

August 2016

Significant Events:

- Filed a response to Medallic litigation and made certain counter claims
- Anticipate Mediation with Medallic in October.
- Moved corporate office to a Kent facility, saving approximately \$12,000 per month.
- Filed an appeal on Diane's position to have money held until American Express transactions are reconciled.
- Identified issues with sales tax compliance and started correction of the situation
- Continue to respond to subpoenas and to provide information requested to the FBI.
- Hired two new sale people to help improve sales volume

Case Progress:

- Reconciled core and non-core operating financial statements and presented to creditors committee and filed in the August MOR Identified adjustment to original filed bankruptcy schedules. We also completed a preference analysis and presented to the creditors committee for discussion
- In consultation with the creditors committee the trustee is working to reorganize the company vs selling the company to maximize the value of the company and therefore the recovery for the creditors. The Trustee has prepared and discussed a first draft of the financial restructuring model for discussion with the creditors committee and discussed with the creditors committee time line for filing of a plan of reorganization and major terms of the plan.
- As of this date subject to resolution of pending litigation the Trustee anticipates filing a plan in the 4th quarter of 2016 and seeking confirmation of a plan early in Q2 of 2017