. TRUSTEE FEES, AND PRIORITY TAX CLAIMS**

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, U.S. Trustee Fees and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article III and shall have the following treatment:

### **A. Administrative Claims**

#### **1. Administrative Claims**

Except with respect to Administrative Claims that are Claims for Accrued Professional Compensation and except to the extent that a holder of an Allowed Administrative Claim agrees to less favorable treatment, each holder of an Allowed Administrative Claim shall, in complete satisfaction of such Allowed Administrative Claim, be paid Cash in the full amount of such Allowed Administrative Claim on the later of: (a) the Initial Distribution Date; (b) the first date such Administrative Claim is Allowed or as soon as reasonably practicable thereafter; and (c) the date such Allowed Administrative Claim becomes due and payable by its terms, or as soon thereafter as is reasonably practicable; provided, however, that (1) the Debtor may pay certain Administrative Claims from the DIP Financing Agreement that have already been approved by the Bankruptcy Court or incurred in the ordinary course of business, upon receipt of the Working Capital Fund, and (2) payment of any Administrative Claims (other than Accrued Professional Compensation, which shall be treated in accordance with the next subsection) incurred after January 30, 2012 shall be paid pursuant to the terms of the Purchase Agreement.

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## 2. Professional Compensation

### (a) Claims for Accrued Professional Compensation

Professionals or other Entities asserting a Claim for Accrued Professional Compensation for services rendered before the Effective Date must file and serve on the Debtor and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order, the Interim Compensation Order or other order of the Bankruptcy Court an application for final allowance of such Claim for Accrued Professional Compensation no later than forty-five (45) days after the Effective Date, or any other date scheduled by the Bankruptcy Court. Objections to any Claim for Accrued Professional Compensation must be filed and served on the Reorganized Debtor, the Creditors' Committee, the Office of the U.S. Trustee and the requesting party no later than the earlier of (a) thirty (30) days after such application is filed or (b) seventy-five (75) days after the Effective Date. All Accrued Professional Compensation and all claims for professional compensation sought under section 503(b) of the Bankruptcy Code shall be paid either by the Debtor or the Purchaser pursuant to the terms of the Purchase Agreement.

### (b) Treatment of Claims for Accrued Professional Compensation

A Claim for Accrued Professional Compensation in respect of which a final fee application has been properly filed and served pursuant to this Plan shall be payable to the extent approved by order of the Bankruptcy Court. Subject to the Holdback Amount, on the Effective Date, or as soon thereafter as reasonably practicable, to the extent not otherwise paid, all Allowed Claims for Accrued Professional Compensation (including estimated Accrued Professional Compensation through the Effective Date) shall be paid in full in Cash. To receive payment on the Effective Date for unbilled fees and expenses incurred through the Effective Date, each Professional shall reasonably estimate fees and expenses due for unbilled fees and expenses for periods that will not have been billed as of the Effective Date and shall deliver such estimates to the Debtor, the Purchaser, and the U.S. Trustee prior to the Effective Date. If the estimated payment received by such Professional exceeds the actual allowed Accrued Professional Compensation for the estimated period, such excess amount shall be deducted from the Holdback Amount for such Professional and if the Holdback Amount is insufficient, such Professional shall disgorge the difference to: (i) the Debtor; or (ii) the Purchaser, in each case, pursuant to the terms of the Purchase Agreement. If the estimated payment received by the Professional is lower than the Accrued Professional Compensation of such Professional, the difference shall be promptly paid to the Professional by: (i) the Debtor; or (ii) the Purchaser, in each case, pursuant to the terms of the Purchase Agreement. For the avoidance of doubt, all Accrued Professional Compensation and all claims for professional compensation sought under section 503(b) of the Bankruptcy Code shall be paid either by the Debtor or the Purchaser, in each case pursuant to the terms of the Purchase Agreement.

On the Effective Date, the Reorganized Debtor and the Purchaser shall fund the Holdback Amount Reserve for payment of the Holdback Amount in accordance with the terms of the Purchase Agreement. Upon final allowance by the Bankruptcy Court of the Accrued Professional Compensation, or entry of an earlier order of the Bankruptcy Court granting the release of any Holdback Amounts, such amounts, less any excess paid in connection with estimated fees and expenses through the Effective Date, shall be paid promptly and directly to the Professionals.

### (c) Post- Effective Date Fees and Expenses

Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtor and the Disbursement Agent may employ and pay any Professional its reasonable, actual and documented fees and expenses for services rendered or expenses incurred after the Effective Date in the ordinary course of business without any further notice to any party or action (including, without limitation, without the need to file a fee application), order or approval of the Bankruptcy Court;

provided, however, that to the extent such compensation or expense reimbursement is incurred, accrued, payable or paid prior to the Closing Date, the Purchaser shall be provided with an invoice showing all reasonable, actual and documented fees and expenses.

### 3. Administrative Claims Bar Date

Except as otherwise provided in this Article II.A, requests for payment of Administrative Claims must be filed and served on the Reorganized Debtor and the Purchaser pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order no later than forty-five (45) days after the Effective Date. Holders of Administrative Claims that are required to, but do not, file and serve a request for payment of such Administrative Claims by such date shall be forever barred, estopped and enjoined from asserting such Administrative Claims against the Debtor or Reorganized Debtor or their property and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests, if any, must be filed and served on the Reorganized Debtor and the requesting party no later than ninety (90) days after the Effective Date. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be filed with respect to an Administrative Claim previously Allowed by Final Order, including all Administrative Claims expressly Allowed under this Plan. For the avoidance of doubt, all Administrative Claims incurred after January 30, 2012 shall be paid in accordance with the Purchase Agreement.

### **B. U.S. Trustee Fees**

On the Effective Date, the Debtor shall pay all U.S. Trustee Fees that are due and owing as of the Effective Date.

### **C. Priority Tax Claims**

Each holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive, on the Distribution Date, at the option of the Debtor, one of the following treatments, in complete satisfaction of such Allowed Priority Tax Claim: (1) Cash in an amount equal to the amount of such Allowed Priority Tax Claim; or (2) such other treatment as may be agreed upon by such holder and the Debtor or otherwise determined upon an order of the Bankruptcy Court. A detail schedule of the Priority Tax Claims against the Debtor is presented on Exhibit 2.

## **ARTICLE III - CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

### **A. General Rules of Classification**

(i) Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims against and Interests in the Debtor. A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim or Interest is also placed in a particular Class for the purpose of receiving Distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim in that Class and such Claim or Interest has not been paid, released, or otherwise settled prior to the Effective Date.

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(ii) This Plan constitutes a chapter 11 plan for the Debtor and it shall include the classifications set forth below. For the avoidance of doubt, to the extent a Class contains Allowed Claims or Interests with respect to the Debtor, such Class is designated with respect to the Debtor. To the extent there are no Allowed Claims or Interests in a Class with respect to the Debtor, such Class is deemed to be omitted with respect to the Debtor. To the extent that certain Allowed Claims or Interests do not exist with respect to the Debtor, such Class is deemed to include only the Allowed Claims or Interests that do exist with respect to the Debtor. In accordance with section 1123(a)(1) of the Bankruptcy Code, the Debtor has not classified Administrative Claims and Priority Tax Claims, as described in Article II.

**B. Classification and Designation of Claim Classes**

The following chart represents the general classification of Claims and Interests against the Debtor pursuant to the Plan and voting rights thereto.

<u>Class</u>	<u>Claim Description</u>	<u>Status</u>	<u>Voting Rights</u>
1	Secured Creditors - Liquidated	Unimpaired	Deemed to accept the plan not entitled to Vote
2	Secured Creditors – Participatory	Impaired	Entitled to Vote
3	Other Priority Creditors	Unimpaired	Deemed to accept the plan not entitled to Vote
4	Unsecured Creditors - Liquidated	Unimpaired	Deemed to accept the plan not entitled to Vote
5	Unsecured Creditors – Furloughed Former Employees	Unimpaired	Deemed to accept the plan not entitled to Vote
6	Unsecured Creditors - Participatory	Impaired	Entitled to Vote
7	Unsecured Creditors – Assumptions and Settlements	Impaired	Entitled to Vote
8	Unsecured Creditor - Purchaser	Unimpaired	Deemed to accept the plan not entitled to Vote
9	Unsecured Creditors - Compromised	Impaired	Entitled to Vote
10	Interest Holders – Series A-2 Equity	Impaired	Entitled to Vote
11	Interest Holders – Series A-1 Equity	Impaired	Entitled to Vote
12	Interest Holders – Series Z Equity	Impaired	Entitled to Vote
13	Interest Holders – Common Equity	Unimpaired	Deemed to accept the plan not entitled to Vote
14	Interest Holders – Common Stock Options	Unimpaired	Deemed to accept the plan not entitled to Vote
15	Interest Holders – Common Stock Warrants	Impaired	Entitled to Vote

Exhibit 3 presented a chart showing Claims by Class along with the total distribution by Class for both Cash and AAC Equity Interests as described in this Plan.

## C. Treatment of Claims and Interests by Class

### 1. Class 1 – Secured Creditors - Liquidated Claims

- (a) Classification: Class 1 is Designated as Secured Creditors – Liquidated Claims and consists of Creditors of the Debtor who hold a secured interest in the assets of the Debtor either through a security agreement between the Debtor and the Creditor which has been perfected by a UCC filing with the Secretary of the State of Washington, or a Creditor holding a Lien on the assets of the Debtor through properly recorded Judgment. A detailed list of Secured Creditor – Liquidated Claims is presented in Exhibit 4.
- (b) Treatment: Except to the extent that a holder of an Allowed Secured Creditor Liquidated Claim, (i) has been paid by the Debtor, in whole or in part, prior to the Effective Date or, (ii) agrees to a less favorable treatment, each holder of an Allowed Secured Creditor – Liquidated Claim shall receive, on the Distribution Date and in full satisfaction, settlement, release, and discharge of, and in exchange for such Secured Creditors Liquidated Claim, Cash in the full amount of such Secured Creditor – Liquidated Claim.
- (c) Voting: Class 1 is Unimpaired, and the holders of Secured Creditor – Liquidated Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Secured Creditor – Liquidated Claims are not entitled to vote to accept or reject the Plan.

### 2. Class 2 – Secured Creditor Participatory Claims

- (a) Classification: Class 2 is designated as Secured Creditor Participatory Claims and generally consists of Creditors of the Debtor who hold a secured interest in the assets of the Debtor either by through a security agreement between the Debtor and the Creditor which has perfected by a UCC filing with the Secretary of the State of Washington, or a Creditor holding a Lien on the assets of the Debtor through properly recorded Judgment. As described in the Introduction of this Plan, prior to the commencement of this Chapter 11 case, the Debtor had a working plan of reorganization that was being implemented outside of court protection and was preliminarily agreed to in principle by a significantly number of the Debtor's Creditors and Interest Holders. As part of the pre-petition plan of reorganization a number of the Debtor's secured creditors had agreed to convert a portion of the Claim into AAC Equity Interests. This Class represents these specific creditors.
- (b) Treatment: Each holder of an Allowed Secured Creditor Participatory Claim shall receive in full and final satisfaction of its Claim, its Pro Rata share (calculated with reference to all Allowed and Disputed Class 2 Claims against the Debtor) of the Sale Proceeds as described in Exhibit 5.
- (c) Voting: Holders of Secured Creditor Participatory Claims in Class 2 are Impaired, and receiving Cash and an AAC Equity Interests in the Purchaser under the Plan. Therefore, holders of Secured Creditor Participatory Claims in Class 2 are entitled to vote to accept or reject the Plan.

3. Class 3 – Other Priority Creditors

- (a) Classification: Class 3 is designated as Other Priority Creditors and generally consists of the entire claims of United States Federal and State Taxing Authorities that are not considered Priority Tax Claims under Article II.C of this Plan. A detailed list of Other Priority Creditors is presented in Exhibit 6.
- (b) Treatment: Except to the extent that a holder of an Other Priority Creditor Claim, (i) has been paid by the Debtor, in whole or in part, prior to the Effective Date, or (ii) agrees to a less favorable treatment, each holder of an Allowed Other Priority Creditor Claim shall receive, on the Distribution Date and in full satisfaction, settlement, release, and discharge of, and in exchange for such Other Priority Creditor Claim, Cash in the full amount of such Allowed Other Priority Creditor Claim.
- (c) Voting: Class 3 is Unimpaired, and the holders of Other Priority Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Other Priority Creditor Claims are not entitled to vote to accept or reject the Plan.

4. Class 4 – Unsecured Creditors – Liquidated Claims

- (a) Classification: Class 4 is designated as Unsecured Creditors – Liquidated Claims and consists of Creditors of the Debtor who hold Unsecured Claims against the Debtor by way of providing pre-petition goods and services to the Debtor in the normal course of both the Debtor's and the Unsecured Creditor's course of business. A detailed list of Unsecured Creditors – Liquidated Claims is presented in Exhibit 7.
- (b) Treatment: Except to the extent that a holder of an Unsecured Creditors – Liquidated Claim, (i) has been paid by the Debtor, in whole or in part, prior to the Effective Date, or (ii) agrees to a less favorable treatment, each holder of an Allowed Unsecured Creditors – Liquidated Claim shall receive, on the Distribution Date and in full satisfaction, settlement, release, and discharge of, and in exchange for such Unsecured Creditors – Liquidated Claim, Cash in the full amount of such Allowed Unsecured Creditors – Liquidated Claim.
- (c) Voting: Class 4 is Unimpaired, and the holders of Unsecured Creditors – Liquidated Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Unsecured Creditors – Liquidated Claims are not entitled to vote to accept or reject the Plan.

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5. Class 5 – Unsecured Creditors – Furloughed Former Employee Claims

- (a) Classification: Class 5 is designated as Unsecured Creditors – Furloughed Former Employee Claims and consists of Creditors of the Debtor who hold Unsecured Claims against the Debtor by way of employment that was suspended or terminated, and such Claims are not eligible for treatment as Priority Claims under the United States Bankruptcy Code. A detailed list of Unsecured Creditors – Furloughed Former Employee Claims is presented in Exhibit 8.
- (b) Treatment: Except to the extent that a holder of an Unsecured Creditors – Furloughed Former Employee Claim, (i) has been paid by the Debtor, in whole or in part, prior to the Effective Date, or (ii) agrees to a less favorable treatment, each holder of an Allowed Unsecured Creditors – Furloughed Former Employee Claim shall receive, on the Distribution Date and in full satisfaction, settlement, release, and discharge of, and in exchange for such Unsecured Creditors – Furloughed Former Employee Claim, Cash in the full amount of such Allowed Unsecured Creditors - Furloughed Former Employee Claim.
- (c) Voting: Class 5 is Unimpaired, and the holders of Unsecured Creditors – Furloughed Former Employee Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Unsecured Creditors – Furloughed Former Employee Claims are not entitled to vote to accept or reject the Plan.

6. Class 6 – Unsecured Creditor Participatory Claims

- (a) Classification: Class 6 is designated as Unsecured Creditor Participatory Claims and consists of Creditors of the Debtor who are also hold Equity Interests of the Debtor or at the time of becoming a Creditor of the Debtor wanted to become an Interest Holder of the Debtor and is also an Accredited Investor within the meaning of Rule 501 of Regulation D of the Securities Act of 1933. A detailed list of Unsecured Creditors – Participatory Claims is presented in Exhibit 9.
- (b) Treatment: Each holder of an Allowed Unsecured Creditor Participatory Claim shall receive in full and final satisfaction of its Claim, its Pro Rata share (calculated with reference to all Allowed and Disputed Class 6 Claims against the Debtor) of the Sale Proceeds as described in Exhibit 9.
- (c) Voting: Holders of Unsecured Creditor Participatory Claims in Class 6 are Impaired, and receiving AAC Equity Interests in the Purchaser under the Plan. Therefore, holders of Unsecured Creditor Participatory Claims in Class 6 are entitled to vote to accept or reject the Plan.

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7. Class 7 – Unsecured Creditor Purchaser Assumption and Settlements

- (a) Classification: Class 7 is designated as Unsecured Creditor Settlement and Purchaser Assumption Claims and consists of Creditors of the Debtor who are also hold an Equity Interest of the Debtor or at the time of becoming a Creditor of the Debtor wanted to become an Equity Interest holder of the Debtor and is also an Accredited Investor within the meaning of Rule 501 of Regulation D of the Securities Act of 1933. Who the Purchaser in its sole judgment has decided to assume the either part or all of these particular Claims at the Closing Date as part of the Purchase Agreement as consideration for the Acquired Assets. A detailed list of Unsecured Creditors – Liquidated Claims is presented in Exhibit 10.
- (b) Treatment: Each holder of an Allowed Unsecured Creditor Participatory Claim shall receive in full and final satisfaction of its Claim, a combination of the assumption of part of its Claim by the Purchaser, along with a share of the Sale Proceeds as described in Exhibit 10.
- (c) Voting: Holders of Unsecured Creditor Participatory Claims in Class 7 are Impaired, and receiving AAC Equity Interests in the Purchaser under the Plan. Therefore, holders of Unsecured Creditor Participatory Claims in Class 7 are entitled to vote to accept or reject the Plan.

8. Class 8 – Unsecured Creditor – Purchaser Claim

- (a) Classification: Class 8 consists of Unsecured Creditor – Purchaser Claim, which is the Claim held by the Purchaser for all the payments it has or will make pursuant to the Purchase Agreement or the DIP Financing Agreement prior to the Closing Date. The Unsecured Creditors – Purchaser Claim is described in Exhibit 11.
- (b) Treatment: The Unsecured Creditor Purchaser Claim is being credited as part of the consideration being paid for the Acquired Assets under the Purchase Agreement and as such the Unsecured Creditor Purchaser Claim shall receive, on the Distribution Date and in full satisfaction, settlement, release, and discharge of, and in exchange for such Unsecured Creditor – Purchaser Claim the Acquired Assets in the full amount of such Unsecured Creditor Purchaser Claim plus all of the other consideration to be paid by the Purchaser under the Purchase Agreement.
- (c) Voting: Class 9 is Unimpaired and the holder of the Unsecured Creditor – Purchase Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the holder of the Unsecured Creditor – Purchaser Claim is not entitled to vote to accept or reject the Plan.

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9. Class 9 – Creditors-Compromised Claims

- (a) Classification: Class 9 is designated as Creditors- Compromised Claims and consists of Creditors of the Debtor who hold either a secured interest in the assets of the Debtor either by through a security agreement between the Debtor and the Creditor which has perfected by a UCC filing with the Secretary of the State of Washington, or a Creditor holding a Lien on the assets of the Debtor through properly recorded Judgment or an Unsecured Claim against the Debtor that is held by an officer, director or other insider of the Debtor. As described in (b) below and Exhibit 12, the Creditors in this Class will be receiving a partial cash payment in exchange for their Claim and shall release, forgive and have the balance of their Claim against the Debtor be cancelled.
- (b) Treatment: Each holder of a Creditors-Compromised Claim shall receive shall receive in full and final satisfaction of its Claim, its Pro Rata share (calculated with reference to all Allowed and Disputed Class 9 Claims against the Debtor) of the Sale Proceeds as described in Exhibit 12.
- (c) Voting: Holders of Unsecured Creditors-Compromised Claims in Class 8 are Impaired, and receiving a partial Cash payment under the Plan. Therefore, holders of Unsecured Creditors-Compromised Claims in Class 9 are entitled to vote to accept or reject the Plan.

10. Class 10 – Equity Interests – Series A-2 Preferred Stock

- (a) Classification: Class 10 is designated as Equity Interests – Series A-2 Preferred Stock consists of holders of Series A-2 Preferred Stock issued by the Debtor pursuant to an exemption from registration with the Securities and Exchange Commission under Section 4(2) or Regulation D of the Securities Act of 1933 and are Accredited Investor within the meaning of Rule 501 of Regulation D of the Securities Act of 1933. A detailed list of Equity Interests – Series A-2 Preferred Stock is presented in Exhibit 13.
- (b) Treatment: Each holder of an Allowed Equity Interests – Series A-2 Preferred Stock Claim shall receive in full and final satisfaction of its Claim, its Pro Rata share (calculated with reference to all Allowed and Disputed Class 10 Claims against the Debtor) of the Sale Proceeds as described in Exhibit 13.
- (c) Voting: Holders of Equity Interests – Series A-2 Preferred Stock Claims in Class 10 are Impaired, and receiving AAC Equity Interests in the Purchaser under the Plan. Therefore, holders of Equity Interests – Series A-2 Preferred Stock Claims in Class 10 are entitled to vote to accept or reject the Plan.

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11. Class 11 – Equity Interests – Series A-1 Preferred Stock

- (a) Classification: Class 11 is designated as Equity Interests – Series A-1 Preferred Stock and consists of holders of Series A-1 Preferred Stock issued by the Debtor pursuant to an exemption from registration with the Securities and Exchange Commission under Section 4(2) or Regulation D of the Securities Act of 1933 and are an Accredited Investor within the meaning of Rule 501 of Regulation D of the Securities Act of 1933. A detailed list of Equity Interests – Series A-1 Preferred Stock is presented in Exhibit 14.
- (b) Treatment: Each holder of an Allowed Equity Interests – Series A-1 Preferred Stock Claim shall receive in full and final satisfaction of its Claim, its Pro Rata share (calculated with reference to all Allowed and Disputed Class 11 Claims against the Debtor) of the Sale Proceeds as described in Exhibit 14.
- (c) Voting: Holders of Equity Interests – Series A-1 Preferred Stock Claims in Class 11 are Impaired, and receiving AAC Equity Interests in the Purchaser under the Plan. Therefore, holders of Equity Interests – Series A-1 Preferred Stock Claims in Class 11 are entitled to vote to accept or reject the Plan.

12. Class 12 – Equity Interests – Series Z Preferred Stock

- (a) Classification: Class 12 is designated as Equity Interests – Series Z Preferred Stock and consists of Series Z Preferred Stock issued by the Debtor to Wolfgang and Elizabeth Hammersmith, Founders, Insiders, Directors and Officers of the Debtor as applicable.
- (b) Treatment: Each holder of an Allowed Equity Interests – Series Z Preferred Stock Claim shall receive in full and final satisfaction of its Claim, its Pro Rata share (calculated with reference to all Allowed and Disputed Class 12 Claims against the Debtor) of the Sale Proceeds as described in Exhibit-15.
- (c) Voting: Holders of Equity Interests – Series Z Preferred Stock Claims in Class 11 are Impaired, and receiving AAC Equity Interests in the Purchaser under the Plan. Therefore, holders of Equity Interests – Series Z Preferred Stock Claims in Class 12 are entitled to vote to accept or reject the Plan.

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13. Class 13 – Equity Interests – Common Stock

- (a) Classification: Class 13 is designated as Equity Interests – Common Stock and consists of holders of Common Stock issued by the Debtor to Founders, Consultants, Stock Option Holders and others pursuant to an exemption from registration with the Securities and Exchange Commission under Section 4(2) or Regulation D of the Securities Act of 1933 as the case may be in each individual issuance. A detailed list of Equity Interests – Common Stock is presented in Exhibit 16.
- (b) Treatment: Each holder of an Allowed Equity Interests – Common Stock Claim shall receive in full and final satisfaction of its Claim, its Pro Rata share (calculated with reference to all Allowed and Disputed Class 13 Claims against the Debtor) of the Sale Proceeds as described in Exhibit 16.
- (c) Voting: Class 13 is Unimpaired and the holders of the Equity Interests – Common Stock are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the holders of the Equity Interests – Common Stock Claims are not entitled to vote to accept or reject the Plan.

14. Class 14 – Equity Interests – Common Stock Options

- (a) Classification: Class 14 is designated as Equity Interests – Common Stock Options and consists of holders of Common Stock Options issued by the Debtor to furloughed employees, officer, directors, consultant, advisors and others pursuant to the Debtor Stock Option Plan. A detailed list of Equity Interests – Common Stock is presented in Exhibit 17.
- (b) Treatment: Each holder of an Allowed Equity Interests – Common Stock Option Claim shall receive in full and final satisfaction of its Claim, its Pro Rata share (calculated with reference to all Allowed and Disputed Class 14 Claims against the Debtor) of the Sale Proceeds as described in Exhibit 17.
- (c) Voting: Class 14 is Unimpaired and the holders of the Equity Interests – Common Stock Options are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the holders of the Equity Interests – Common Stock Option Claims are not entitled to vote to accept or reject the Plan.

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15. Class 15 – Equity Interests – Common Stock Warrant Holders

- (a) Classification: Class 15 is designated as Equity Interests – Common Stock Warrant Holders and consists of holders of Common Stock Warrants issued by the Debtor to Equity Interest holders who provided debt financing to the Debtor pursuant to an exemption from registration with the Securities and Exchange Commission under Section 4(2) or Regulation D of the Securities Act of 1933 as the case may be in each individual issuance. A detailed list of Equity Interests – Common Stock Warrant Holders is presented in Exhibit 18.
- (b) Treatment: On the Effective Date, all Equity Interests – Common Stock Warrant Holders shall be deemed cancelled and shall be of no further force and effect, whether surrendered for cancellation or otherwise, and there shall be no distribution to the holders of Equity Interests – Common Stock Warrant Holders.
- (c) Voting: Holders of Equity Interests – Common Stock Warrant Holder Claims in Class 15 are Impaired, and receiving no property under the Plan, and are being provided the right to Vote on the Plan.

**ARTICLE IV - ACCEPTANCE REQUIREMENTS**

**A. Acceptance or Rejection of the Plan**

1. Voting Classes

Classes 2, 6, 7, 9, 10, 11, 12 and 15 are Impaired under the Plan and may be receiving Distributions under the Plan. Therefore, these Classes are entitled to vote to accept or reject the Plan.

2. Presumed Acceptance of the Plan

Classes 1, 3, 4, 5, 8, 13 and 14 are Unimpaired under the Plan and are, therefore, conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

3. Presumed Rejection of the Plan

No Class is being presumed to Reject the Plan.

**B. Vacant Classes**

Any Class of Claims or Interests that does not have a holder of an Allowed Claim or Allowed Interest, as applicable, or a Claim or Interest temporarily Allowed by the Bankruptcy Court as of the date of the Confirmation Hearing shall be deemed to accept the Plan for purposes of determining acceptance or rejection of the Plan by such Class pursuant to sections 1129(a)(8) and 1129(a)(10) of the Bankruptcy Code.

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### **C. Confirmation Pursuant to Sections 1129(a)(10)**

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied for purposes of Confirmation by acceptance of the Plan by an Impaired Class of Claims as determined without including any acceptance of the Plan by any Insider. The Debtor reserves the right to modify the Plan in accordance with Article XI hereof.

## **ARTICLE V - MEANS FOR IMPLEMENTATION OF THE PLAN**

### **A. Sale of Assets**

On December 29, 2011, the Debtor entered into that certain Letter of Intent for the Sale of Substantially all of its Assets to the Purchaser. On May 10, 2012, the Debtor, subject to Bankruptcy Court approval, executed the Purchase Agreement. On July 9, 2012, the Bankruptcy Court approved the Sale and entered the Sale Order. Pursuant to the Purchase Agreement, the Sale will be consummated and the Acquired Assets will be transferred to the Purchaser on the Closing Date, which shall occur after satisfaction or waiver of the conditions in Section 9 of the Purchase Agreement. After the Effective Date and before the Closing Date, all property of the Estate (including the Acquired Assets, to the extent the Closing Date does not occur on or before the Effective Date) will vest in the Reorganized Debtor and the Reorganized Debtor will operate the Business until the Closing Date in accordance with this Plan and subject to the Purchase Agreement and the Sale Order. Should the Closing Date occur on or before the Effective Date, the only activities of the Reorganized Debtor after the Effective Date will be the winding up of operations in accordance with this Plan, the Purchase Agreement and the Sale Order and the implementation of the terms of this Plan. Proceeds from the Sale will be used by the Disbursement Agent to satisfy Claims, as provided herein. Subject to the terms of the Purchase Agreement and the DIP Financing Agreement, after May 10, 2012, Purchaser will provide the necessary funding to operate the Business and administer the Chapter 11 Case pursuant to the Purchase Agreement and DIP Financing Agreement.

### **B. Principles of the Plan Structure and Settlement of Claims**

The overall Plan was structured and designed based on a pre-petition plan of reorganization the Debtor was implementing prior to commencement of the Chapter 11 Case on January 30, 2012. The overall design and structure of the Plan is created to settle the Claims of all Claim and Equity Interest Holders using the following principles:

- i) The Plan will be a Liquidating Chapter 11 Plan, once the Asset Sale is completed, and the Disbursements under the Plan are completed, the Reorganized Debtor will be wound down and administratively dissolved as provided under Washington State law.
- ii) All Administrative Claims, Priority Tax Claims, and Secured Creditors' Claims, unless they agreed to an alternative treatment, will be paid in Cash in full on the Effective Date of the Plan.
- iii) Certain Claims held by certain Secured Creditors, as further identified and detailed in Exhibit 5 would receive a combination of Cash and Equity Interests in AAC in exchange for their Claim. The rate at which these Claims would receive AAC Equity Interests would be less favorable than all other Creditors and Equity Interest holders in the Debtor as they are receiving a partial Cash payment with their Claim settlement. These Secured Creditors will enter into a Settlement and Release Agreement for these Claims, subject to Bankruptcy Court approval, that will become effective on the Confirmation of the Plan and receipt of the Closing Payment from the Purchaser under the Purchase Agreement.

- iv) All Unsecured Creditor Claims that arose from the provision of goods and services to the Debtor in the normal course of business will be paid in Cash in full on the Effective Date of the Plan.
- v) Certain Claims held by certain Secured Creditors, as further identified and detailed in Exhibit 12 would receive a combination of Cash and Equity Interests in AAC in exchange for their Claim. The rate at which these Claims would receive AAC Equity Interests would be less favorable than all other Creditors and Equity Interest holders in the Debtor as they are receiving a partial Cash payment with their Claim settlement.
- vi) Except for certain Unsecured Creditors whose Claims are being assumed by the Purchaser, all Unsecured Creditor Claims that are held by shareholders, or those Unsecured Creditors who wanted to be shareholders of the Debtor at the time of becoming Unsecured Creditors will receive AAC Equity Interests in full satisfaction of their Claims. The rate at which these Claim holders will receive AAC Equity Interests will be pari passu to that of the Equity Interest Holders- Series A-2 Stock.
- vii) Certain Unsecured Claims held by Officers and Directors of the Debtor will be settled by a negotiated Cash payment and substantial full release of the remaining balance of the Claim after the Case payment as further described in Exhibit 12. These Officer and Directors will enter into a Settlement and Release Agreement for these Claims, subject to Bankruptcy Court approval, that will become effective on the Confirmation of the Plan and receipt of the Closing Payment from the Purchaser under the Purchase Agreement.
- viii) Certain Claims held by Wolfgang and Elizabeth Hammersmith ("Founders") for loans made to the Debtor will first be reduced by a Setoff for amounts loaned the Founders, and then the remaining balance of these Claims will be settled in exchange for AAC Equity Interests. The AAC Equity Interests that the Founders receive for these Claims will be at a rate that is pari passu to the rate that the Secured Creditors will receive in item v above, but is less favorable than the rate all the other Equity Interest holders will be receiving for their Claims.
- ix) Any Claims held by the Purchaser whether they are for payments made in accordance with the Purchase Agreement or the DIP Financing Agreement, shall be settled in full in exchange for receiving the Acquired Assets under the Purchase Agreement.
- x) The Claims held by Equity Interests – Common Stock Options, will first be converted from stock options into common stock at a rate of one (1) share of common stock for every two (2) share purchase options the holder holds at no cost to the Claim holder. This is being done as these Claim holders insured for the maintenance and preservation of the Acquired Assets under the Purchase Agreement that is enabling this Plan and the settlement of Claim hereunder
- xi) The Claims, or portion thereof being settled in exchange for AAC Equity Interests that are held by Equity Interests – Series A-2 Stock, Equity Interests – Series A-1 Stock, Equity Interests – Series Z Stock, Equity Interests – Common Stock, Equity Interests – Common Stock Options, Secured Creditors –Participatory Claims and Creditor Claims –Compromised, shall share in the 10,477,5000 shares of AAC being issued to the Debtor as part of the Closing Payment, and shall be disbursed among the holders of these Claims on a pro rata basis based on the number of common equivalent shares held by the Claim Holder under their Claim just immediately prior to the Effective Date of the Plan and the corresponding Disbursement of the shares pursuant to this Plan by the Disbursement Agent.

- xii) The Claims held represented by Equity Interest – Common Stock Purchase Warrants are for warrants to purchase common stock at prices ranging from \$.25 per share to \$.40 per share, which is substantially greater than the current estimated value of the Debtors stock based on the Purchase Agreement and this Plan which is \$.03 to \$.04 per share of the Debtor. These facts, combined with the fact that the Debtor will have no assets and no operations after the Asset Sale, and pursuant to this Plan will be wound down and dissolved, the Debtor is proposing that these warrants be declared to be void and cancelled, and will have no participation in any distribution under the Plan.

Exhibit 1 to the Plan presented the Debtor's Balance Sheet as of the petition date January 30, 2012, and presented the effect of the Asset Sale and full implementation of this Plan on the Debtor's Balance Sheet.

#### **C. Sources of Consideration for Plan Distributions**

Upon the Closing Date, Purchaser shall provide the Closing Date Payment, including all Cash consideration necessary for the Debtor, Reorganized Debtor or Disbursement Agent, as applicable, to make payments or Distributions to the holders of Allowed Claims entitled to such Distributions under the Plan as set forth in the Purchase Agreement as provided by the Purchaser.

#### **D. Restricted Nature of the Purchaser's Common Stock to Be Distributed Pursuant to the Plan**

The 10,477,500 Shares of Common Stock of AlphaCipher Acquisition Corporation paid to the Debtor's Estate as part of the Asset Sale which are to be further distributed to Holders of Claims and Equity Interests in satisfaction of their Claims pursuant to the Plan of Reorganization are subject to following restrictions:

- (i) Notwithstanding the provision of Section 1145 of the United States Bankruptcy Code, the Common Stock to be distributed pursuant to the Plan, has not been registered under the Securities Act or any other applicable securities laws, and the Shares must be held indefinitely unless subsequently registered under the Securities Act or an exemption from such registration is available (such as Rule 144 or the resale provisions of Rule 701 under the Securities Act) and the Company is under no obligation to register the Shares;
- (ii) The share certificate representing the Common Shares of the Purchaser issued pursuant to the Plan will be stamped with the legends specific in Exhibit-19 to this Plan; and
- (iii) The Purchaser will make a notation in its records of the aforementioned restrictions on transfer and legends.

#### **E. Operations of the Debtor between the Confirmation Date, the Effective Date and the Closing Date**

The Debtor shall continue to operate as Debtor in Possession during the period from the Confirmation Date through the Effective Date. Upon the Effective Date, the Reorganized Debtor will exist and operate the Business in accordance with terms and conditions of the Purchase Agreement and the Sale Order. Upon the Closing Date, the Reorganized Debtor will transfer the Acquired Assets to the Purchaser in accordance with the Purchase Agreement. In addition, on the Closing Date (or earlier in certain circumstances, as set forth in the Purchase Agreement), the Purchaser shall pay to the Reorganized Debtor the Closing Date Payment, which will be Disbursed by the Disbursement Agent as soon as reasonably practicable upon the Reorganized Debtor's receipt of the Closing Date Payment. Should the Closing Date occur on or before the Effective Date, the Reorganized Debtor will exist solely for the purpose of implementing the Plan and winding up their remaining operations after the Closing in accordance with the terms of the Plan, the Purchase Agreement and the Sale Order.

Should the Closing Date occur on or before the Confirmation Date and the Effective Date combined, then the Closing Date Payment, less any Paydowns made pursuant to a Paydown Order shall be held in trust for the benefit of the Estate, in the IOLTA Trust Account of the Debtor's Counsel Special Counsel for the Purchase Agreement which is Beresford Booth PLLC. Once the Plan is Confirmed and Effective, the Net Proceeds of the Sale shall be released to the Disbursement Agent for disbursement in accordance with the terms of the Plan, the Purchase Agreement and the Sale Order.

#### **F. Term of Injunction or Stays**

Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Case pursuant to sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Chapter 11 Case are closed.

#### **G. Corporate Existence**

Except as otherwise provided herein, in the New Corporate Governance Documents as described in Section G below, the Debtor, as Reorganized, shall continue to exist after the Effective Date as a separate corporate entity, with all the powers of a corporation pursuant to the applicable law in the jurisdiction in which the Debtor is incorporated or formed, subject to the terms of this Plan.

#### **H. Amended Certificates of Incorporation and New By-Laws**

As required by the Purchase Agreement, after the Effective Date and the Closing Date the Reorganized Debtor may amend and restate its Articles of Incorporation and other constituent documents as permitted by the laws of the State of Washington and its Amended Articles of Incorporation and New By-Laws.

#### **I. Reorganized Debtor's Boards of Directors**

The Reorganized Debtor's Board of Directors upon the Effective Date shall be made up of the following three members, who shall serve without compensation:

- Rod Nicholls
- Jose Antonio Rios
- An Independent Director to be elected upon Confirmation by the holders of the five (5) largest claims in Class 6.

#### **J. Officers of Reorganized Debtor**

Upon the Plan's Effective Date, the sole officer of the Reorganized Debtor will be Rod Nicholls, who will serve without compensation

#### **K. Corporate Action**

Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including (1) selection of the directors and officers of the Reorganized Debtor; and (2) all other actions contemplated by the Plan (whether to occur before, on or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Debtor or the Reorganized Debtor, and any corporate action required by the Debtor or the Reorganized Debtor in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the directors or officers of the Debtor or the Reorganized Debtor.

On or (as applicable) before the Effective Date, the appropriate officers of the Debtor or the Reorganized Debtor, as applicable, shall be authorized and directed to issue, execute and deliver the agreements, documents, securities, certificates of incorporation, operating agreements and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtor, including any and all agreements, documents, securities and instruments relating to the foregoing. The authorizations and approvals contemplated by this Article V shall be effective notwithstanding any requirements under non-bankruptcy law.

#### **L. Effectuating Documents; Further Transactions**

On and after the Effective Date, the Reorganized Debtor and the managers, officers and members of the board of directors thereof are authorized to issue, execute, deliver, file or record such contracts, securities, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtor, without the need for any approvals, authorization or consents except for those expressly required pursuant to the Plan.

#### **M. Section 1146 Exemption from Certain Taxes and Fees**

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property in contemplation of, in connection with, or pursuant to the Plan and/or the Purchase Agreement shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct and be deemed to direct the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment. Such exemption specifically applies, without limitation, to (1) the transfer of the Acquired Assets to the Purchaser pursuant to the Purchase Agreement; (2) the creation of any mortgage, deed of trust, lien or other security interest; (3) the making or assignment of any lease or sublease; (4) any Restructuring Transaction; or (5) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including: (a) any merger agreements; (b) agreements of consolidation, restructuring, disposition, liquidation or dissolution; (c) deeds; or (d) assignments executed in connection with any transaction occurring under the Plan.

#### **N. Preservation of Rights and Causes of Action**

In accordance with section 1123(b) of the Bankruptcy Code, and except where such Causes of Action have been expressly released (including, for the avoidance of doubt, pursuant to the Releases by the Debtor provided by Article IX.B hereof and pursuant to the Sale Order), the Debtor shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, including Causes of Action under Chapter 5 of the Bankruptcy Code, whether arising before or after the Petition Date, and the Reorganized Debtor's rights to commence, prosecute or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. No Entity may rely on the absence of a specific reference in the Plan, the Disclosure Statement, or the Schedule of Retained Causes of Action, to any Cause of Action against them as any indication that the Debtor or Reorganized Debtor, as applicable, will not pursue any and all available Causes of Action against them. No preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such retained Causes of Action upon, after or as a consequence of the Confirmation or consummation of the Plan.

## **O. Dissolution of Corporate Entities**

After the Closing Date, and at such time as the New Board considers appropriate and consistent with the implementation of the Plan (including the satisfaction of Distributions thereunder) pertaining to the Reorganized Debtor, its Board of Directors or any officer of such Reorganized Debtor will dissolve such Reorganized Debtor and complete the winding up thereof in accordance with applicable law. As soon as practicable after all aspects of the Plan pertaining to each Reorganized Debtor have been completed, each Reorganized Debtor will be dissolved and wound up in accordance with applicable law. The Confirmation Order will serve as evidence of dissolution of the Reorganized Debtor to be submitted to the applicable state or provincial authority.

## **ARTICLE VI - TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

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

Upon Confirmation the Debtor shall assume the following Executory Contracts:.

- 1) Asset Purchase Agreement between AlphaCipher Acquisition Corporation (a Washington corporation) as "Buyer" and Vadium Technology, Inc. (a Washington corporation) as "Seller", dated May 10, 2012.
- 2) Settlement Agreement with CADG International, dated June 17, 2011, as amended.

Beyond these Executory Contracts the Purchaser does not have any additional Executory Contracts.

## **ARTICLE VII - PROVISIONS GOVERNING DISTRIBUTIONS**

### **A. Initial Distribution Date**

On the Initial Distribution Date or as soon thereafter as is reasonably practicable, the Disbursement Agent shall make, or shall make adequate reserves for, the Distributions required to be made under the Plan.

### **B. Closing Date Payment Distribution Date**

On, or as soon as reasonably practicable after, the transfer of the Closing Date Payment to the Debtor, which will occur concurrent with the Closing, the Disbursement Agent shall make, or make adequate reserves for the Distributions required to be made under the Plan from the Closing Date Payment in accordance with this Plan.

### **C. Record Date for Distributions**

As of the entry of the Confirmation Order, the various transfer registers for each of the Classes of Claims or Interests as maintained by the Debtor or their respective agents shall be deemed closed, and there shall be no further changes made to reflect any new record holders of any Claims or Interests. The Debtor and the Indenture Trustees shall have no obligation to recognize any transfer of Claims or Interests occurring on or after the Distribution Record Date.

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

Except as otherwise provided in the Plan, on the applicable Distribution Date, each holder of an Allowed Claim or Interest against the Debtor, or the Trust Agreements, shall receive the full amount of the Distributions that the Plan provides for Allowed Claims or Interests in the applicable Class and in the manner provided herein. In the event that any payment or act under the Plan is required to be made or



performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, Distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Article VIII hereof. Except as otherwise provided herein, holders of Claims shall not be entitled to interest, dividends or accruals on the Distributions provided for herein, regardless of whether such Distributions are delivered on or at any time after the Effective Date.

#### **E. Fractional Distributions**

Cash shall not be distributed under the Plan in denominations of less than one cent (\$0.01). The Disbursing Agent shall have no obligation to make any Distribution of Cash that is less than \$10.00.

#### **F. Disbursing Agent**

Except as otherwise provided herein, all Distributions under the Plan shall be made by the Reorganized Debtor or the Purchaser on behalf of the Reorganized Debtor, as Disbursing Agent, or such other Entity designated by the Reorganized Debtor pursuant to the terms and conditions of the Purchase Agreement, in consultation with the Creditors' Committee, as a Disbursing Agent, within five (5) business days of the Effective Date. If the Disbursing Agent is not one of the Reorganized Debtors or the Purchaser, such entity shall obtain a bond or surety for the performance of its duties, and all costs and expenses of procuring any such bond or surety shall be borne by the Debtor or Reorganized Debtor, as applicable.

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

##### **1. Powers of the Disbursing Agent**

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

##### **2. Expenses Incurred On or After the Effective Date**

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable, actual and documented fees and expenses incurred by any Disbursing Agent in carrying out its obligations under this Article VII of the Plan on or after the Effective Date (including taxes) and any reasonable, actual and documented compensation and expense reimbursement claims (including reasonable attorney fees and expenses) made by the Disbursing Agent related thereto shall be paid in Cash from the Closing Payment, in its reasonable discretion.

#### **H. Distributions to Holders of Disputed Claims**

Notwithstanding any provision otherwise in the Plan and except as may be agreed to by the Debtor or the Reorganized Debtor, as applicable, in each case in their sole discretion, and the holder of a Disputed Claim, no partial payments and no partial Distributions shall be made with respect to any Disputed Claim until all Disputed Claims held by the holder of such Disputed Claim or Interest have become Allowed Claims or have otherwise been resolved by settlement or Final Order.

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## **I. Delivery of Distributions and Undeliverable or Unclaimed Distributions**

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

Except as otherwise provided in the Plan and subject to Bankruptcy Rule 9010, Distributions to holders of Allowed Claims shall be made to holders of record as of the Distribution Record Date by the Disbursing Agent: (a) to the signatory set forth on any of the Proofs of Claim filed by such holder or other representative identified therein (or at the last known addresses of such holder if no Proof of Claim is filed or if the Debtor has been notified in writing of a change of address); (b) at the addresses set forth in any written notices of address changes delivered to the Disbursing Agent after the date of any related Proof of Claim; (c) at the addresses reflected in the Schedules if no Proof of Claim has been filed and the Disbursing Agent has not received a written notice of a change of address; or (d) on any counsel that has appeared in the Chapter 11 Case on the holder's behalf. Distributions under the Plan on account of Allowed Claims shall not be subject to levy, garnishment, attachment or like legal process, so that each holder of an Allowed Claim shall have and receive the benefit of the Distributions in the manner set forth in the Plan. Neither the Debtor, the Reorganized Debtor or the applicable Disbursing Agent shall incur any liability whatsoever on account of any Distributions under the Plan except for gross negligence, willful misconduct or fraud.

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

In the event that any Distribution to any holder is returned as undeliverable, no Distribution to such holder shall be made unless and until the Disbursing Agent has determined the then current address of such holder, at which time such Distribution shall be made as soon as practicable after such Distribution has become deliverable or has been claimed to such holder without interest; provided, however, that such Distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and forfeited at the expiration of six (6) months from the applicable Distribution Date. After such date, all "unclaimed property" or interests in property shall revert to the Liquidating Trust (notwithstanding any applicable federal or state escheat, abandoned or unclaimed property laws to the contrary) and shall be transferred by the Disbursing Agent or Reorganized Debtor (as applicable), in a supplemental Distribution to the holders of Allowed Claims in accordance with this Plan on a Pro Rata basis, and the Claim of any holder to such "unclaimed property" or interests in property shall be discharged and forever barred.

## **J. Withholding and Reporting Requirements**

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

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## **K. Setoffs**

Subject to the Sale Order, the Debtor, the Reorganized Debtor and the Disbursement Agent may withhold (but not set off except as set forth below) from the Distributions called for under the Plan on account of any Allowed Claim an amount equal to any claims, equity interests, rights and Causes of Action of any nature that the Debtor, the Reorganized Debtor or the Disbursement Agent may hold against the holder of any such Allowed Claim. In the event that any such claims, equity interests, rights and Causes of Action of any nature that the Debtor, the Reorganized Debtor or the Disbursement Agent may hold against the holder of any such Allowed Claim are adjudicated by Final Order or otherwise resolved, the Debtor may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off against any Allowed Claim and the Distributions to be made pursuant hereto on account of such Allowed Claim (before any Distribution is made on account of such Allowed Claim) the amount of any adjudicated or resolved claims, equity interests, rights and Causes of Action of any nature that the Debtor, the Reorganized Debtor or the Disbursement Agent may hold against the holder of any such Allowed Claim, but only to the extent of such adjudicated or resolved amount. Neither the failure to effect such a setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtor, the Reorganized Debtor or the Disbursement Agent of any such claims, equity interests, rights and Causes of Action that the Debtor, the Reorganized Debtor or the Disbursement Agent may possess against any such holder, except as specifically provided herein.

## **L. Claims Paid or Payable by Third Parties**

### **1. Claims or Interests Paid by Third Parties**

The Debtor, the Reorganized Debtor, and the Disbursement Agent, as applicable, shall reduce in part or in full a Claim or Interest to the extent that the holder of such Claim or Interest receives payment in part or in full on account of such Claim or Interest from a party that is not a Debtor, Reorganized Debtor, or the Disbursement Agent. To the extent a holder of a Claim or Interest receives a Distribution on account of such Claim or Interest and receives payment from a party that is not a Debtor, a Reorganized Debtor, or the Disbursement Agent on account of such Claim or Interest, such holder shall, within two (2) weeks of receipt thereof, repay or return the Distribution to the applicable Reorganized Debtor or Disbursement Agent, as applicable, to the extent the holder's total recovery on account of such Claim or Interest from the third party and under the Plan exceeds the amount of such Claim or Interest as of the date of any such Distribution under the Plan.

## **M. Post-Petition Interest**

Unless expressly provided herein, or in the Confirmation Order, the Final DIP Order or any contract, instrument, release, settlement or other agreement entered into in connection with the Plan, or required by the Bankruptcy Code (including without limitation sections 506(b) and 1129(b) of the Bankruptcy Code), post-petition interest shall not accrue on or after the Petition Date on account of any Claim, except to those Claims listed in Exhibit 3 and Exhibit 4 (except as allowed by section 506 of the Bankruptcy Code).

## **N. Section 506(c) Reservation**

The Debtor and the Reorganized Debtor reserve all rights under section 506(c) of the Bankruptcy Code with respect to any and all Secured Claims, except to the extent waived pursuant to the Sale Order.

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## **ARTICLE VIII - PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED AND DISPUTED CLAIMS**

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

The Debtor, the Reorganized Debtor or the Disbursement Agent, as applicable, shall have the exclusive authority to file, settle, compromise, withdraw or litigate to judgment any objections to Claims as permitted under the Plan. From and after the Effective Date, the Reorganized Debtor or the Disbursement Agent may settle or compromise any Disputed Claim without approval of the Bankruptcy Court. The Debtor, the Reorganized Debtor and the Disbursement Agent reserve all rights to resolve any Disputed Claim outside the Bankruptcy Court under applicable governing law. All objections, affirmative defenses and counterclaims shall be litigated to Final Order; provided, however, that the Debtor, Reorganized Debtor and Disbursement Agent shall have the authority to file, settle, compromise or withdraw any objections to Claims. Unless otherwise ordered by the Bankruptcy Court, to the extent not already objected to by the Debtor, the Disbursement Agent shall file and serve all objections to Claims as soon as practicable, but, in each instance, not later than one hundred eighty (180) days following the Effective Date or such later date as may be approved by the Bankruptcy Court.

### **B. Allowance of Claims**

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

### **C. Estimation of Claims**

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

### **D. Deadline to File Objections to Claims**

Any objections to Claims shall be filed on or before the date that is the later of (a) fifteen days (15) days after the Confirmation Date and (b) the last day of such other period of limitation as may be specifically fixed by an order of the Bankruptcy Court for objecting to certain Claims.

## **ARTICLE IX - SETTLEMENT, RELEASE, INJUNCTION AND RELATED PROVISIONS**

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

As discussed in detail in the Disclosure Statement and as otherwise provided herein, pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the Distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests and controversies relating to the contractual, legal and subordination rights that a holder of a Claim may have with respect to any Allowed Claim or Interest, or any Distribution to be made on account of such Allowed Claim or Interest (the "Plan Settlement"). The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Plan Settlement, as well as a finding by the Bankruptcy Court that such Plan Settlement is in the best interests of the Debtor, their Estates and holders of Claims and Interests and is fair, equitable and reasonable. In accordance with the provisions of the Plan, pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019(a), without any further notice to or action, order or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtor may compromise and settle Claims against them and Causes of Action against other Entities.

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

Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, for good and valuable consideration, including the contributions of the Released Parties to facilitate the implementation of the Plan, and the other contracts, instruments, releases, agreements or documents executed and delivered in connection with the Plan, the Released Parties and each of them are deemed released and discharged by the Debtor, the Reorganized Debtor and the Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of the Debtor, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, fixed or contingent, matured or unmatured, existing or hereinafter arising, in law, equity or otherwise, that the Debtor, the Reorganized Debtor, the Estate or their Affiliates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other Entity, based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date (and, with regard to the New Boards of the Reorganized Debtor, subsequent to the Effective Date) in any way relating to the Debtor, the Chapter 11 Case, the Plan or the Disclosure Statement, or related agreements, instruments or other documents, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes gross negligence, fraud or willful misconduct, as determined by a Final Order; provided, that nothing in this Article IX.B shall release the Purchaser or, solely to the extent it is a party to the Purchase Agreement.

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

As of the Effective Date, to the fullest extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, for good and valuable consideration, including the contributions of the Released Parties to facilitate the implementation of the Plan, the Plan Settlement, the Settlement and the other contracts, instruments, releases, agreements or documents executed and delivered in connection with the Plan, each holder of a Claim or an Interest shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged the Debtor, the Reorganized Debtor and the Released Parties and each of them from any and all Claims, Interests, obligations, rights, suits, damages, causes of action, remedies and liabilities whatsoever, including any derivative Claims, asserted on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, fixed or contingent, matured or unmatured, existing or hereafter arising, in law, equity or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date (and, with regard to the Board of the Reorganized Debtor, subsequent to the Effective Date) in any way relating to the Debtor, the Chapter 11 Case, this Plan, or the Disclosure Statement, or related agreements, instruments or other documents that did or would have given rise to a Claim in the Chapter 11 Case, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes gross negligence, fraud or willful misconduct, as determined by a Final Order; provided, that nothing herein shall be deemed a waiver or release of a Releasing Party's right to receive a Distribution pursuant to the terms of this Plan; provided, further, that nothing in this Article IX.C shall release the Debtor or the Reorganized Debtor from any claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities arising under the Purchase Agreement.

### **D. Exculpation**

Except as otherwise specifically provided in the Plan or Plan Supplement, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from, any Exculpated Claim, obligation, cause of action or liability for any Exculpated Claim, except to the extent such claim is attributable to gross negligence or willful misconduct, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Debtor and the Reorganized Debtor (and each of their respective Affiliates, agents, directors, officers, employees, advisors and attorneys) have, and upon Confirmation of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and Distributions pursuant to the Plan, and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or such Distributions made pursuant to the Plan.

Notwithstanding anything herein to the contrary, nothing in the foregoing "Exculpation" shall (1) release any Person or Entity from any liability resulting from any act or omission constituting fraud, willful misconduct, gross negligence, criminal conduct, malpractice, misuse of confidential information that causes damages or ultra vires act as determined by a Final Order or (2) limit the liability of the professionals of the Exculpated Parties to their respective clients pursuant to Washington State Law.

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

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the Distributions, rights and treatment that are provided in the Plan shall be in full and final satisfaction, settlement, release and discharge, effective as of the Effective Date, of all Claims, Interests and causes of action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against and Interests in, the Debtor or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities and causes of action that arose before the Effective Date, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a Proof of Claim or Interest based upon such Claim, debt, right or Interest is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim or Interest based upon such Claim, debt, right or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (3) the holder of such a Claim or Interest has accepted the Plan. Except as otherwise provided herein, any default by the Debtor or their Affiliates with respect to any Claim or Interest that existed before or on account of the filing of the Chapter 11 Case shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring, except as otherwise expressly provided in the Plan.

#### **F. Injunction**

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

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

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS, OR FOR OBLIGATIONS ISSUED PURSUANT TO THE PLAN, ALL ENTITIES WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS OR INTERESTS THAT HAVE BEEN RELEASED PURSUANT TO ARTICLE IX.B OR ARTICLE IX.C OR, DISCHARGED PURSUANT TO ARTICLE IX.E, OR ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE IX.D, ARE PERMANENTLY ENJOINED, FROM AND AFTER THE EFFECTIVE DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS: (1) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (2) ENFORCING, ATTACHING, COLLECTING OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (3) CREATING, PERFECTING OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST SUCH ENTITIES OR THE PROPERTY OR ESTATE OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (4) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS RELEASED, SETTLED OR DISCHARGED PURSUANT TO THE PLAN; AND (5) ACTING OR PROCEEDING IN ANY MANNER, IN ANY PLACE WHATSOEVER, THAT DOES NOT CONFORM WITH THE PROVISIONS OF THIS PLAN TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW.

THE RIGHTS AFFORDED IN THE PLAN AND THE TREATMENT OF ALL CLAIMS AND INTERESTS HEREIN SHALL BE IN EXCHANGE FOR AND IN COMPLETE SATISFACTION OF ALL CLAIMS AND INTERESTS OF ANY NATURE WHATSOEVER, INCLUDING ANY INTEREST ACCRUED ON CLAIMS FROM AND AFTER THE PETITION DATE, AGAINST THE DEBTOR OR ANY OF THEIR ASSETS, PROPERTY OR ESTATES TO THE FULLEST EXTENT SET FORTH IN THE PLAN. ON THE EFFECTIVE DATE, IN ACCORDANCE WITH THE PLAN, ALL SUCH CLAIMS AGAINST THE DEBTOR SHALL BE FULLY RELEASED AND DISCHARGED, AND THE EQUITY INTERESTS SHALL BE CANCELLED.

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

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED FOR HEREIN, ALL ENTITIES SHALL BE PRECLUDED FROM ASSERTING AGAINST THE DEBTOR, THE DEBTOR' ESTATE, THE REORGANIZED DEBTOR, EACH OF THEIR RESPECTIVE SUCCESSORS AND ASSIGNS, AND EACH OF THEIR ASSETS AND PROPERTIES, ANY OTHER CLAIMS OR INTERESTS BASED UPON ANY DOCUMENTS, INSTRUMENTS OR ANY ACT OR OMISSION, TRANSACTION OR OTHER ACTIVITY OF ANY KIND OR NATURE THAT OCCURRED BEFORE THE EFFECTIVE DATE.

#### **G. Term of Injunctions or Stays**

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Case pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

#### **H. Injunction Against Interference With Plan**

To the fullest extent permitted by applicable law, and except as may otherwise be stated in the Sale Order, upon the entry of the Confirmation Order, all of the Releasing Parties shall be enjoined from taking any actions to interfere with the implementation or consummation of this Plan or the Sale, including, without limitation, the transfer of the Acquired Assets to the Purchaser.

#### **I. Injunction Related to Releases and Exculpation**

The Confirmation Order shall permanently enjoin the commencement or prosecution by any person or entity, whether directly, derivatively or otherwise, of any Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities released pursuant to this Plan, including but not limited to the claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities released in Article IX of this Plan.

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#### **J. Protection Against Discriminatory Treatment**

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

#### **K. No Consent to Change of Control Required**

To the fullest extent permitted by applicable law, except as otherwise expressly provided by order of the Bankruptcy Court, none of (a) the facts or circumstances giving rise to the commencement of, or occurring in connection with, the Chapter 11 Case or (b) any other transaction pursuant to the Plan (including, without limitation, the Restructuring Transactions) shall constitute a "change in ownership" or "change of control" (or a change in working control) of, or in connection with, any Debtor requiring the consent of any person other than the Debtor or the Bankruptcy Court.

#### **L. Release of Liens**

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

### **ARTICLE X - CONDITIONS PRECEDENT TO CONFIRMATION OF THE PLAN AND THE EFFECTIVE DATE**

#### **A. Conditions Precedent to Confirmation**

It shall be a condition to Confirmation hereof that the following provisions, terms and conditions shall have been satisfied or waived pursuant to the provisions of Article X.C.

1. The Bankruptcy Court shall have entered a Final Order, in form and substance acceptable to the Debtor, approving the Disclosure Statement with respect to the Plan as containing adequate information within the meaning of section 1125 of the Bankruptcy Code.

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

It shall be a condition to the Effective Date that the following provisions, terms and conditions shall have been satisfied or waived pursuant to the provisions of Article X.C.

1. The Confirmation Order entered by the Bankruptcy Court shall be a Final Order acceptable in form and substance to the Debtor and the Creditors' Committee.
2. All of the schedules, documents, supplements and exhibits to the Plan shall have been filed.
3. All actions, documents, certificates, and agreements necessary to implement this Plan, including, without limitation, Amended and Restated Articles of Incorporation, shall have been effected or executed and delivered to the required parties and, to the extent required, filed with the applicable governmental units in accordance with applicable laws.
4. The Closing Date Payment shall have been received.

## **C. Waiver of Conditions**

The conditions to Confirmation of the Plan and to the occurrence of the Effective Date set forth in this Article X may be waived at any time by the Debtor; provided, however, that the Debtor may not waive (i) entry of the Confirmation Order.

## **D. Effect of Failure of Conditions**

If Confirmation of the Plan does not occur, the Plan shall be null and void in all respects, including, among other things, the allocation percentages set forth herein and the terms of the Plan Settlement, and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a waiver or release of any claims by or Claims against the Debtor; (2) prejudice in any manner the rights of the Debtor, any holders of Claims or any other Entity; or (3) constitute an admission, acknowledgment, offer or undertaking by the Debtor, any holders or any other Entity in any respect.

# **ARTICLE XI - MODIFICATION, REVOCATION OR WITHDRAWAL OF THE PLAN**

## **A. Modification and Amendments**

Except as otherwise specifically provided herein, the Debtor reserves the right to modify the Plan as to material terms and seek Confirmation consistent with the Bankruptcy Code and, as appropriate, not resolicit votes on such modified Plan. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions on modifications set forth in the Plan, the Debtor expressly reserve their rights to alter, amend or modify materially the Plan with respect to any or all Debtor, one or more times, after Confirmation, and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend or modify the Plan or remedy any defect or omission, or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with this Article XI.

In addition, prior to the Effective Date, the Debtor may make appropriate technical adjustments and modifications to the Plan, without further order or approval of the Bankruptcy Court; provided, however, that such technical adjustments and modifications do not adversely affect in a material way the treatment of holders of Claims or Interests.

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

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

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

The Debtor reserves the right to revoke or withdraw the Plan (including any or all of the individual Plans for the Debtor) before the Effective Date and to file subsequent Chapter 11 plans, provided, however, that the Debtor may not revoke or withdraw the Plan without the consent of the Creditors' Committee and such consent shall not be unreasonably withheld. In addition, the Debtor reserves the right to seek confirmation of some, but not all of the Chapter 11 Plan for the Debtor. If the Debtor revokes or withdraws the Plan (or one or more of the individual Plans), or if Confirmation or the Effective Date does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan, assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims or Interests by any Debtor against any other Entity; (b) prejudice in any manner the rights of such Debtor or any other Entity; or (c) constitute an admission, acknowledgement, offer or undertaking of any sort by such Debtor or any other Entity.

### **ARTICLE XII - RETENTION OF JURISDICTION**

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain such jurisdiction over the Chapter 11 Case and all matters, arising out of or related to, the Chapter 11 Case and the Plan, including jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate or establish the priority, Secured or Unsecured status or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the Secured or Unsecured status, priority, amount or allowance of Claims;
2. decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Plan;
3. resolve any matters related to: (a) the assumption, assumption and assignment or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable in any manner and to hear, determine and, if necessary, liquidate, any Claims arising therefrom, including Rejection Claims, Cure Claims pursuant to section 365 of the Bankruptcy Code or any other matter related to such Executory Contract or Unexpired Lease; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) the Reorganized Debtor amending, modifying or supplementing, after the Effective Date, pursuant to Article VI, any Executory Contracts or Unexpired Leases to the list of Executory Contracts and Unexpired Leases to be assumed or rejected or otherwise; and (d) any dispute regarding whether a contract or lease is or was executory or expired.

4. ensure that Distributions to holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;
5. adjudicate, decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date;
6. adjudicate, decide or resolve any and all matters related to any Cause of Action;
7. adjudicate, decide or resolve any and all matters related to section 1141 of the Bankruptcy Code;
8. enter and enforce any order for the sale of property pursuant to sections 363, 1123 or 1146(a) of the Bankruptcy Code;
9. resolve any avoidance or recovery actions under sections 105, 502(d), 542 through 551 and 553 of the Bankruptcy Code;
10. resolve any case, claims, controversies, suits, disputes or Causes of Action that may arise in connection with the consummation, interpretation or enforcement of the Plan or any entity's obligations incurred in connection with the Plan;
11. resolve any case, controversies, suits, disputes or Causes of Action that may arise in connection with or under the Notes;
12. issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any entity with consummation or enforcement of the Plan;
13. resolve any case, controversies, suits, disputes or Causes of Action with respect to the discharge, releases, injunctions, exculpations, indemnifications and other provisions contained in Article IX and enter such orders as may be necessary or appropriate to implement such releases, injunctions and other provisions;
14. enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;
15. determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan or the Disclosure Statement;
16. adjudicate any and all disputes arising from or relating to Distributions under the Plan;
17. consider any modifications of the Plan, cure any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;
18. determine requests for the payment of Claims and Interests entitled to priority pursuant to section 507 of the Bankruptcy Code, including requests by Professionals for payment of Accrued Professional Fees;
19. hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan or the Confirmation Order, including disputes arising under agreements, documents or instruments executed in connection with the Plan;

20. hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;
21. hear and determine all disputes involving the existence, nature or scope of the Debtor's discharge, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred before or after the Effective Date;
22. enforce all orders previously entered by the Bankruptcy Court;
23. hear any other matter not inconsistent with the Bankruptcy Code;
24. enter an order concluding or closing the Chapter 11 Case;
25. hear and determine all matters concerning the Purchase Agreement, including matters relating to any Alternative Sale (even if such Alternative Sale occurs post Confirmation Date or post Effective Date), which includes the exclusive jurisdiction to (a) enforce the terms and provisions of the Sale Order, the Purchase Agreement and the Plan in all respects and to decide any disputes concerning the Sale Order, the Purchase Agreement, and the Plan, or the rights and duties of the parties thereunder or any issues relating to the Purchase Agreement and the Sale Order and the Plan including, but not limited to, the interpretation of the terms, conditions and provisions hereof and thereof, the status, nature and extent of the Acquired Assets and any assumption or assignment of Executory Contracts or Unexpired Leases and all issues and disputes arising in connection with same and the relief authorized in the Sale Order, inclusive of those concerning the transfer of the Acquired Assets free and clear of all Encumbrances.
26. hear and determine all matters concerning the Paydown Orders.

### **ARTICLE XIII - MISCELLANEOUS PROVISIONS**

#### **A. Immediate Binding Effect**

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

#### **B. Additional Documents**

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

### **C. Dissolution of Creditors' Committee**

On the Effective Date, the Creditors' Committee shall dissolve, and its members shall be released and discharged from all further authority, duties, responsibilities and obligations relating to and arising from the Chapter 11 Case. The retention and employment of the Professionals retained by the Creditors' Committee shall terminate as of the Effective Date, provided, however, that the Creditors' Committee shall exist, and its Professionals shall be retained, after such date with respect to (a) applications filed pursuant to sections 330 and 331 of the Bankruptcy Code, (b) enforcement of the provisions of the Purchase Agreement, the Global Settlement Order, the Plan or the Confirmation Order; and (c) the distributions from the Closing Date Payment and/or the proceeds of the Retained Causes of Action.

### **D. Successors and Assigns**

The rights, benefits and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign, affiliate, officer, director, manager, agent, representative, attorney, beneficiaries or guardian, if any, of each Entity.

### **E. Service of Documents**

After the Effective Date, any pleading, notice or other document required by the Plan to be served on or delivered to the Debtor or the Reorganized Debtor and the Disbursement Agent, and shall be served on:

If to the Debtor:

Vadium Technology, Inc.  
401 Second Avenue, Suite 500  
Seattle, WA 98104  
Attn: R o d N i c h o l l s , President

with copies to:

The Law Offices of Dallas Jolley  
Special Counsel to the Debtor and  
Debtor in Possession  
4707 South Junett Street, Suite B  
Tacoma, WA 98409  
Phone: (253) 761-8970  
Fax: (253) 761-7910  
Attn: Dallas W. Jolley, Jr.

And

Beresford Booth PLLC  
Special Counsel to the Debtor and Debtor in Possession  
145 Third Avenue South, Suite 200  
Edmonds, WA 98020  
Phone: (425) 776-4100  
Fax: (425) 776-1700  
Attn: Richard R. Beresford

#### **F. Notice after Effective Date**

After the Effective Date, the Debtor may, in their sole discretion, notify Entities that, in order to continue receiving documents pursuant to Bankruptcy Rule 2002, such Entities must file a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Debtor is authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have filed such renewed requests.

#### **G. Entire Agreement**

Except as otherwise indicated, the Plan and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings and representations on such subjects, all of which have become merged and integrated into the Plan.

#### **H. Severability of Plan Provisions**

If, before Confirmation of the Plan, any term or provision of the Plan is held by the Bankruptcy Court or any other court exercising jurisdiction to be invalid, void or unenforceable, the Bankruptcy Court or other court exercising jurisdiction shall 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 of the Plan will remain in full force and effect and will 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 of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the Debtor's consent; and (3) non-severable and mutually dependent.

#### **I. Exhibits**

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Plan as if set forth in full in the Plan. After the exhibits and documents are filed, copies of such exhibits and documents shall be available upon request to the Debtor's counsel, by contacting Dallas Jolley at 4707 South Junett Street, Suite B, Tacoma, WA 98409, Phone: (253) 761-8970, Fax: (253) 761-7910. To the extent any exhibit or document is inconsistent with the terms of the Plan, unless otherwise ordered by the Bankruptcy Court, the non-exhibit or non-document portion of the Plan shall control.

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

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

#### **K. Closing of Chapter 11 Case**

The Reorganized Debtor shall, promptly after the full administration of the Chapter 11 Case, file with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Bankruptcy Court to close the Chapter 11 Case.

#### **L. Conflicts**

Except as set forth in the Plan, to the extent that any provision of the Disclosure Statement or any other order (other than the Confirmation Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements or amendments to any of the foregoing), conflict with or are in any way inconsistent with any provision of the Plan, the Plan shall govern and control; provided, however, that if there is a conflict between this Plan and a Plan Supplement document, the Plan Supplement document shall govern and control; and provided further, however, that to the extent that any provision of the Plan conflicts with or is in any way inconsistent with any provision of the Confirmation Order, the Confirmation Order shall govern and control. Additionally, to the extent that any provision of the Plan or Confirmation Order conflicts with or is in any way inconsistent with any provision of the Sale Order, the Purchase Agreement, the Sale Order, the Purchase Agreement, as applicable, shall govern and control.

Respectfully submitted,

Vadium Technology, Inc.

By: \_\_\_\_\_

Name: Rod Nicholls

Title: President



# EXHIBIT 1 – Debtor’s Balance Sheet And Effect Of Asset Sale And Plan Of Reorganization Thereon

<u>Assets</u>	<u>Balance Sheet</u> <u>Prior to</u> <u>Reorg</u>	<u>AAC</u> <u>Asset</u> <u>Sale</u>	<u>Post</u> <u>Sale</u> <u>Balance Sheet</u>	<u>Claims</u> <u>Compromised</u>	<u>Claims</u> <u>Converted</u>	<u>Balance Sheet</u> <u>Prior to</u> <u>Liquidation</u>	<u>Liquidation</u>	<u>Balance</u> <u>Sheet</u> <u>Post</u> <u>Liquidation</u>
<b>Current Assets</b>								
Cash	5	11,041	11,046			11,046	(11,046)	-
<b>Total Current Assets</b>	5	11,041	11,046	-	-	11,046	(11,046)	-
<b>Fixed Assets</b>								
Furniture	12,500	(12,500)	-	-	-	-		-
Computers	3,500	(3,500)	-	-	-	-		-
	16,000	(16,000)	-	-	-	-		-
Accumulated Depreciation	-	-	-			-		-
<b>Total Fixed Assets</b>	16,000	(16,000)	-	-	-	-		-
<b>Other Assets</b>								
Investment in VVC	2,506,672	(2,506,672)	-	-	-	-		-
Intellectual Property	889,996	(889,996)	-	-	-	-		-
N/R - Officers	454,200	-	454,200	(454,200)	-	-		-
Retention Advances	226,800	-	226,800	(226,800)		-		-
Investment in AAC	-	3,457,575	3,457,575	-	-	3,457,575	(3,457,575)	-
<b>Total Other Assets</b>	4,077,668	60,907	4,138,575	(681,000)	-	3,457,575	(3,457,575)	-
<b>Total Assets</b>	4,093,673	55,948	4,149,621	(681,000)	-	3,468,621	(3,468,621)	-

**Liabilities & Equity*****Post Petition Liabilities***

Accounts Payable	11,046		11,046		11,046	(11,046)	-
<b>Total Post Petition Liabilities</b>	11,046		11,046		11,046	(11,046)	-

***Pre Petition Liabilities***

Secured Creditors	7,230,324	(3,613,563)	3,616,761	(454,200)	(3,162,561)	-	-
Unsecured Priority Creditors	1,621,227	(1,621,227)	-	-	-	-	-
Unsecured Creditors - A/P	1,260,649	(1,260,649)	-	-	-	-	-
Unsecured Creditors Employees	5,057,401	(1,161,856)	3,895,545	(3,895,545)	-	-	-
Unsecured Creditors Shareholders	2,079,791	(236,632)	1,843,159	-	(1,843,159)	-	-
Unsecured Creditors	3,168,325	(3,011,402)	156,923	-	(156,923)	-	-
<b>Total Pre Petition Liabilities</b>	20,417,716	(10,905,329)	9,512,387	(4,349,745)	(5,162,642)	-	-

***Equity***

Series A-2 Preferred Stock	5,200,075	-	5,200,075	-	(5,200,075)	-	-
Series A-1 Preferred Stock	165,633	-	165,633	-	(165,633)	-	-
Series Z Preferred Stock	-	-	-	-	-	-	-
Common Stock	312,130	-	312,130	-	10,528,350	10,840,480	(10,840,480)
Stock Options	-	-	-	-	-	-	-
Warrants	-	-	-	-	-	-	-
Accumulated Deficit	(22,012,927)	10,961,277	(11,051,650)	3,668,745	-	(7,382,905)	7,382,905
<b>Total Equity</b>	(16,335,089)	10,961,277	(5,373,812)	3,668,745	5,162,642	3,457,575	(3,457,575)
<b>Total Liabilities &amp; Equity</b>	4,093,673	55,948	4,149,621	(681,000)	-	3,468,621	(3,468,621)

**EXHIBIT 2 – Schedule Of Priority Tax Claims Against Debtor**

<b><u>Claim Holder</u></b>	<b><u>Claim Amount</u></b>	<b><u>Cash Payment</u></b>	<b><u>Balance to be Cancelled</u></b>
Internal Revenue Service	\$ 1,496,274	\$ 1,496,274	\$0.00
Washington State Department of Revenue	\$ 48,339	\$ 48,339	\$0.00
Washington State Employment Security Department	\$ 47,161	\$ 47,161	\$0.00
State of Michigan Department of Energy	\$ 4,510	\$ 4,510	\$0.00
Florida Department of Revenue	\$ 2,207	\$ 2,207	\$0.00
State of Maryland Department of Labor	\$ 187	\$ 187	\$0.00
California Employment Dev Dept	\$ 20,000	\$ 20,000	\$0.00
Oregon Employment Department	\$ 2,549	\$ 2,549	\$0.00
Totals:	\$1,621,227	\$1,621,227	\$0.00

**Notes:**

- 1) As described in Article II of the Plan, all claims, both Priority and Unsecured held by the Priority Tax Claim holders will be paid in full in Cash upon the Effective Date of the Plan.

**EXHIBIT 3 – Chart Of Claim Classes And Distribution By Class Under The Plan**

<b><u>Class</u></b>	<b><u>Claim Description</u></b>	<b><u>Status</u></b>	<b><u>Net Estimated Claims By Class in Dollars or Shares as Applicable</u></b>	<b><u>Cash Payments</u></b>	<b><u>AAC Equity Interests</u></b>	<b><u>Claims Assumed by Purchaser</u></b>
1	Secured Creditors - Liquidated	Unimpaired	\$ 2,759,657	\$ 2,759,657	-	\$ -
2	Secured Creditors – Participatory	Impaired	\$ 1,775,000	\$ 200,000	628,081	\$ -
3	Other Priority Creditors	Unimpaired	\$ -	\$ -	-	\$ -
4	Unsecured Creditors - Liquidated	Unimpaired	\$ 1,335,293	\$ 1,335,293	-	\$ -
5	Unsecured Creditors – Furloughed Former Employees	Unimpaired	\$ 411,856	\$ 411,856	-	\$ -
6	Unsecured Creditors - Participatory	Impaired	\$ 1,683,962	\$ -	1,343,066	\$ -
7	Unsecured Creditors – Assumptions and Settlements	Impaired	\$ 1,573,362	\$ -	-	\$ 1,573,362
8	Unsecured Creditor - Purchaser	Unimpaired	\$ 2,931,325	\$ -	-	\$ 2,931,325
9	Unsecured Creditors - Compromised	Impaired	\$ 5,628,895	\$ 750,000	303,393	-
10	Interest Holders – Series A-2 Equity	Impaired	20,872,300	-	4,161,745	-
11	Interest Holders – Series A-1 Equity	Impaired	1,656,331	-	330,257	-
12	Interest Holders – Series Z Equity	Impaired	2,000,000	-	398,782	-
13	Interest Holders – Common Equity	Unimpaired	14,953,225	-	2,981,536	-
14	Interest Holders – Common Stock Options	Unimpaired	3,316,500	-	330,640	-
15	Interest Holders – Common Stock Warrants	Impaired	5,517,464	-	-	-
<b><i>Totals:</i></b>				<b>\$ 5,456,806</b>	<b>10,477,500</b>	<b>\$ 4,504,687</b>

# EXHIBIT 4 – Detailed List of Secured Creditors – Liquidated

<u>Claim Holder</u>	<u>Method of Secured Interest</u>	<u>Collateral</u>	<u>Total Claim Amount</u>	<u>Amount already paid pre- petition pursuant to Purchase Agreement</u>	<u>Estimated Cash Payment</u>	<u>Balance to be Cancelled after Disbursement</u>
Avanade, Inc	Security Agreement & UCC Filing	The product Known as AlphaCipher	\$ 713,031		\$ 713,031	\$0.00
John Brasino	Security Agreement & UCC Filing	All Assets of the Company	\$ 391,155		\$ 391,155	\$0.00
David Vey	Security Agreement & UCC Filing	50% of Cash, Accounts Receivable and all Proceeds from a Sale of Assets	\$ 1,439,061	\$ 250,000	\$ 1,189,061	\$0.00
CADG International Pte. Ltd.	Security Agreement & UCC Filing	All Intangible Intellectual Property Assets of the Company	\$ 2,466,410	\$ 2,000,000	\$ 466,410	\$0.00
Totals:			\$ 5,009,657	\$ 2,250,000	\$ 2,759,657	\$0.00

## Notes:

- 1) As described in Article III of the Plan the entire Claim, including interest accrued through the Effective Date of the Plan (date of payment of the Claim in this Class) will be paid in full in Cash upon the Effective Date of the Plan. The Claim Amount shown shows the estimated Claim as of the preparation of this Plan, the Disbursement Agent under the Plan shall reconcile the interest accrual from January 30, 2012 through the Effective Date and pay the entire Claim to the Claim holder, based on the information from a Proof of Claim (Form B10) filed by the Claim holder in this Chapter 11 Case.

### EXHIBIT 5 – Detailed List of Secured Creditors – Participatory

<u>Claim Holder</u>	<u>Method of Secured Interest</u>	<u>Description of Collateral</u>	<u>Claim Amount</u>	<u>Amount already paid pursuant to Purchase Agreement</u>	<u>Estimated Cash to be Paid on Effective Date</u>	<u>Balance to be Converted into Debtor's Equity Interest</u>	<u>Equivalent Debtor Equity Interest Held by Creditor on Effective Date</u>	<u>AAC Equity Interest to be Disbursed to Creditor on Effective Date</u>
Michael Kichline	Security Agreement and UCC Filing	All the Assets of the Debtor	\$ 937,500		\$ 150,000	\$ 787,500	1,575,000	314,041
David Jones	Security Agreement and UCC Filing	All the Assets of the Debtor	\$ 187,500		\$ 30,000	\$ 157,500	315,000	62,808
S. Shawn Tacey	Security Agreement and UCC Filing	All the Assets of the Debtor	\$ 750,000	\$ 100,000	\$ 20,000	\$ 630,000	1,260,000	251,232
Totals:			\$ 1,875,000	\$ 100,000	\$ 200,000	\$ 1,575,000	3,150,000	628,081

**Notes:**

- 1) As described in Article III of the Plan the entire Claim, including interest accrued through the Effective Date of the Plan (date of payment of the Claim in this Class) will be settled in a combination of a Cash payment and Disbursement of AAC Equity Interest upon the Effective Date of the Plan. The Claim Amount shown shows the estimated Claim as of the preparation of this Plan, the Disbursement Agent under the Plan shall reconcile the interest accrual from January 30, 2012 through the Effective Date and pay this Cash Payment listed on this chart plus any additional interest accrued from petition date of January 30, 2012 through the Effective Date, reconciling the Balance to be Converted into Debtor's Equity Interest and exchange for AAC Equity Interests equaling to the Chart above.
- 2) To effect the settlement of the remaining the Claim to the holder after the Cash Payment is made on the Settlement date, the remaining debt balance is first converted into equivalent equity shares of the Debtor at a price of \$.50 per share, which is a less favorable conversion rate than the Unsecured Creditors – Participatory Claims are converting their debt balances into AAC Equity Interest at. Once these shares are converted into Debtor equivalent equity interest, they are then exchanged for AAC Equity Interest listed above. This conversion and share swap was negotiated and agreed to in principal with these Claim holders pre-petition, as part of the reorganization plan the Debtor was implementing pre-petition.

EXHIBIT 6 – Detailed List of Other Priority Creditors

Class is Vacant there are no Other Priority Creditors



## EXHIBIT 7 – Detailed List of Unsecured Creditors – Liquidated

<u>Creditor</u>	<u>Claim Amount</u>	<u>Cash Payment</u>	<u>Balance After Distribution</u>
ABT ApS	\$ 4,000	\$ 4,000	\$0.00
Action Web Host	\$ 51	\$ 51	\$0.00
Advanced Digital Graphics	\$ 194	\$ 194	\$0.00
Allied Credit Services, Inc.	\$ 6,025	\$ 6,025	\$0.00
Amalgamated Financial Group	\$ 154	\$ 154	\$0.00
Blick Rothenberg	\$ 3,000	\$ 3,000	\$0.00
Coface	\$ 8,755	\$ 8,755	\$0.00
Crystal Springs	\$ 94	\$ 94	\$0.00
Dorsey Whitney, LLP	\$ 30,000	\$ 30,000	\$0.00
Fenwick & West LLP	\$ 23,096	\$ 23,096	\$0.00
Graybeal Jackson LLP	\$ 52,000	\$ 52,000	\$0.00
Iron Mountain	\$ 7,540	\$ 7,540	\$0.00
Law Office of J Michael Lovejoy, PS	\$ 18,245	\$ 18,245	\$0.00
Lawson W. Turner, III (Attorney)	\$ 333	\$ 333	\$0.00
Luce & Associates	\$ 62,352	\$ 62,352	\$0.00
Navidad Real Estate Holding, LLC	\$ 78,533	\$ 78,533	\$0.00
NCO Financial Systems, Inc.	\$ 48	\$ 48	\$0.00
North Shore Agency (NSA)	\$ 221	\$ 221	\$0.00
OSI Collection Services, Inc.	\$ 60	\$ 60	\$0.00
Pacess, Inc	\$ 38,500	\$ 38,500	\$0.00
Solutionz Conferencing	\$ 99,189	\$ 99,189	\$0.00
Denton SNR	\$ 41,436	\$ 41,436	\$0.00
Sourcefire	\$ 1,259	\$ 1,259	\$0.00
Staples	\$ 1,000	\$ 1,000	\$0.00
StoneBridge Securities, LLC	\$ 60,766	\$ 60,766	\$0.00
Strategic Business Communications	\$ 2,400	\$ 2,400	\$0.00
Synter Resource Group, LLC	\$ 258	\$ 258	\$0.00
Tacoma Public Utility	\$ 61	\$ 61	\$0.00
Waxie Sanitary Supply	\$ 15	\$ 15	\$0.00
Williams, Kastner	\$ 18,712	\$ 18,712	\$0.00
Worldwide Express	\$ 1,951	\$ 1,951	\$0.00
Opti Staffing	\$ 12,000	\$ 12,000	\$0.00
Quardev	\$ 11,374	\$ 11,374	\$0.00
ULR&I	\$ 450,000	\$ 450,000	\$0.00
Gallestigui & Lozon	\$ 5,900	\$ 5,900	\$0.00
Denny Miller Associates	\$ 170,000	\$ 170,000	\$0.00
Moylan Marketing	\$ 6,500	\$ 6,500	\$0.00
Beresford Booth, PLLC	\$ 105,000	\$ 105,000	\$0.00
TBK Patent	\$ 5,595	\$ 5,595	\$0.00

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Tacey Goss, PS	\$	10,000	\$	10,000	\$0.00
Totals:		\$1,335,293		\$1,335,293	\$0.00

**Notes:**

- 1) As described in Article III of the Plan the entire Allowed Claim in this Class as of the petition date, January 30, 2012 will be paid in full in Cash upon the Effective Date of the Plan. For the avoidance of doubt, per Article VII no interest shall accrue or be paid on the Claims in this Class postpetition.

EXHIBIT 8 – Detailed List of Unsecured Creditors – Furloughed & Former Employee Claims

<u>Creditor</u>	<u>Claim Amount</u>	<u>Setoff Amount</u>	<u>Cash Payment</u>	<u>Remaining Balance</u>
Zsolt Ari	\$ 150,000	\$90,500	\$ 59,500	\$0.00
Joe Mistachkin	\$ 190,000	\$66,900	\$ 123,100	\$0.00
Loal Davis	\$ 95,000	\$62,250	\$ 32,750	\$0.00
Jeff Nitsche	\$ 95,000	\$12,000	\$ 83,000	\$0.00
Dale Miller	\$ 61,000		\$ 61,000	\$0.00
Darren Basch	\$ 52,506		\$ 52,506	\$0.00
Totals:	\$643,506	\$231,650	\$411,856	\$0.00

**Notes:**

- 1) The Setoff Amount above is for payments made to certain Furloughed Employees that are listed as Retention Advances in the Debtor's Balance Sheet, and were all made pre-petition.

# EXHIBIT 9 – Detailed List of Unsecured Creditors – Participatory Claims

<u>Stakeholder</u>	<u>Balance to be Converted into Debtor Equity Interest</u>	<u>Equivalent Debtor Equity Interest Held by Creditor on Effective Date</u>	<u>Number of AAC Equity Interests to be Received by Claim Holder in Satisfaction of Claim</u>
Anthony Robins	\$ 44,750	179,000	35,691
Arnie Ohaks	\$ 7,500	30,000	5,982
Burt Margolis	\$ 10,000	40,000	7,976
David Nelson	\$ 7,500	30,000	5,982
Ea Lilja	\$ 5,000	20,000	3,988
James K. Anderson	\$ 38,000	152,000	30,307
Jan Diepenheim	\$ 82,500	330,000	65,799
Jeff Hayford	\$ 10,000	40,000	7,976
Jim Becker	\$ 23,000	92,000	18,344
Jim Wallace	\$ 50,000	200,000	39,878
Lawrence and Jacqueline Lavine	\$ 343,000	1,372,000	273,564
Linda Mackintosh	\$ 29,382	117,528	23,434
Mary Veal	\$ 20,000	80,000	15,951
Paul and Susanne Walker	\$ 20,000	80,000	15,951
Revocable Trust of Geoffrey R. Monk	\$ 20,000	80,000	15,951
Generation Skipping Trust of John A Monk	\$ 21,666	86,664	17,280
Grindstone Management, LLC	\$ 136,830	547,320	109,131
Revocable Trust of John A. Monk	\$ 38,334	153,336	30,574
Ron Norris	\$ 11,000	44,000	8,773
Scott and Sarah Armstrong	\$ 15,750	63,000	12,562
Steve & Ronna Schreiner	\$ 282,500	1,130,000	225,312
Steve O'rear	\$ 5,000	20,000	3,988
Stuart Hagen	\$ 15,750	63,000	12,562
TATS, Inc.	\$ 65,000	260,000	51,842
Dan Gatchet	\$ 21,000	84,000	16,749
DARPAT, LLC	\$ 10,500	42,000	8,374
John Towey	\$ 10,500	42,000	8,374
John Parker, Jr.	\$ 150,000	600,000	119,634
Marty Kneeland / Brit-Simone Sutter	\$ 25,000	100,000	19,939
Terry Korotzer	\$ 69,500	278,000	55,431
TK Yeoh	\$ 10,000	40,000	7,976
Tom Nickels	\$ 10,000	40,000	7,976
Walt Smith	\$ 35,000	140,000	27,915
Wendy Costello	\$ 40,000	160,000	31,903
	<hr/>		
	\$ 1,683,962	6,735,848	1,343,066

**Notes:**

- 1) To effect the settlement of these Claims on the Effective Date, the Claim is first converted into equivalent equity shares of the Debtor at a price of \$.25 per share, which is more favorable conversion rate than the Secured Creditors – Participatory Claims are converting their debt balances into AAC Equity Interest at, but on equivalent footing as the Series A-2 Preferred Stock of the Debtor. Once these shares are converted into Debtor equivalent equity interest, they are then exchanged for AAC Equity Interest listed above. This conversion and share swap was negotiated and agreed to in principal with a majority of these Claim holders pre-petition, as part of the reorganization plan the Debtor was implementing pre-petition.

**EXHIBIT 10 – Detailed List of Unsecured Creditors – Purchaser Assumption and Settlements**

<b><u>Claim Holder</u></b>	<b><u>Amount of Claim that will be Assumed by Purchaser at the Effective Date</u></b>	<b><u>Balance of Claim after Assumption by Purchaser as Effective Date</u></b>
David Alexander	\$ 22,500	\$ -
4505, LLC	\$ 710,997	\$ -
Irrevocable Trust of Adrienne M. Schreiner	\$ 11,500	\$ -
Irrevocable Trust of Jessica M. Schreiner	\$ 11,500	\$ -
Irrevocable Trust of Kristina L. Schreiner	\$ 11,500	\$ -
Irrevocable Trust of Samantha C. Schreiner	\$ 11,500	\$ -
Irrevocable Trust of Stephanie K. Schreiner	\$ 11,500	\$ -
Irrevocable Trust of Wriley W.W. Schreiner	\$ 11,500	\$ -
James K. Anderson	\$ 27,000	\$ -
Kenyon E. and Karen Luce	\$ 155,500	\$ -
Lawrence Lavine	\$ 100,000	\$ -
Mary Veal	\$ 10,000	\$ -
Revocable Trust of Geoffrey R. Monk	\$ 7,500	\$ -
Generation Skipping Trust of John A Monk	\$ 3,334	\$ -
Revocable Trust of John A. Monk	\$ 6,666	\$ -
Peter Langmaid	\$ 20,000	\$ -
Salnave Road Ventures, LLC	\$ 82,632	\$ -
Steve & Ronna Schreiner	\$ 150,000	\$ -
Terry Korotozer	\$ 10,000	\$ -
Walt Smith	\$ 198,233	\$ -
<b><i>Totals</i></b>	<b>\$1,573,362</b>	<b>\$ -</b>

**Notes:**

- 1) Pre-petition the Purchaser had negotiated an assumption and settlement of these Claims with the holders as part of the pre-petition plan of reorganization that was being implemented prior to January 30, 2012. At the Closing Date of the Purchase Agreement the Purchaser will assume these Claims and the Holder will agree to the assumption in full satisfaction of the corresponding Claim against the Debtor for this Class of Claim.

EXHIBIT 11 – Detailed List of Unsecured Creditors – Purchaser Claim

<u>Claim Holder</u>	<u>Amount of Claim</u>
AlphaCipher Acquisition Corporation	<u>\$2,931,325</u>

**Notes:**

- 1) This Claim is being credited to the Purchase Price of the Acquired Assets on the Effective Date pursuant to the Purchase Agreement, and as such will be satisfied in full.



## EXHIBIT 12 – Detailed List of Creditors – Compromised Claims

<u>Claim Holder</u>	<u>Amount of Claim</u>	<u>Cash Payment on Effective Date</u>	<u>Setoff</u>	<u>Voluntarily Release and Cancellation of Claim</u>	<u>Balance to be Converted into Debtor Equity Interest</u>	<u>Equivalent Debtor Equity Interest Held by Creditor on Effective Date</u>	<u>AAC Equity Interest to be Disbursed to Creditor on Effective Date</u>
Elizabeth Hammersmith <sup>2</sup>	\$ 607,500		\$ 454,200 <sup>3</sup>		\$ 153,300 <sup>2</sup>	306,600	61,133
Wolfgang Hammersmith <sup>4</sup>	\$ 607,500				\$ 607,500 <sup>4</sup>	1,215,000	242,260
Jose Antonio Rios	\$ 513,895 <sup>5</sup>	\$ 250,000		\$ 263,895	\$ -	-	-
Wolfgang Hammersmith	\$ 1,620,000 <sup>5</sup>	\$ 250,000		\$ 1,370,000	\$ -	-	-
Elizabeth Hammersmith	\$ 835,000 <sup>5</sup>		\$ 650,000	\$ 185,000	\$ -	-	-
Rod Nicholls	\$ 1,445,000 <sup>5</sup>	\$ 250,000		\$ 1,195,000	\$ -	-	-
<b>Totals:</b>	<b>\$ 5,628,895</b>	<b>\$ 750,000</b>	<b>\$ 1,104,200</b>	<b>\$3,013,895</b>	<b>\$ 760,800</b>	<b>1,521,600</b>	<b>303,393</b>

### Notes:

- 1) All of the Claims are Claims of Insiders, Officer and Directors, the proposed treatment of which was negotiated pre-petition and part of the Debtor's pre-petition plan of reorganization that it was implementing prior to January 30, 2012, and is incorporating in the Plan.
- 2) This Claim was for a Secured Loan originally made in July of 2006. This Loan was part of a debt financing offering provided by the Claim Holders in Class 2, along with Wolfgang and Elizabeth Hammersmith. This Loan was made pursuant to a Security Agreement and Original UCC Filing that perfected the loan in 2006. Inadvertently, the Original UCC filing lapsed, and was refilled in November 2011. As part of the pre-petition plan of reorganization the Claim Holder agreed to convert this loan, without receiving any Cash payment on terms pari passu with the other Secured Creditor Participatory Claims in Class 2. Even though the conversion rate for the receipt of AAC Equity Interests is on equivalent terms as the Secured Creditor Participatory Claims, the Claim Holder is receiving less favorable treatment than the Class 2 Claims as the Claim holder is receiving no Cash payment. Additionally, this Claim is being reduced by a Setoff as described in Note 3 below. To effect the settlement of this Claim on the Effective Date, the Claim is first converted into equivalent equity shares of the Debtor at a price of \$.50 per share, which is a less favorable conversion rate than the Unsecured Creditors – Participatory Claims are converting their debt balances into AAC Equity Interest at. Once these shares are converted into Debtor

equivalent equity interest, they are then exchanged for AAC Equity Interest listed above. This conversion and share swap was negotiated and agreed to in principal with these Claim holders pre-petition, as part of the reorganization plan the Debtor was implementing pre-petition.

- 3) The Claim Holder has certain shareholder loans from the Debtor that under the loans they can be Setoff against due the Claim Holder by the Debtor. The entire amount of the shareholder loan is Setoff against this Claim.
- 4) This Claim was for a Secured Loan originally made in July of 2006. This Loan was part of a debt financing offering provided by the Claim Holders in Class 2, along with Wolfgang and Elizabeth Hammersmith. This Loan was made pursuant to a Security Agreement and Original UCC Filing that perfected the loan in 2006. Inadvertently, the Original UCC filing lapsed, and was refilled in November 2011. As part of the pre-petition plan of reorganization the Claim Holder agreed to converted this loan, without receiving any Cash payment on terms pari passu with the other Secured Creditor Participatory Claims in Class 2. Even though the conversion rate for the receipt of AAC Equity Interests is on equivalent terms as the Secured Creditor Participatory Claims, the Claim Holder is receiving less favorable treatment than the Class 2 Claims as the Claim holder is receiving no Cash payment. To effect the settlement of this Claim on the Effective Date, the Claim is first converted into equivalent equity shares of the Debtor at a price of \$.50 per share, which is a less favorable conversion rate than the Unsecured Creditors – Participatory Claims are converting their debt balances into AAC Equity Interest at. Once these shares are converted into Debtor equivalent equity interest, they are then exchanged for AAC Equity Interest listed above. This conversion and share swap was negotiated and agreed to in principal with these Claim holders pre-petition, as part of the reorganization plan the Debtor was implementing pre-petition.
- 5) These Claims are for Accrued and Deferred Officer Compensation of the Debtors Officer and Directors. To effect and support his plan, these Claim Holders have agreed to the Cash Payment for a minority portion of their Claim, with the rest of the Claim being released and forgiven by the Claim Holder in consideration of the approval of the Plan. This settlement of these claims was negotiated pre-petition and was being implemented as part of the pre-petition plan of reorganization that the Debtor was implementing prior to the commencement of the Chapter 11 Case.

# EXHIBIT 13 – Detailed List of Equity Interests – Series A-2 Preferred Stock

<u>Stakeholder</u>	<u>Number of Debtor Series A-2 Shares Held</u>	<u>Number of AAC Equity Interests Claim Holder to Receive For their Claim Pursuant to the Plan</u>
A. Norman Nilson Credit Trust	40,000	7,976
Ana Maria L. Ozaeta	20,000	3,988
Allen Brecke	20,000	3,988
Andrew J. Ritting	20,000	3,988
Andrew S. Elliott	40,000	7,976
Ann McCall Wyman	120,000	23,927
Anthony John Robins	260,000	51,842
Arnis & Sharon Ohaks	40,000	7,976
Barbara A. Smith	20,000	3,988
Bonnie L. Moffat	52,000	10,368
Brian M. Wilson Trust	100,000	19,939
Bryan B. & Stephanie E. Varney	71,000	14,157
Bryce B. Curtis	40,000	7,976
C Schwab IRA FBO Elizabeth Hammersmith	20,000	3,988
C Schwab IRA FBO Wolfgang Hammersmith	20,000	3,988
C. Eric Gulotta	40,000	7,976
Charles A. Burgeson	120,000	23,927
Chris Eidel	40,000	7,976
Chris Guard	30,000	5,982
Claus T. Hansen	20,000	3,988
Crochet Family Trust (Matt Crochet)	40,000	7,976
Cynthia Lair & Michael Geiger	40,000	7,976
David B. Burns	80,000	15,951

David Burch	40,000	7,976
Howard E. Hosley	100,000	19,939
David L. Alexander	120,000	23,927
David Nelson	50,000	9,970
David Sabritt & Mina Miller	40,000	7,976
Diane Lauerman	40,000	7,976
Diane R. Katz	40,000	7,976
Dino D Vallala	40,000	7,976
Donald L Cromer Survivors Trust	79,200	15,792
Donn Fry & Diane Stielstra	40,000	7,976
Doris Miriam Katz Credit Trust	64,000	12,761
Dr. Madhu K. Jawanda Inc.	100,000	19,939
Dr. Michael Deitz	1,200,000	239,269
Duane & Gloria Billman	100,000	19,939
Ea Lija	40,000	7,976
Equity Trust Company FBO Tiong-Keat Yeoh IRA	200,000	39,878
Ernesto Gutierrez	40,000	7,976
First Clearing Corp. FBO James K. Anderson	40,000	7,976
FiServ Securities, Custodian for Thomas A. Buckner, IRA	100,000	19,939
Gary J. Carlson	40,000	7,976
Geoffrey & Linda R. Hodsdon	50,000	9,970
George M. J. Kis	40,000	7,976
Greg B. Lewis & Shelly M. Scribante	40,000	7,976
Grindstone Management, LLC	700,000	139,574
HiQ LLC	40,000	7,976
Irrevocable Trust of Adrienne M. Schreiner	15,000	2,991
Irrevocable Trust of Jessica M. Schreiner	15,000	2,991
Irrevocable Trust of Kristina L. Schreiner	15,000	2,991
Irrevocable Trust of Samantha C. Schreiner	15,000	2,991

Irrevocable Trust of Stephanie K. Schreiner	15,000	2,991
Irrevocable Trust of Wriley W.W. Schreiner	15,000	2,991
Ian & Maren Myers	40,000	7,976
James B. Lynch	60,000	11,963
James C. & Linda K. Selig	20,000	3,988
James K. Anderson	460,000	91,720
James M. Becker	80,000	15,951
James R. Porter	220,000	43,866
James Wallace	400,000	79,756
Jan Diepenheim	362,000	72,179
Jeanne M. Marrazzo	40,000	7,976
Jeff & Elizabeth Hayford	698,000	139,175
Jeff Haley	80,000	15,951
Jennifer Carr	80,000	15,951
Jeremy & Linda Mattox	40,000	7,976
Jessica Prince	40,000	7,976
Jim & Carol Metcalf	40,000	7,976
Jim Anderson IRA	40,000	7,976
Joe Billman	100,000	19,939
John & Barbara Gilchrist	1,000,000	199,391
John & Therese Brasino	920,000	183,440
John A. Setterstrom	40,000	7,976
John M. Corman	20,000	3,988
John P. Alexander & Marilyn J. Alexander	100,000	19,939
John P. Alexander Jr.	40,000	7,976
Jonathan J. & Bobee J. Bridge	100,000	19,939
Jonda & Robert C. McFarlane	100,000	19,939
Joseph & Patricia McNamee	40,000	7,976
Joseph P. Riordan	160,000	31,903

Josh Marti	20,000	3,988
Kai Nelson	10,000	1,994
Kenneth & Pamela Wagoner	100,000	19,939
Kenneth A. McDonald & Frances E. Phelan	556,000	110,861
Kenyon & Karen Luce	310,000	61,811
King, Geraldine GST Exempt Trust TUW FBO Kim	140,000	27,915
King, Richard GST Exempt Trust TUW FBO Kim	100,000	19,939
Korotzer Financial Services	80,000	15,951
Kuntry Lumber & Farm Supply, Ltd.	100,000	19,939
Kyle & Lida Buckner	40,000	7,976
Larry D. Hosley	340,000	67,793
Laurie A. Murray & L.T. Murray III	40,000	7,976
Lawrence & Jacqueline Lavine	2,600,000	518,416
Lee A. Smith	40,000	7,976
Linda L. Mackintosh	112,000	22,332
Lisa D. Maxwell	24,000	4,785
Lisa Jackson	100,000	19,939
Loretta Kelly	70,000	13,957
Louise A. & Gail E. Meier	40,000	7,976
Luakaka, LLC	34,000	6,779
Lynne Garton	100,000	19,939
Mark Weisenberg	60,000	11,963
Martha Kelly Spruell	60,000	11,963
Mary B. Veal	60,000	11,963
McElliott 1995 Irrevocable Trust	40,000	7,976
McElliott Irrevocable Trust	40,000	7,976
Michael A. Robins	180,000	35,890
Mitchell Karton	50,000	9,970
Northwest Building Tech, Inc. (Jeff & Liz Hayford)	350,000	69,787

O. Stewart Schroeder	40,000	7,976
Paul & Susanne Walker	200,000	39,878
Paul L. Merges & Lisa L. Merges	60,000	11,963
Peter Langmaid & Audrey Shiffman	60,000	11,963
Philip B. Stielstra	40,000	7,976
Philip M. Spreuer	200,000	39,878
Randall G. & Angela R. Williams	112,000	22,332
Revocable Trust of Geoffrey R. Monk	180,000	35,890
Revocable Trust of John A. Monk	240,000	47,854
Richard & Sharon Warsinske	40,000	7,976
Richard and Dagmar Melin	4,000	798
Richard P. Roberts	20,000	3,988
Robert & Judith Bashor	60,000	11,963
Roca Video, Inc. (attn Joe Sarchet)	60,000	11,963
Ronald C. Norris	100,000	19,939
Ronnie S. Stangler	50,000	9,970
Sally T. Foster	100,000	19,939
Sara J. Malone	20,000	3,988
Sarah & Scott Armstrong	60,000	11,963
Sean Bleck & Denise Read	40,000	7,976
Shawn Tacey	200,000	39,878
Smith Family Irrevocable GST Trust	100,000	19,939
Stephen O'Rear	40,000	7,976
Steven C. & Ronna L. Schreiner	734,000	146,353
Steven Carl	40,000	7,976
Steven D. Davies	40,000	7,976
Stuart M. Hagen	80,000	15,951
Terry Korotzer	204,000	40,676
Thomas & Eloise Fox	40,000	7,976

Thomas A. & Linda E. Buckner	200,000	39,878
Thomas J. Fox III	40,000	7,976
Thomas J. Nickels	80,000	15,951
Timothy & Catherine Jewell	120,000	23,927
Tiong-Keat Yeoh	300,000	59,817
TLCA, LLC	340,000	67,793
Walter & Denise Smith	80,000	15,951
Wendy D. Costello	140,000	27,915
William D. & Karla K. Center	40,000	7,976
William J. Rex	140,000	27,915
William Jon Hermesen	20,000	3,988
Wolfgang & Elizabeth Hammersmith	114,000	22,731
Yoko MacMahon, Trustee of the Douglas V. MacMahon Family Trust	40,000	7,976
Zehbra, Inc.	56,100	11,186
Zsolt Ari	76,000	15,154
Andrew J. Hodsdon	10,000	1,994
Simone B. McPoland	10,000	1,994
Richard D. Turner	10,000	1,994
Erik Nelson	10,000	1,994
	20,872,300	4,161,745



**EXHIBIT 14 – Detailed List of Equity Interests – Series A-1 Preferred Stock**

<b><u>Stakeholder</u></b>	<b><u>Number of Debtor Common Shares Held</u></b>	<b><u>Number of AAC Equity Interests to be Issued to Claim Holder for their Claim under the Plan</u></b>
Burton Margolis and Faye Margolis	314,000	62,609
Joe Billman	300,000	59,817
Justine Kimiko Nelson	75,000	14,954
Kenyon & Karen Luce	702,331	140,038
Lance Gaines	80,000	15,951
Michael Kichline	100,000	19,939
Shawn Tacey	40,000	7,976
Willow Springs Capital, LLC	25,000	4,985
Wolfgang & Elizabeth Hammersmith	20,000	3,988
	-	-
Totals	1,656,331	330,257

EXHIBIT 15 – Detailed List of Equity Interests – Series Z Preferred Stock

<u>Equity Interest Holder</u>	<u>Number of Debtor Common Shares Held</u>	<u>Number of AAC Equity Interest to Claim Holder will Receive for their Claim under the Plan</u>
Wolfgang and Elizabeth Hammersmith	2,000,000	398,782
<i>Total</i>	2,000,000	398,782

**EXHIBIT 16 – Detailed List of Equity Interests – Common Stock**

<b><u>Claim Holder</u></b>	<b><u>Number of Debtor Common Shares Held</u></b>	<b><u>Number of AAC Equity Interest to Claim Holder will Receive for their Claim under the Plan</u></b>
Bill Owens	100,000	19,939
Burton Margolis and Faye Margolis	10,000	1,994
David Byther	100,000	19,939
Denny Miller	150,000	29,909
Donald L. Cromer	85,000	16,948
Edward R. Hearn	1,150,000	229,299
Evan Jacqua	37,500	7,477
Giulio Proietto	1,150,000	229,299
Kenyon & Karen Luce	75,000	14,954
Klune Corporation	200,000	39,878
Linda Mackintosh	314,167	62,642
Luakaka, LLC	25,000	4,985
Michael Kichline	85,000	16,948
Rod Nicholls	2,000,000	398,782
Stuart Evey	75,000	14,954
William D. & Karla K. Center	75,000	14,954
Wolfgang & Elizabeth Hammersmith	9,016,558	1,797,819
Zehbra, Inc.	305,000	60,814
Totals:	14,953,225	2,981,536

# EXHIBIT 17 – Detailed List of Equity Interests – Common Stock Options

<u>Claim Holder</u>	<u>Number of Options Held</u>	<u>Conversion Ratio of Option to Equivalent Debtor Equity Interest</u>	<u>Equivalent Debtor Equity Interest</u>	<u>Number of AAC Equity Interest Claim Holder will Receive for Claim</u>
Dino Vallala	12,500	0.5	6,250	1,246
John Wobensmith	50,000	0.5	25,000	4,985
Jose Antonio Rios	2,773,000	0.5	1,386,500	276,455
Joseph Mistachkin	61,000	0.5	30,500	6,081
Lawerence Lavine	50,000	0.5	25,000	4,985
Loal Davis	65,000	0.5	32,500	6,480
William J Rex	50,000	0.5	25,000	4,985
Zsolt Ari	255,000	0.5	127,500	25,422
Totals:	3,316,500		1,658,250	330,640

## Notes:

- 1) The Options outstanding as listed above were issued to the employees and consultants of the Debtor pursuant to employment or consulting agreements and generally had an exercise price of at least \$.25 per share. Under the terms of the respective options they are under water and worthless. However, these individuals were instrumental in maintaining the assets of the Debtor so this Plan can be implemented, so the it is being proposed that these options be converted directly to common stock of the company at the ratio of 1 share of common stock for every 2 options held by the holder, and then those equivalent shares would participate in receiving AAC Equity Interests on a pro rate basis with all of the other Claim and Interest holders.

EXHIBIT 18 – Detailed List of Equity Interests – Common Stock Purchase Warrants

<u>Claim Holder</u>	<u>Number of Debtor Common Shares Subject to Common Stock Purchase Warrant</u>
Dan Gatchet	40,000
DarPat, LLC	20,000
Grindstone Management, LLC	200,000
James K. Anderson	200,000
Jim Lynch	15,000
John Brasino	2,450,714
John Towey	20,000
Kenyon E. and Karen Luce	600,000
Lawerence Lavine	700,000
Mary Veal	30,000
Peter Langmaid	40,000
Ronald C Norris	20,000
Scott and Sarah Armstrong	37,500
Steve & Ronna Schreiner	75,000
Stonebridge Securities, Inc.	999,250
Stuart Hagen	30,000
Tom Nickels	40,000
	<hr/>
	5,517,464
	<hr/> <hr/>

**Notes:**

- 1) The above Common Stock Purchase Warrants were generally issued pursuant to a Financing Agreement between the Debtor and the Claim Holder identified above as part of a short term unsecured promissory note. The exercise prices for these warrants are all at \$.25 or above which is greater than estimated value of the Debtor Equity Interest, and as such these warrants have no value. The Debtor is asking that these warrants be cancelled and deemed expired and inoperable upon the Effective Date of the Plan.

**EXHIBIT 19 – Restrictive Covenants of Purchaser’s Common Stock Issued to Claim and Interest Holders Pursuant to this Plan**

**Restricted Securities.** The 10,477,500 Shares of Common Stock of the Purchaser to be paid to the Debtor’s Estate as part of the Asset Sale, which are to be further distributed to Holders of Claims and Equity Interests in satisfaction of their Claims pursuant to the Plan of Reorganization, as a condition of issuance by the Purchaser, are subject to following restrictions:

- (iv) Notwithstanding the provision of Section 1145 of the United States Bankruptcy Code, the Common Stock distributed pursuant to the Plan, have not been registered under the Securities Act or any other applicable securities laws, and the Shares must be held indefinitely unless subsequently registered under the Securities Act or an exemption from such registration is available (such as Rule 144 or the resale provisions of Rule 701 under the Securities Act) and the Company is under no obligation to register the Shares;
- (v) The share certificate representing the Common Stock of the Purchaser issued pursuant to the Plan will be stamped with the legends specific as identified below; and
- (vi) The Purchaser will make a notation in its records of the aforementioned restrictions on transfer and legends.

**Disposition under the Securities Act.** The recipient of Common Stock pursuant to the Plan understands that the Common Stock is restricted securities within the meaning of Rule 144 promulgated under the Securities Act; that the exemption from registration under Rule 144, as currently in effect, will not be available in any event for at least one year from the date of grant (unless Rule 701 promulgated under the Securities Act is available) and even then will not be available unless (i) a public trading market then exists for the Common Stock of the Company, (ii) adequate information concerning the Company is then available to the public, and (iii) other terms and conditions of Rule 144 are complied with; and that any sale of the Shares may be made only in limited amounts in accordance with such terms and conditions. Grantee further understands that the resale provisions of Rule 701, if available, will not apply until 90 days after the Company becomes subject to the reporting requirements under the Securities Exchange Act of 1934 (the “Exchange Act”). Then can be no assurance that the requirements of Rule 144 or Rule 701 will be met, or that the stock will ever be saleable.

**Further Limitations on Disposition.** Without in any way limiting the representations set forth above, in no event will recipients of the Purchaser’s Common Stock pursuant to the Plan be able to make any disposition of all or any portion of the Common Stock unless and until:

- (i) There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with said registration statement;
- (ii) The resale provisions of Rule 701 or Rule 144 are available in the opinion of counsel to the Purchaser; or
- (iii) (1) The holder of the Common Stock shall have notified the Purchaser of the proposed disposition and shall have furnished the Purchaser with a detailed statement of the circumstances surrounding the proposed disposition; (2) the holder of the Common Stock shall have furnished the Purchaser with an opinion of holder’s counsel to the effect that such disposition will not require registration of such Common Shares under the Securities Act, and (3) such opinion of holder’s counsel shall

have been concurred with by counsel for the Purchaser and the Purchaser shall have advised the holder of such occurrence;

**Legends.** The Purchaser shall cause the legends set forth below, or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Common Stock together with any other legends that may be required by state or federal securities laws:

**THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT"), OR UNDER ANY STATE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR IN THE OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE TRANSFER IS IN COMPLIANCE THEREWITH.**

**THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND A MARKET STANDOFF PROVISION, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER SUCH TRANSFER RESTRICTIONS AND MARKET STANDOFF PROVISION ARE BINDING ON TRANSFEREES OF THESE SHARES.**

**Stop-Transfer Notices.** In order to ensure compliance with the restrictions referred to herein, the Purchaser may issue appropriate "stop-transfer" instructions to its transfer agent, if, any, and that, if the Purchaser transfers its own securities, it may make appropriate notations to the same effect in its own records.

**Refusal to Transfer.** The Purchaser shall not be required (i) to transfer or its books any Shares that are issued pursuant to the Plan that have been further sold or otherwise transferred in violation of any of the provisions of described in the Exhibit-19 to the Plan or (ii) to treat as the owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

**Market Standoff Agreement.** The Purchaser or any representative of the underwriters in connection with any registration of the offering of any securities of the Purchaser under the Securities Act may require that holders of Common Stock of the Purchaser pursuant to the Plan not sell or otherwise transfer any Common Stock or other securities of the Purchaser during the period of time following the effective date of a registration statement of the Purchaser filed under the Securities Act that is agreed to by the Purchaser and such representatives of the underwriters as the lockup period for certain holders of the Purchaser's Common Stock. The Purchaser may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such period of time.