

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
INYX USA, LTD.,) Case No. 07-10888 (KG)
)
)
Debtor.)

**DISCLOSURE STATEMENT IN SUPPORT OF PLAN OF LIQUIDATION
OF INYX USA, LTD. UNDER CHAPTER 11 OF THE BANKRUPTCY CODE
DATED JANUARY 26, 2010**

Important Dates

Date by which Ballots must be received: **February 26, 2010 by 4:00 p.m. Prevailing Eastern Time**

Date by which objections to Confirmation of the Plan must be filed and served: **February 26, 2010 by 4:00 p.m. Prevailing Eastern Time**

Hearing on Confirmation of the Plan: **March 5, 2010 at 1:00 p.m. Prevailing Eastern Time**

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I.
PRELIMINARY STATEMENT AND DEFINITIONS

Stephen S. Gray, as the Court appointed Chapter 11 Trustee (the “Trustee”) for the debtor Inyx USA, Ltd. (the “Debtor”) in the captioned case under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”), submits this disclosure statement (the “Disclosure Statement”) in support of the *Plan of Liquidation of Inyx USA, Ltd., under Chapter 11 of the Bankruptcy Code*, as may be amended (the “Plan”). **For the reasons set forth herein, if the Plan is not confirmed, the Trustee does not believe that Creditors will receive any distributions on account of their Claims. Consequently, the Trustee and the Committee urge all Creditors to vote for the Plan.**

Unless otherwise noted, the definitions contained in the Bankruptcy Code are incorporated herein by this reference, provided that the definitions set forth in Article 1 of the Plan shall apply to capitalized terms that are not defined, or otherwise provided for, herein.

II.
INTRODUCTION AND PLAN OVERVIEW

A. Introduction

On July 2, 2007 (the “Petition Date”), the Debtor commenced its chapter 11 case (the “Chapter 11 Case”) by filing a voluntary petition for relief under the Bankruptcy Code.¹ The Chapter 11 Case is being administered in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). The Debtor is also occasionally referred to herein as the “Company.”

The Plan dated January 26, 2010 was filed with the Bankruptcy Court on January 26, 2010 [Docket No. 535]. This Disclosure Statement contains information with respect to the Debtor and the Plan proposed by the Trustee. A copy of the Plan accompanies this Disclosure Statement.

Pursuant to section 1125 of the Bankruptcy Code, this Disclosure Statement is being distributed to you for the purpose of enabling you to make an informed judgment about the Plan. The Trustee has examined various alternatives and, based on information contained in this Disclosure Statement, has concluded that the Plan provides the best recovery possible to Creditors. As discussed further below, the Plan is the product of extensive negotiations with the Debtor’s key creditor constituencies, including the Debtor’s prepetition and postpetition secured lender, Westernbank Puerto Rico (“Westernbank”) and the Official Committee of Creditors appointed in the Debtor’s chapter 11 case (the “Committee”). The Committee supports the Plan and believes all creditors should vote in favor in the Plan.

All of the Cash held by the Debtor constitutes cash collateral in which Westernbank asserts an interest, securing Westernbank’s Secured Claim. The Plan is predicated on the contribution of the Plan Funding Cash Contribution by Westernbank in the amount required to fund all administrative costs, including Allowed Professional Fees as of the date on which the Plan becomes effective (the “Effective Date”), to fund the Plan in part,

¹ The Debtor’s case initially was jointly administered with the chapter 11 case of Exaeris Inc. (case no. 07-10887 (KG) by order entered on July 12, 2007 [Docket No. 14]. The joint administration order was vacated on December 6, 2007.

including without limitation to fund the initial operations of the Liquidating Trustee with respect to the Litigation, for payment of Plan Expenses, and payment of other expenses that may be incurred by the Liquidating Trustee with respect to the tasks and duties assigned to it in connection with the implementation of the Plan. Allowed Administrative Claims, Allowed Priority Claims, and, to the extent applicable under the Plan, any Allowed Class 3 Claims, will be paid from Cash on hand. The Plan also provides for the payment of 40% of Net Litigation Recoveries to Class 4 Creditors on a pro rata basis, and 60% of Net Litigation Recoveries to Westernbank on account of its deficiency claim.

The Net Litigation Recoveries will be the sole source of distributions to the Holders of Allowed Class 4 Unsecured Claims. The Plan is also subject to the satisfaction of several conditions, including sufficient Cash to Holders of Allowed Administrative Claims and Priority Claims in full, unless alternative treatment is otherwise agreed to by such holders. The Trustee will determine, in his reasonable discretion, whether this condition has been satisfied.

The Disclosure Statement describes the Plan and contains information concerning, among other matters: (1) the history, business and results of operations of the Debtor; and (2) the amounts that will be available for distribution to Creditors under the Plan. The Trustee strongly urges you to carefully review the contents of this Disclosure Statement and Plan (including the exhibits to each) before making a decision to accept or reject the Plan.

Your vote on the Plan is important. In order for the Plan to be accepted by a Class of Claims, the Holders of two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of Allowed Claims in such Class who vote on the Plan must vote for acceptance.

Non-acceptance of the Plan will likely lead to liquidation under chapter 7 of the Bankruptcy Code. The Trustee believes that a liquidation under chapter 7 will not provide for any distribution to Unsecured Creditors. Accordingly, the Trustee urges you to accept the Plan by completing and returning the enclosed Ballot by no later than the Ballot Deadline.

B. Information Regarding The Plan

1. Plan Governing Document.

Although the Trustee believes that this Disclosure Statement accurately describes the Plan, all summaries of the Plan contained in this Disclosure Statement are qualified by the Plan itself and the documents described therein.

2. Source of Information.

Factual information contained in this Disclosure Statement has been obtained by the Trustee from the Debtor's records, except where otherwise specifically noted. All financial information contained in this Disclosure Statement has been prepared by the Trustee or has been obtained from its records. None of the Trustee's attorneys, accountants, or other professionals makes any representation regarding such information. The Trustee does not represent or warrant that the information contained in this Disclosure Statement is free from any inaccuracy. The Trustee has, however, attempted to present the information accurately and fairly and believes that the information is substantially accurate. The assumptions underlying the projections contained in this Disclosure Statement concerning sources and amounts of payments to Creditors represent the best estimate of the Trustee as to

what he expects will happen. Because these are only assumptions about or predictions of future events, many of which are beyond the Trustee's control, there can be no assurances that the assumptions will in fact materialize or that the projected realizations will in fact be met. Except as otherwise provided herein, this Disclosure Statement will not reflect any events that occurred subsequent to the date that the Trustee submitted the Disclosure Statement to the Bankruptcy Court for approval.

3. Warning Regarding Federal and State Income Tax Consequences of the Plan.

The tax consequences of the Plan will vary based on the individual circumstances of each Holder of a Claim or Equity Interest. Accordingly, each Creditor and Equity Interest Holder is strongly urged to consult with its own tax advisor regarding the federal, state, local and foreign tax consequences of the Plan and to carefully read Article VI of this Disclosure Statement.

4. Bankruptcy Court Approval.

On January 29, 2010, the Bankruptcy Court approved this Disclosure Statement as containing information of a kind and in sufficient detail adequate to enable a hypothetical, reasonable investor to make an informed judgment about the Plan. Under section 1125 of the Bankruptcy Code, this approval enabled the Trustee to send you this Disclosure Statement and, if applicable, solicit your acceptance or rejection of the Plan. The Bankruptcy Court has not, however, passed on the Plan itself, nor has it conducted a detailed investigation into the contents of this Disclosure Statement.

C. Voting Instructions

1. Who May Vote.

The Plan divides Allowed Claims and Equity Interests into multiple Classes. Under the Bankruptcy Code, only Classes that are "impaired" by the Plan are entitled to vote (unless the Class receives no compensation or payment, in which event the Bankruptcy Code provides that the Class is conclusively deemed not to have accepted the Plan). A Class is "impaired" if the legal, equitable or contractual rights attaching to the Claims or Equity Interests of the Class are modified, other than by curing defaults and reinstating maturities.

Under the Plan, Holders of Administrative Claims, including Professional Fee Claims and Priority Tax Claims, are unclassified and are not entitled to vote. Similarly, Holders of Equity Interests will neither receive nor retain any distributions or property under the Plan, have conclusively been deemed to reject the Plan and are not entitled to vote.

Except for Class 1 (Other Priority Claims) and Class 3 (Other Secured Claims - of which the Trustee believes there are none), no Classes are unimpaired under the Plan. Accordingly, only the Holders of Claims in Class 2 (Westernbank Secured Claim), Class 4 (Unsecured Claims), and Class 5 (Unsecured Claim (Westernbank Deficiency Claim)) are entitled to vote to accept or reject the Plan.

2. How to Vote.

A form of Ballot is being provided to Creditors in Classes 2, 4 and 5 by which Creditors in such Classes may vote their acceptance or rejection of the Plan. The Ballot for voting on the Plan gives you the choice to vote for or against the Plan. To vote on the Plan, please complete the Ballot, as indicated thereon, (1) by indicating

on the enclosed Ballot that (a) you accept the Plan or (b) reject the Plan, and (2) by signing your name and mailing the Ballot in the envelope provided for this purpose. Delaware Claims Agency, Inc., as the claims, notice and balloting agent (the "Claims Agent") appointed by the Bankruptcy Court in this Chapter 11 Case, will count the votes on the Ballots.

IN ORDER TO BE COUNTED, BALLOTS MUST BE COMPLETED, SIGNED AND RECEIVED BY THE CLAIMS AGENT BY NO LATER 4:00 P.M. EASTERN TIME ON FEBRUARY 26, 2010, AT THE FOLLOWING ADDRESS:

If by overnight courier or hand delivery:

**Inyx USA, Ltd.
Delaware Claims Agency, Inc. - Ballot Processing
230 North Market Street
P.O. Box 515
Wilmington, DE 19801
Attention: Joseph L. King**

If by standard mail (including U.S. Express Mail):

**Inyx USA, Ltd.
Delaware Claims Agency, Inc. - Ballot Processing
230 North Market Street
P.O. Box 515
Wilmington, DE 19801
Attention: Joseph L. King**

DO NOT SEND YOUR BALLOT VIA FACSIMILE OR E-MAIL.

In determining acceptances of the Plan, the vote of a Creditor will only be counted if submitted by a Creditor whose Claim is an Allowed Claim. Generally speaking, a Creditor holds an Allowed Claim if the Creditor holding such Claim has timely filed with the Bankruptcy Court a Proof of Claim which has not been objected to or disallowed prior to computation of the votes on the Plan. The Ballot form that you received does not constitute a Proof of Claim.

IF YOUR BALLOT IS NOT PROPERLY COMPLETED, SIGNED AND RECEIVED AS DESCRIBED ABOVE, IT WILL NOT BE COUNTED. IF YOUR BALLOT IS DAMAGED OR LOST, YOU MAY REQUEST A REPLACEMENT BY ADDRESSING A WRITTEN REQUEST TO THE ADDRESS SHOWN ABOVE. FACSIMILE OR ELECTRONICALLY TRANSMITTED BALLOTS WILL NOT BE COUNTED.

D. Confirmation

"Confirmation" is the technical phrase for the Bankruptcy Court's approval of a plan under chapter 11 of the Bankruptcy Code. At the hearing on Confirmation of the Plan (the "Confirmation Hearing"), the Trustee must demonstrate that the Debtor has met the requirements of section 1129 of the Bankruptcy Code in order to confirm the Plan. If the Bankruptcy Court determines that all of the requirements of section 1129 have been satisfied, the Bankruptcy Court will enter an order confirming the Plan.

Voting is tabulated by Class. As discussed above, a Class of Creditors has accepted a Plan if the Plan has been accepted by two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of Creditors holding Allowed Claims in that Class who actually vote to accept or reject the Plan.

E. Hearing on Confirmation

The Bankruptcy Court has scheduled the Confirmation Hearing to occur on March 5, 2010 at 1:00 p.m., to determine whether the Plan has been accepted by the requisite number of Creditors and whether the other requirements for Confirmation of the Plan have been satisfied. The Confirmation Hearing will be held at the United States Bankruptcy Court for the District of Delaware, located at 844 King Street, 6th Floor Courtroom No. 3, Wilmington, Delaware 19801 before the Honorable Kevin Gross. The Confirmation Hearing may be continued from time to time and day to day by announcement in open court without further notice. If the Bankruptcy Court confirms the Plan, it will enter the Confirmation Order.

Even if Class 2 (Westernbank Secured Claim), Class 4 (Unsecured Claims), and Class 5 (Unsecured Claim - Westernbank Deficiency Claim) vote against the Plan, the Plan may nevertheless be confirmed by the Bankruptcy Court, notwithstanding the negative vote of those Classes and the deemed negative vote of Class 6 (Equity Interests), so long as certain statutory requirements are met by the Plan and certain Classes of Claims vote to accept the Plan. This is called a “cram down” and is further explained below. Because Class 6 is deemed to have rejected the Plan, the Trustee will seek confirmation of the Plan through a cram down.

F. Objections to Confirmation

Any objections to Confirmation of the Plan (“Confirmation Objections”) must be in writing, conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the District of Delaware and be filed with the United States Bankruptcy Court on or before February 26, 2010 at 4:00 p.m. (the “Confirmation Objection Deadline”), which is the date set forth in the notice of the Confirmation Hearing sent to you with this Disclosure Statement and the Plan.

Counsel on whom Confirmation Objections must be served are:

Counsel for the Trustee
Pachulski Stang Ziehl & Jones LLP
919 North Market Street, 17th Floor
P.O. Box 8705
Wilmington, DE 19899-8705 (Courier 19801)
Attn: Bruce Grohsgal, Esquire

Counsel for the Unsecured Creditors Committee
Klehr, Harrison, Harvey, Branzburg & Ellers LLP
919 North Market Street, Suite 1000
Wilmington, DE 19899-3062
Attn: Richard M. Beck, Jr., Esquire

Counsel for Westernbank Puerto Rico
Weil Gotshal & Manges, LLP
767 Fifth Avenue
New York, NY 10153
Attn: Harvey R. Miller
and Michael J. Walsh

and

Womble, Carlyle, Sandridge & Rice, PLLC
222 Delaware Avenue, Suite 1501
Wilmington, Delaware 19801
Attn: Francis A. Monaco, Jr., Esquire

and

Office of the United States Trustee
for the District of Delaware
844 King Street, Suite 2207, Lockbox 35
Wilmington, Delaware 19801
Attn: Richard Shepacarter, Esquire

G. Creditors' Committee's Support of Plan

On February 14, 2008, the Official Committee of Unsecured Creditors (the "Committee") was appointed in this Chapter 11 Case by the U.S. Trustee. The Committee represents the collective interests of general unsecured creditors.² As discussed further below, the Plan is the product of extensive negotiations with the Debtor's creditor constituencies, including the Committee. **THE COMMITTEE SUPPORTS THE PLAN AND URGES ALL CREDITORS TO VOTE IN FAVOR OF THE PLAN.**

H. Cramdown

A court may confirm a plan, even if it is not accepted by all Impaired classes, if the plan has been accepted by at least one Impaired class of claims and the plan meets the "cram down" requirements set forth in section 1129(b) of the Bankruptcy Code. Section 1129(b) of the Bankruptcy Code requires that the court find that a plan is "fair and equitable" and does not "discriminate unfairly" with respect to each nonaccepting Impaired class of claims or interests. With respect to a dissenting class of unsecured claims, the "fair and equitable" standard requires, among other things, that a plan contain one of two elements. It must provide either that (a) each Holder of an unsecured claim in such class receive or retain property having a value, as of the effective date of the plan, equal to the allowed amount of its claim, or (b) no Holder of allowed claims or interests in any junior class will receive or retain any property on account of such claims or interests. With respect to a dissenting class of interests, the "fair and equitable" standard requires that the plan contain one of two elements. It must provide either that (i) each holder of an interest in the class receive or retain property having a value, as of the Effective Date, equal to the greater of the allowed amount of any fixed liquidation preference to which such holder is entitled, or the value of such interests, or (ii) no holder of an interest in any junior class will receive or retain any property on account of such interests. The strict requirement of the allocation of full value to dissenting classes before junior classes can receive a distribution is known as the "absolute priority rule."

The Trustee will request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code with respect to Class 6 (Equity Interests) and, if and to the extent necessary (i.e., if

² Prior to the vacating of the joint administration order, a committee had been appointed for the jointly administered cases of the Debtor and Exaeris Inc. Following the vacating of the joint administration order, the Committee was appointed in this case.

one or more of them vote to reject the Plan), with respect to Class 2 (Westernbank Secured Claim), Class 4 (Unsecured Claims), and Class 5 (Unsecured Claim - Westernbank Deficiency Claim).

I. Disclaimers

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE DEBTOR'S PROPOSED PLAN. PLEASE READ THIS DOCUMENT WITH CARE. THE PURPOSE OF THE DISCLOSURE STATEMENT IS TO PROVIDE "ADEQUATE INFORMATION" OF A KIND, AND IN SUFFICIENT DETAIL, AS FAR AS IS REASONABLY PRACTICABLE IN LIGHT OF THE NATURE AND HISTORY OF THE DEBTOR AND THE CONDITION OF DEBTOR'S BOOKS AND RECORDS, THAT WOULD ENABLE A HYPOTHETICAL REASONABLE INVESTOR TYPICAL OF HOLDERS OF CLAIMS OR INTERESTS OF THE RELEVANT CLASS TO MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN.

FOR THE CONVENIENCE OF CREDITORS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN, BUT THE PLAN ITSELF QUALIFIES ANY SUMMARY. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN AND THE DOCUMENTS DESCRIBED THEREIN ARE CONTROLLING.

NO REPRESENTATIONS CONCERNING THE DEBTOR'S FINANCIAL CONDITION OR ANY ASPECT OF THE PLAN ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN AS CONTAINED IN OR INCLUDED WITH THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION TO ACCEPT OR REJECT THE PLAN.

THE FINANCIAL INFORMATION CONTAINED HEREIN, UNLESS OTHERWISE INDICATED, IS UNAUDITED. MOREOVER, BECAUSE OF THE DEBTOR'S FINANCIAL DIFFICULTIES, AS WELL AS THE COMPLEXITY OF THE DEBTOR'S FINANCIAL MATTERS, THE BOOKS AND RECORDS OF THE DEBTOR, UPON WHICH THIS DISCLOSURE STATEMENT IN PART IS BASED, MAY BE INCOMPLETE OR INACCURATE. REASONABLE EFFORT HAS BEEN MADE, HOWEVER, TO ENSURE THAT ALL SUCH INFORMATION IS FAIRLY PRESENTED.

THE TRUSTEE WAS APPOINTED ON OR ABOUT AUGUST 8, 2007. THE TRUSTEE'S BANKRUPTCY COUNSEL PACHULSKI STANG ZIEHL & JONES LLP ("PSZJ") AND FINANCIAL AND OPERATIONAL ADVISOR CRG PARTNERS GROUP LLC ("CRG"), COMMENCED REPRESENTING THE TRUSTEE ON OR ABOUT AUGUST 8, 2007. THE TRUSTEE, PSZJ AND THE TRUSTEE'S OTHER PROFESSIONALS HAVE RELIED UPON INFORMATION OBTAINED BY THE TRUSTEE FROM THE DEBTOR'S RECORDS, AND PROVIDED BY THE TRUSTEE TO SUCH PROFESSIONALS IN CONNECTION WITH PREPARATION OF THIS DISCLOSURE STATEMENT. ALTHOUGH COUNSEL FOR THE TRUSTEE HAS PERFORMED CERTAIN LIMITED DUE DILIGENCE IN CONNECTION WITH THE PREPARATION OF THIS DISCLOSURE STATEMENT, COUNSEL HAVE NOT INDEPENDENTLY VERIFIED ALL OF THE INFORMATION CONTAINED HEREIN.

A COPY OF THE DISCLOSURE STATEMENT HAS BEEN SERVED ON THE SECURITIES AND EXCHANGE COMMISSION (“SEC”) AND THE SEC HAS BEEN GIVEN AN OPPORTUNITY TO OBJECT TO THE ADEQUACY OF THE DISCLOSURE STATEMENT. HOWEVER, THIS DISCLOSURE STATEMENT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR APPLICABLE STATE SECURITIES LAWS. NEITHER THE SEC NOR ANY STATE REGULATORY AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT, THE EXHIBITS HERETO OR THE STATEMENTS CONTAINED HEREIN.

THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH CREDITOR OR INTEREST HOLDER SHOULD CONSULT HIS OR HER OWN LEGAL COUNSEL AND ACCOUNTANT AS TO LEGAL, TAX AND OTHER MATTERS CONCERNING HIS OR HER CLAIM.

J. An Overview Of The Chapter 11 Process

Chapter 11 of the Bankruptcy Code contains numerous provisions, the general effect of which are to provide the debtor with “breathing space” within which to propose a restructuring of its obligations to third parties. The filing of a chapter 11 bankruptcy petition creates a bankruptcy “estate” comprised of all of the property interests of the debtor. Unless a trustee is appointed by the Bankruptcy Court for cause, a debtor remains in possession and control of all its assets as a “debtor in possession.” A debtor in possession and, on appointment, a Chapter 11 trustee may continue to operate the debtor’s business in the ordinary course on a day-to-day basis without Bankruptcy Court approval. Bankruptcy Court approval is only required for various enumerated kinds of transactions (such as certain financing transactions) and transactions out of the ordinary course of the debtor’s business. The Debtor was the debtor in possession in this case and operated its business until the appointment of the Trustee on August 8, 2007, following which the Trustee operated the Debtor’s business. The filing of the bankruptcy petition also gives rise to what is known as the “automatic stay” which is a federal injunction that, generally, enjoins creditors from taking any action to collect or recover obligations owed by a debtor prior to the commencement of a chapter 11 case. The Bankruptcy Court, however, can grant relief from the automatic stay, under certain specified conditions or for cause.

The Bankruptcy Code authorizes the creation of one or more official committees to protect the interests of some or all creditors or equity security interest holders. The fees and expenses of counsel and other professionals employed by such official committees and approved by the Bankruptcy Court are generally borne by a bankruptcy estate. The Committee was appointed in this Chapter 11 Case, first during the period of joint administration of this case with the Debtor’s affiliate, Exaeris, Inc., and then solely with respect to the Debtor after the period of joint administration was terminated, to represent the collective interests of general unsecured creditors.

A chapter 11 debtor may successfully confirm a plan, which may be a liquidating plan. A plan may either be consensual or non-consensual and provides, among other things, for the treatment of the claims of creditors and interests of shareholders. The provisions of the Plan are summarized below.

K. Plan Overview

The following is a brief overview of the material provisions of the Plan and is qualified in its entirety by reference to the full text of the Plan. For a more detailed description of the terms and provisions of the Plan, see Section V below, entitled “Description of the Plan.” The Plan represents the product of negotiations among the Trustee and key parties in interest in the Chapter 11 Case, including the Committee.

The Plan provides for the classification and treatment of Claims against and Equity Interests in the Debtor. The Plan designates 6 (six) Classes, which classify all Claims and Equity Interests.

1. Description of Property to be Distributed Under the Plan

Subject to the conditions set forth in the Plan, the Debtor’s senior secured creditor, Westernbank, has agreed to the carve out from its perfected liens the Plan Funding Cash Contribution to fund the Litigation and pay Allowed Administrative Claims, Allowed Priority Tax Claims and Allowed Other Priority Claims. In addition, the Debtors, Westernbank and the Committee have agreed to a split of the Net Litigation Recoveries that provides that a portion of such Net Litigation Recoveries will be paid to Holders of Allowed Unsecured Claims in this Chapter 11 case in accordance with the treatment afforded to such Holders and pursuant to the other terms of the Plan. Subject to the terms and conditions set forth in the Plan, the Holders of Allowed Class 4 Unsecured Claims will receive 40%, and Westernbank on account of its Allowed Class 5 Westernbank Deficiency Claim will receive 60%, of Net Litigation Recoveries.

2. Summary of Classification and Treatment of Claims and Equity Interests under the Plan

The following chart briefly summarizes the treatment of Creditors and Equity Interest Holders under the Plan.³ Amounts listed below are estimated. Actual Claims and distributions will vary depending upon the outcome of objections to Claims.

CLASS	DESCRIPTION	ESTIMATE OF CLAIM AMOUNTS AND RECOVERIES⁴	TREATMENT
N/A	ADMINISTRATIVE CLAIMS	Amount: \$0 The Trustee expects that Administrative Claims will continue to be paid on a current basis. Administrative claims incurred but remaining unpaid under the cash collateral budget in effect immediately on or prior to the	CASH EQUAL TO THE ALLOWED AMOUNT OF SUCH CLAIM, UNLESS SUCH HOLDER SHALL HAVE AGREED TO DIFFERENT TREATMENT OF SUCH CLAIM, AT THE SOLE OPTION OF THE TRUSTEE OR THE LIQUIDATING TRUSTEE, AS THE CASE MAY BE: (A) ON OR AS SOON AS PRACTICABLE AFTER THE LATER OF (I) THE EFFECTIVE DATE, OR (II) THE DATE UPON WHICH THE

³ This chart is only a summary of the classification and treatment of Claims, Equity Interests and Subsidiary Equity Interests under the Plan. References should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Claims, Equity Interests and Subsidiary Equity Interests.

⁴ The foregoing estimates are provided solely for information purposes and shall not constitute an admission as to the Debtor’s liability on any Claims asserted against its Estate and shall not be binding on the Debtor, the Trustee, or the Liquidating Trustee. The Trustee and the Liquidating Trustee reserve all rights to object to any Claim on any and all available grounds. The estimated recovery amounts may change based on the actual amount of Claims in each Class that become Allowed Claims.

CLASS	DESCRIPTION	ESTIMATE OF CLAIM AMOUNTS AND RECOVERIES ⁴	TREATMENT
		<p>Effective Date will be deposited in a federally insured post-Effective Date bank account, for payment of such budgeted amounts when due and payable.</p> <p>Estimated Recovery: 100%</p>	<p>BANKRUPTCY COURT ENTERS A FINAL ORDER DETERMINING OR APPROVING SUCH CLAIM; (B) IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF AGREEMENTS BETWEEN THE HOLDERS OF SUCH CLAIMS AND THE TRUSTEE OR THE LIQUIDATING TRUSTEE, AS THE CASE MAY BE; (C) WITH RESPECT TO ADMINISTRATIVE CLAIMS REPRESENTING OBLIGATIONS INCURRED IN THE ORDINARY COURSE OF THE DEBTOR'S BUSINESS, UPON SUCH REGULAR AND CUSTOMARY PAYMENT OR PERFORMANCE TERMS AS MAY EXIST IN THE ORDINARY COURSE OF THE DEBTOR'S BUSINESS OR AS OTHERWISE PROVIDED IN THE PLAN; OR (D) WITH RESPECT TO STATUTORY FEES DUE PURSUANT TO 28 U.S.C. § 1930(A)(6), AT ALL APPROPRIATE TIMES, UNTIL THE ENTRY OF A FINAL DECREE OR AN ORDER CONVERTING OR DISMISSING THE CASE.</p>
N/A	PROFESSIONAL FEE CLAIMS	<p>Amount: \$150,000.00</p> <p>The amount set forth above is for the Committee's professionals. The Trustee expects that Professional Fee Claims in excess of this amount will have been paid from, or from sums set aside from, the budgeted amounts in the then current cash collateral budget.</p> <p>Estimated Recovery: 100%</p>	<p>UNLESS DIFFERENT TREATMENT IS AGREED UPON BY THE APPLICABLE PROFESSIONAL AND THE TRUSTEE, THE TRUSTEE SHALL PAY PROFESSIONALS FOR ALL OF THEIR RESPECTIVE ACCRUED AND ALLOWED FEES AND REIMBURSEMENT OF EXPENSES ARISING PRIOR TO THE EFFECTIVE DATE AFTER APPROVAL BY THE BANKRUPTCY COURT, PLUS ANY POST-EFFECTIVE DATE FEES.</p>
N/A	PRIORITY TAX CLAIMS	<p>Amount: \$158,000.00</p> <p>Estimated Recovery: 100%</p>	<p>ONE OF THE FOLLOWING TREATMENTS: (I) PAYMENT IN FULL WITHOUT INTEREST FROM THE PETITION DATE, ON THE LATER TO OCCUR OF (A) THE EFFECTIVE DATE, OR AS SOON AS PRACTICABLE THEREAFTER, OR (B) THE DATE ON WHICH SUCH CLAIM SHALL HAVE BECOME AN ALLOWED CLAIM; OR (II) DEFERRED CASH PAYMENTS TO THE EXTENT PERMITTED BY SECTION 1129(A)(9) OF THE BANKRUPTCY CODE WITH INTEREST ON THE UNPAID PORTION OF SUCH CLAIM AT THE RATE OF FIVE PERCENT (5%) PER ANNUM, OR SUCH OTHER RATE AS MAY BE DETERMINED BY THE BANKRUPTCY COURT OR AGREED UPON BY THE TRUSTEE OR THE LIQUIDATING TRUSTEE, AS THE CASE MAY</p>

CLASS	DESCRIPTION	ESTIMATE OF CLAIM AMOUNTS AND RECOVERIES ⁴	TREATMENT
			BE, AND SUCH HOLDER PROVIDED THAT, IN THE EVENT THE TRUSTEE CHOOSES PAYMENT OPTION (II), THE LIQUIDATING TRUSTEE MAY PREPAY ANY SUCH CLAIMS AT ANY TIME WITHOUT PREMIUM OR PENALTY.
1	OTHER PRIORITY CLAIMS	<p>Amount: \$10,000.00</p> <p>Estimated Recovery: 100%</p>	PAYMENT IN FULL, ON THE LATER TO OCCUR OF (I) THE EFFECTIVE DATE, OR AS SOON AS PRACTICABLE THEREAFTER, OR (II) THE DATE ON WHICH SUCH CLAIM SHALL BECOME AN ALLOWED CLAIM, UNLESS OTHERWISE AGREED BY THE PARTIES
2	WESTERNBANK SECURED CLAIM	<p>Amount: (1) \$2,800,000, consisting of Effective Date Cash less the Plan Funding Cash Contribution and other payments set forth in section II.K.3.c below, plus (2) the net proceeds of the sale of the Manati Real Property or the conveyance of the Manati Real Property</p> <p>Estimated Recovery: Unknown</p>	THE WESTERNBANK SECURED CLAIM SHALL BE DEEMED AN ALLOWED CLAIM AS OF THE EFFECTIVE DATE AND SHALL BE SATISFIED IN FULL BY PAYMENT TO WESTERNBANK OF (A) THE SUM OF THE EFFECTIVE DATE CASH AND THE NET PROCEEDS FROM ANY SALE OF THE MANATI REAL PROPERTY OR, IF ANY SUCH SALE HAS NOT CLOSED ON THE EFFECTIVE DATE, THE TRANSFER BY THE TRUSTEE TO WESTERNBANK ON THE EFFECTIVE DATE OF THE MANATI REAL PROPERTY, MINUS (B) THE PLAN FUNDING CASH CONTRIBUTION.
3	OTHER SECURED CLAIMS	<p>\$0</p> <p>Estimated Recovery: 100%</p>	AT THE SOLE OPTION OF THE TRUSTEE OR THE LIQUIDATING TRUSTEE, AS THE CASE MAY BE, ONE OF THE FOLLOWING TREATMENTS: (I) THE HOLDER OF SUCH CLAIM SHALL RETAIN ITS LIEN ON ITS COLLATERAL UNTIL SUCH COLLATERAL IS SOLD, AND THE PROCEEDS OF SUCH SALE, LESS COSTS AND EXPENSES OF DISPOSING OF SUCH COLLATERAL, SHALL BE PAID TO SUCH HOLDER IN FULL SATISFACTION, RELEASE, AND DISCHARGE OF SUCH ALLOWED SECURED CLAIM; (II) ON OR AS SOON AS PRACTICABLE AFTER THE LATER OF THE (A) THE EFFECTIVE DATE, OR (B) THE DATE UPON WHICH THE BANKRUPTCY COURT ENTERS A FINAL ORDER DETERMINING OR ALLOWING SUCH CLAIM, OR AS OTHERWISE AGREED BETWEEN THE HOLDER OF SUCH CLAIM AND THE TRUSTEE OR THE LIQUIDATING TRUSTEE, AS THE CASE MAY BE, THE HOLDER OF SUCH SECURED CLAIM WILL RECEIVE A CASH PAYMENT EQUAL TO THE AMOUNT OF ITS ALLOWED SECURED CLAIM IN FULL

CLASS	DESCRIPTION	ESTIMATE OF CLAIM AMOUNTS AND RECOVERIES ⁴	TREATMENT
			SATISFACTION, RELEASE, AND DISCHARGE OF SUCH SECURED CLAIM; OR (III) THE COLLATERAL SECURING THE CREDITOR'S SECURED CLAIM SHALL BE ABANDONED TO SUCH CREDITOR, IN FULL AND COMPLETE SATISFACTION, RELEASE, AND DISCHARGE OF SUCH SECURED CLAIM.
4	UNSECURED CLAIMS (EXCLUDING THE WESTERNBANK DEFICIENCY CLAIM)	Amount: \$10,077,386 Estimated Recovery: Unknown	THE LIQUIDATING TRUSTEE SHALL PAY TO EACH HOLDER OF AN ALLOWED CLASS 4 UNSECURED CLAIM ITS PRO RATA SHARE OF 40% OF THE NET LITIGATION RECOVERIES.
5	WESTERNBANK DEFICIENCY CLAIM	Approx. Amount: \$135,000,000.00 Estimated Recovery: Unknown	THE LIQUIDATING TRUSTEE SHALL PAY TO WESTERNBANK ON ACCOUNT OF ITS ALLOWED CLASS 5 CLAIM 60% OF THE NET LITIGATION RECOVERIES.
6	EQUITY INTERESTS	Amount: N/A Estimated Recovery: None	ALL EQUITY INTERESTS SHALL BE CANCELLED ON THE EFFECTIVE DATE OF THE PLAN. THE HOLDERS OF EQUITY INTERESTS WILL NEITHER RECEIVE NOR RETAIN ANY DISTRIBUTION OR PROPERTY UNDER THE PLAN. SUCH HOLDERS ARE DEEMED TO REJECT THE PLAN AND ARE THEREFORE NOT ENTITLED TO VOTE ON THE PLAN.

3. Projected Distributions Under the Plan

a. Distributions to Holders of Secured Claims

As stated above, the Plan creates two (2) Classes of Secured Claims: Class 2 (Westernbank Secured Claim), and Class 3 (Other Secured Claims). The Trustee estimates that Westernbank is owed \$143,000,000 as of the Petition Date and has an undersecured Claim. The Plan provides that the satisfaction and repayment of Westernbank's secured claim shall be satisfied by the treatment set forth above.

The Trustee does not believe that there are any Class 3 Other Secured Claims and has valued such claims at \$0.

b. Distributions To Holders of Class 1 Other Priority Claims, Class 4 Unsecured Claims and Class 5 Westernbank Deficiency Claim

The Trustee estimates that the amounts of the prepetition Claims in Class 1 (Other Priority Claims); Class 4 (Unsecured Claims); and Class 5 (Westernbank Deficiency Claim) are as follows: Class 1 – approximately \$10,000; Class 4 – approximately \$10,077,000; and Class 5 – approximately \$135,000,000.00.

c. Summary of Projected Distributions Under the Plan

Effective Date Cash	\$3,218,000.00
Amount of Effective Date Cash to fund distributions to Allowed Administrative Claims, including Professional Fees ⁵	\$150,000.00
Amount of Effective Date Cash to fund distributions to Allowed Priority Tax Claims	\$158,000.00
Amount of Effective Date Cash to fund distributions to Holders of Allowed Class 1 Other Priority Claims	\$10,000.00
Amount of Effective Date Cash for distribution to Class 2 Westernbank Secured Claim	\$2,800,000.00
Amount of Effective Date Cash to fund distributions to Holder of Class 5 Allowed Westernbank Deficiency Claim	\$0
Estimated forty percent (40%) of Net Litigation Recoveries to be distributed to Holders of Class 4 Allowed Unsecured Claims.	Unknown
Estimated sixty percent (60%) of Net Litigation Recoveries to be distributed to Holder of Class 5 Allowed Westernbank Deficiency Claim.	Unknown
TOTAL	\$3,118,000.00

**III.
HISTORY, ORGANIZATION AND ACTIVITIES OF THE DEBTOR**

A. Description of the Debtor

Prior to the commencement of its Chapter 11 Case, the Debtor operated a pharmaceuticals production center at an approximately 140,000 square foot facility located on about 9.5 acres in Manati, Puerto Rico, specializing in the development and manufacture of inhalation therapy (respiratory and non-respiratory), dermatology and topical pharmaceutical products. The Debtor is a wholly-owned subsidiary of Inyx, Inc., as was its affiliate, Exaeris, Inc. (“Exaeris”). The Debtor in its “first day” filings described its parent, Inyx, Inc., as a specialty pharmaceutical company with niche drug delivery technologies and products for the treatment of respiratory, allergy, dermatological, topical and cardiovascular conditions, providing contract manufacturing and development services – focusing on both prescription and over-the-counter pharmaceutical products – to the international healthcare market, including a number of the largest pharmaceutical companies in the world.

B. Events Preceding the Chapter 11 Filing

The Debtor stated in its “first day” filings that, in light of certain delays in the delivery of contracts, it was unable to adequately service its prepetition indebtedness to Westernbank or remain current with its

⁵ This amount is for the fees and expenses of the Committee’s professionals. As set forth in this Disclosure Statement, other Allowed Administrative Claims, including Professional Fees, will be paid under the cash collateral budget in effect immediately prior to the Effective Date, and Allowed Administrative claims incurred but remaining unpaid at such time under such cash collateral budget will be deposited in a federally insured post-Effective Date bank account, for payment of such budgeted amounts when due and payable.

unsecured obligations. The Debtor further asserted that it and Exaeris had fallen behind in payments to numerous vendors and suppliers, were unable to continue operations without relief from these mounting obligations, and were unable to fund operations from the revenues that they generated from operations. On July 2, 2007, the Debtor and Exaeris filed petitions commencing their chapter 11 cases.

The Debtor on the Petition Date had but one significant contract --- with Aeropharm, an affiliate of Abbott Laboratories, under which it was losing money. Moreover, the Debtor was out of cash and Westernbank had asserted defaults under its loan agreements with the Debtor.

On June 29, 2007, shortly before the Debtor filed its chapter 11 petition, Westernbank caused the Debtor's affiliates, Inyx Pharma Limited and Ashton Pharmaceuticals Limited, to be placed in involuntary administration proceedings in the United Kingdom.

C. The Debtor's Corporate Structure

As stated, the Debtor is a wholly-owned subsidiary of Inyx, Inc. Its affiliates on the Petition Date included Exaeris, Inyx Pharma and Ashton Pharmaceuticals Limited, each of which were based in the United Kingdom and were placed in involuntary administration in the United Kingdom on or about June 29, 2007, and Inyx Canada, Ltd., which was based in Ontario, Canada and was placed in receivership in Ontario on or about July 20, 2007.

D. Equity and Significant Indebtedness

1. The Westernbank Indebtedness

As of the Petition Date, the Debtor (1) maintained a senior secured revolving line of credit with Westernbank, pursuant to that certain Loan and Security Agreement, among Westernbank, Inyx, Inc. and the Debtor, dated as of March 31, 2005, (as amended, and with the agreements and instruments entered into in connection therewith, the "Westernbank Loan Agreement"), (2) had borrowed from Westernbank under term loans pursuant to the Westernbank Loan Agreement, and (3) had guaranteed Westernbank's loan to certain affiliates of the Debtor (the "Westernbank Loan Indebtedness"). As of the Petition Date, the Westernbank Loan Indebtedness was approximately \$143 million. The Westernbank Loan Indebtedness was secured by a lien on substantially all of the Debtor's assets.

2. Priority Unsecured Claims

The Trustee estimates any unsecured priority claims that existed on the Petition Date, consisting of employee obligations and tax obligations, were paid or will have been satisfied postpetition.

E. General Unsecured Claims

In addition to the undersecured portion of the Westernbank Indebtedness, the Trustee estimates that general unsecured claims asserted against the Debtor by non-affiliated third parties totaled approximately \$10.077 million as of the Petition Date, of which approximately \$6.7 million of which was owed to Aeropharm for prepayments under the manufacturing agreement between the Debtor and Aeropharm.

IV.
THE CHAPTER 11 CASE

A. The Voluntary Petition and Notice of Commencement of Case

On the Petition Date, the Debtor commenced its Chapter 11 Case by filing its voluntary petition for relief under the Bankruptcy Code in the Bankruptcy Court. The Debtor's Chapter 11 Case initially was jointly administered with the chapter 11 case of its affiliate, Exaeris Inc. The joint administration of the Debtor's case with the case of Exaeris, Inc., was terminated on December 6, 2007.

From the Petition Date until August 8, 2007, on which date the Trustee was appointed, the Debtor continued to operate as a debtor in possession subject to the supervision of the Bankruptcy Court in accordance with the Bankruptcy Code. Thereafter, the Trustee operated the Debtor's business subject to the supervision of the Bankruptcy Court in accordance with the Bankruptcy Code.

B. Professionals Employed by the Trustee

Since the appointment of the Trustee, the Bankruptcy Court has authorized the Trustee's employment of various attorneys, accountants and other professionals, including Pachulski Stang Ziehl & Jones LLP as general bankruptcy counsel and CRG Partners Group LLC as financial and operational advisor. In addition, the Delaware Claims Agency, Inc. has acted as the claims agent in this Chapter 11 Case.

C. Appointment of Committee

On July 13, 2007, the U.S. Trustee appointed the Committee in the jointly administered case of Exaeris, Inc., and the Debtor. The Committee was comprised of three members, two of which were creditors of Exaeris only. Upon the termination of the joint administration of the cases, the Committee ceased to function in the Debtor's case.

On February 14, 2008, the U.S. Trustee appointed a new three-member Committee in the Debtor's case as the representative of the Debtor's general unsecured creditor constituency in the Debtor's Chapter 11 Case. The Committee is currently composed of two (2) members: (i) Puerto Rico Alarm System, Inc, and (ii) International Union, UAW. The Committee retained Klehr, Harrison, Harvey, Branzburg & Eilers LLP, whose retention was approved by the Bankruptcy Court.

D. First Day Motions and Other Related Relief⁶

On the Petition Date, the Debtor sought approval from the Bankruptcy Court of certain motions and applications, for authority to pay prepetition wages, salaries, and employee benefits, to retain counsel, for interim compensation procedures, for appointment of the Claims Agent, for authority to maintain existing bank accounts, and to approve financing from Jack Kachkar, an officer and director of Inyx, Inc. (collectively, the "First Day Motions"), which the Debtor and its affiliate, Exaeris, Inc., filed simultaneously with their petitions for relief commencing the Chapter 11 Case.

⁶ Unless otherwise defined herein or in the Plan, capitalized terms used in the descriptions of motions and applications shall have the meanings ascribed to such terms in such motion or application.

E. DIP Financing

In August, 2007, Westernbank agreed to extend postpetition financing to the Debtor, and on September 7, 2007 the Bankruptcy Court approved such financing on a final basis in the amount of up to \$2,831,800 through November 30, 2007 (Docket No. 179 in case no. 07-10887) (the “Westernbank Postpetition Financing”). The Westernbank Postpetition Financing was extended by several subsequent orders of the Bankruptcy Court. Ultimately, the Trustee repaid the Westernbank Postpetition Financing in full, except for any claims for interest and fees that Westernbank reserved the right to assert. All of such claims of Westernbank with respect to the Westernbank Postpetition Financing are resolved by the treatment under the Plan of the Class 2 (Westernbank Secured Claim).

F. Production of Azmacort for Aeropharm and Other Manufacturing Operations

At the time of the Trustee’s appointment , the Debtor had essentially one customer --- Aeropharm Technology, LLC (“Aeropharm”), for whom the Debtor manufactured Azmacort,® a prescription inhalant for the treatment of respiratory ailments.

Further, the manufacture of Azmacort® utilized CFCs. CFCs have been associated with damage to the ozone layer of the atmosphere, and the use of CFCs in manufacture currently is limited by U.S. and international regulation and will be prohibited by 2010.

The Trustee negotiated an increase in the price under the agreement with Aeropharm, which resulted in profitable operations. The Trustee also attempted to negotiate an extension of the agreement with Aeropharm, for the production of Azmacort® or another product. Notwithstanding these efforts, Aeropharm decided to cease production of Azmacort because of sunset on CFCs and lack of sales or sales growth in the product, was not willing to extend the agreement beyond the lots manufactured in late 2008 and the Aeropharm agreement expired.

The Trustee also attempted to obtain agreements with other parties for the manufacture of other pharmaceutical products at the Manati facility, but due to substantial pharmaceutical manufacturing overcapacity in Puerto Rico and other factors, was unable to do so in quantities sufficient to replace Azmacort business.

G. Efforts to Sell the Debtor’s Business

The Trustee also attempted to sell the Debtor’s assets and the Manati facility as a going concern, contacting numerous potential bidders, and for the reasons set forth above was unable to find a buyer.

H. The Sale of the Debtor’s Equipment and Other Personal Property Located at the Manati Facility

By mid-2008, Aeropharm declined to order any further product from the Debtor and the Trustee had found no new customers, and the Trustee determined to close the Facility to minimize expenses, and sell the equipment and other personal property to maximize value for the estate.

The Trustee obtained a stalking horse bid for the equipment and personal property from Cromwell Capital, LLC, for \$2,000,000.00. The Trustee marketed the equipment and other property for sale to higher and better bidders, and held an auction, at which the \$2,000,000 Cromwell bid was the only bid. The sale closed in late 2008.

I. Other Significant Events During the Chapter 11 Case

1. Filing of Schedules and Statements

On November 2, 2007 the Trustee filed the Debtor's Schedules of Liabilities (the "Schedules") and Statement of Financial Affairs (the "SOFAs") [Docket Nos. 313 and 314].

2. Meeting of Creditors

On August 10, 2007, the U.S. Trustee conducted the meeting of creditors for the Chapter 11 Case pursuant to section 341 of the Bankruptcy Code. The Trustee attended the meeting of creditors.

3. Establishment of Claim Bar Dates

In a chapter 11 case, prepetition claims against the debtor are generally established either as a result of being listed in the debtor's schedules of liabilities or through assertion by a creditor in a timely filed proof of claim. Claims asserted by creditors are either allowed or disallowed. If a claim is allowed, the claim will be recognized and treated pursuant to a plan. If a claim is disallowed, the creditor will have no right to obtain any recovery on or to otherwise enforce the claim against the debtor. Disallowed claims include claims disallowed by final order of the Bankruptcy Court, claims listed on the debtor's Schedules as zero, or as contingent, disputed, or unliquidated and as to which no proof of claim has been timely filed or deemed timely filed, and claims not listed in the Schedules and for which no proof of claim has been timely filed or deemed timely filed.

As noted above, the Debtor filed its Schedules on November 2, 2007, which, among other things, scheduled prepetition claims against the Debtor based on the Debtor's books and records. On October 28, 2008, the Trustee filed its *Motion Of Chapter 11 Trustee For An Order (1) Fixing Bar Date For The Filing Of Proofs Of Claim, (2) Fixing Bar Date For The Filing Of Proofs Of Claim By Governmental Units, (3) Fixing Bar Date For The Filing Of Requests For Allowance Of Administrative Expense Claims, (4) Designating Form And Manner Of Notice Thereof, And (5) Granting Related* [Docket No. 311] (the "Bar Date Motion"). Pursuant to the Bar Date Motion, the Trustee sought to establish the deadlines by which creditors would be required to file Proofs of Claim in this Chapter 11 Case.

On November 10, 2008, the Court entered an order [Docket No. 321] (the "General Bar Date Order") granting the Bar Date Motion. Pursuant to the General Bar Date Order, the Bankruptcy Court established December 18, 2008 (the "General Bar Date") as the deadline for both non-governmental and governmental units to file prepetition claims against the Debtor. Schedules of the filed Proofs of Claim asserted against the Debtor are maintained by the Claims Agent.

**V.
DESCRIPTION OF THE PLAN**

A DISCUSSION OF THE PRINCIPAL PROVISIONS OF THE PLAN AS THEY RELATE TO THE TREATMENT OF CLASSES OF ALLOWED CLAIMS, EQUITY INTERESTS AND SUBSIDIARY EQUITY INTERESTS IS SET FORTH BELOW. THE DISCUSSION OF THE PLAN THAT FOLLOWS CONSTITUTES A SUMMARY ONLY, AND SHOULD NOT BE RELIED UPON FOR VOTING PURPOSES. YOU ARE URGED TO READ THE PLAN IN FULL IN EVALUATING WHETHER TO ACCEPT OR REJECT THE DEBTOR'S PROPOSED PLAN OF LIQUIDATION. IF ANY INCONSISTENCY EXISTS BETWEEN

THIS SUMMARY AND THE PLAN, THE TERMS OF THE PLAN AND THE DOCUMENTS DESCRIBED THEREIN WILL CONTROL.

A. Description Of Classes

The Plan divides Creditors and Equity Interests into Classes. Creditors with similar Claims are placed in the same Class as summarized below:

Class 1 Claims. Class 1 consists of Priority Claims against the Debtor, exclusive of Priority Tax Claims.

Class 2 Claims. Class 2 consists of the Westernbank Secured Claim.

Class 3 Claims. Class 3 consists of the Claims of any Creditor secured by a Lien against any of the Debtor's assets, other than the Westernbank Secured Claim.

Class 4 Claims. Class 4 consists of Unsecured Claims other than the unsecured Westernbank Deficiency Claim.

Class 5 Claim. Class 5 consists of the unsecured Westernbank Deficiency Claim.

Class 6 Equity Interests. Class 6 consists of the Equity Interests in the Debtor.

B. Treatment of Classified Claims

Class 1 (Other Priority Claims). The Debtor shall pay the Allowed amount of each Class 1 Other Priority Claim to each Entity holding a Class 1 Priority Claim as soon as practicable following the later of (a) the Effective Date, or (b) the date such Class 1 Other Priority Claim becomes an Allowed Claim (or as otherwise permitted by law). The Debtor shall pay each Entity holding a Class 1 Other Priority Claim in Cash in full in respect of such Allowed Claim without interest from the Petition Date; provided, however, that such Entity may be treated on such less favorable terms as may be agreed to in writing by such Entity.

Class 2 (Westernbank Secured Claim). Satisfaction and repayment of the Westernbank Secured Claim by the Trustee will be made by payment to Westernbank of (a) the sum of the Effective Date Cash and the net proceeds from any sale of the Manati Real Property or, if any such sale has not closed on the Effective Date, the transfer by the Trustee to Westernbank on the Effective Date of the Manati Real Property, minus (b) the Plan Funding Cash Contribution. The balance of Westernbank's Allowed Claim (the "Westernbank Deficiency Claim") shall constitute and be classified as a Class 5 Unsecured Claim. If the Manati Real Property has not been sold by the Trustee by the Effective Date, then the Trustee on the Effective Date will convey the Manati Real Property to Westernbank by quitclaim trustee's deed. For the avoidance of doubt, the distribution to the holder of the Westernbank Secured Claim shall be made by the Trustee, not the Liquidation Trustee, and in no event shall the assets to be distributed to the holder of the Westernbank Secured Claim under this Plan be transferred to the Liquidating Trust.

Class 3 (Other Secured Claims). The Trustee does not believe that there are any Class 3 Claims. All Class 3 Claims, if any, are Disputed Claims. At the sole option of the Trustee or the Liquidating Trustee, each Holder of an Allowed Class 3 Other Secured Claim, if any, shall receive one of the following treatments: (i) the holder of such Claim shall retain its Lien on its collateral until such collateral is sold, and the proceeds of such sale, less costs and expenses of disposing of such collateral, and after satisfaction in full of the Westernbank Secured

Claim, shall be paid to such holder in full satisfaction, release, and discharge of such Allowed Secured Claim; (ii) on or as soon as practicable after the later of (a) the Effective Date, or (b) the date upon which the Bankruptcy Court enters a Final Order determining or allowing such Claim, or as otherwise agreed between the holder of such Claim and the Liquidating Trustee, the holder of such Secured Claim will receive a Cash payment equal to the amount of its Allowed Secured Claim in full satisfaction, release, and discharge of such Secured Claim; or (iii) the collateral securing the Creditor's Secured Claim shall be abandoned to such Creditor, in full satisfaction, release, and discharge of such Secured Claim.

Class 4 Unsecured Claims. Each Holder of an Allowed Class 4 Unsecured Claim shall receive in full satisfaction, release, and discharge of its Allowed Claim its Pro Rata share of forty percent (40%) of any Net Litigation Recoveries recovered by the Liquidating Trustee pursuant to the terms of this Plan at such times after the Effective Date as deemed appropriate by the Liquidating Trustee in his reasonable discretion.

Class 5 (Unsecured Claim – Westernbank Deficiency Claim) Westernbank as the Holder of the Class 5 Unsecured Claim (the Westernbank Deficiency Claim) shall receive in full satisfaction, release, and discharge of its Allowed Claim its Pro Rata share of forty percent (60%) of any Net Litigation Recoveries recovered by the Liquidating Trustee pursuant to the terms of this Plan as additional distributions at such times after the Effective Date as deemed appropriate by the Liquidating Trustee in his reasonable discretion.

Class 6 (Equity Interests). All Equity Interests will be cancelled and will receive no distribution.

C. Treatment Of Unclassified Claims

Administrative Claims. Each Holder of an Allowed Administrative Claim, shall receive Cash equal to the Allowed amount of such Claim, unless such Holder shall have agreed to different treatment of such Claim, at the sole option of the Trustee or the Liquidating Trustee: (a) on or as soon as practicable after the later of (i) the Effective Date, or (ii) the date upon which the Bankruptcy Court enters a Final Order determining or approving such Claim; (b) in accordance with the terms and conditions of agreements between the Holders of such Claims and the Trustee or the Liquidating Trustee; (c) with respect to Administrative Claims representing obligations incurred in the ordinary course of the Debtor's business, upon such regular and customary payment or performance terms as may exist in the ordinary course of the Debtor's business or as otherwise provided in the Plan; or (d) with respect to statutory fees due pursuant to 28 U.S.C. § 1930(a)(6), at all appropriate times until the entry of a Final Decree or an order converting or dismissing the case.

Holders of Administrative Claims, including, without limitation, Professionals requesting compensation or reimbursement of such expenses pursuant to Sections 327, 328, 330, 331, 503(b) or 1103 of the Bankruptcy Code that do not file such requests by the deadline to be established by the Court shall be forever barred from asserting such claims against the Debtor, their Estates, the Trustee, or the successors, assigns, or property of any of them. Any objection to Professional Fee Claims shall be filed on or before the objection deadline specified in the application for final compensation or order of the Bankruptcy Court; provided that such objection deadline is at least twenty (20) days after the filing and service of such final fee application.

Notwithstanding any provision in the Plan regarding payment of Administrative Claims to the contrary, and without waiver of any argument available that such Claim is already time-barred by prior orders of the

Bankruptcy Court, all Administrative Claims that are required to be Filed and are not Filed by the applicable Administrative Claim Bar Date shall be treated as Disallowed Claims and discharged. Without limiting the foregoing, all fees payable under 28 U.S.C. § 1930 that have not been paid, shall be paid on or before the Effective Date.

Professional Fee Claims. Unless a different treatment is agreed upon by the Trustee or the Liquidating Trustee and the applicable Professionals, the Debtor shall pay Professionals all of their respective accrued and Allowed fees and reimbursement of expenses arising prior to the Effective Date in cash upon the entry when such claims become Allowed. The Bankruptcy Court must also rule on and allow all such Professional Fee Claims before the fees will be owed and paid. For all such pre-Effective Date Professional Fee Claims, except Bankruptcy Court fees, the fees and expenses of the Claims Agent, and U.S. Trustee's fees, the Professional in question must file and serve a properly noticed final fee application and the Bankruptcy Court must rule on the application. Only the amount of fees and expenses Allowed by the Bankruptcy Court will be owed and required to be paid under the Plan. It is anticipated that all such Professional Fees, other than those of the Committee's professionals that accrued after the formation of the Committee in the Debtor's case on February 15, 2008, will be paid from the amounts previously budgeted under the cash collateral orders for the Debtor's use of cash collateral in which Westernbank asserts an interest. To the extent that such Professional Fees have been incurred but have not been paid on the Effective Date, such Professional Fees will be escrowed at that time pending allowance. The Professional Fees of the Committee's Professionals will be paid from the Plan Funding Cash Contribution.

The Liquidating Trustee may retain and compensate professionals for services rendered following the Effective Date without order of the Bankruptcy Court.

Professionals requesting compensation or reimbursement of expenses pursuant to Sections 327, 328, 330, 331, 503(b) and 1103 of the Bankruptcy Code for services rendered prior to the Effective Date must File and serve pursuant to the notice provisions of the Interim Fee Order, an application for final allowance of compensation and reimbursement of expenses no later than sixty (60) days after the Effective Date. All such applications for final allowance of compensation and reimbursement of expenses will be subject to the authorization and approval of the Bankruptcy Court

Priority Tax Claims. At the sole option of the Trustee or the Liquidating Trustee, each Holder of an Allowed Priority Tax Claim shall receive one of the following two treatments, unless otherwise agreed by such Holder and the Trustee or the Liquidating Trustee: (i) payment in full of the Allowed Priority Tax Claim without interest from the Petition Date, on the later to occur of (A) the Effective Date, or as soon as practicable thereafter, or (B) the date on which such Claim shall have become an Allowed Claim, or as soon as practicable thereafter; or (ii) deferred cash payments to the extent permitted by Section 1129(a)(9) of the Bankruptcy Code with interest on the unpaid portion of such Claim at the rate of five percent (5%) per annum, or such other rate as may be determined by the Bankruptcy Court or agreed upon by the Trustee or the Liquidating Trustee and such holder; *provided that*, in the event the Trustee or the Liquidating Trustee chooses payment option (ii), the Debtor may prepay any such Claims at any time without premium or penalty.

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

D. Implementation Of The Plan

The Plan will be implemented as follows:

1. Available Cash.

On or as soon as practical following the Effective Date, the Plan Funding Cash Contribution will be deposited by the Liquidating Trustee in a federally insured post-Effective Date bank account. In addition, amounts incurred but remaining unpaid under the cash collateral budget in effect immediately prior to the Effective Date will be deposited in such bank account, for payment of such budgeted amounts when due and payable.

2. Handling of Plan Assets and Collection of Plan Proceeds.

On the Effective Date, the Plan Assets shall vest in the Liquidating Trustee, free and clear of all Claims and Liens other than those Liens, provided however that (i) Plan Assets shall be held by the Liquidating Trustee and shall be distributed only in accordance with this Plan, and (ii) all Plan Assets shall constitute property of the Liquidating Trust, under the control of the Liquidating Trustee, free and clear of the Claims of any Creditors and Liens.

3. Distribution on Account of the Westernbank Secured Claim.

On the Effective Date, or as soon as practicable thereafter, the Trustee will pay the holder of the Westernbank Secured Claim, solely on account of the Westernbank Secured Claim, (a) all Effective Date Cash, less the sum of (i) amounts incurred but remaining unpaid under the cash collateral budget in effect immediately prior to the Effective Date, and (ii) the Plan Funding Cash Contribution, as well as either (b)(i) the net proceeds from the sale of the Manati Real Property, or (ii) title to the Manati Real Property, which transfer shall be made by quitclaim trustee's deed. In no event shall the property to be distributed to the holder of the Westernbank Secured Claim be transferred to the Liquidating Trust.

4. Litigation.

All Litigation shall be preserved pursuant to section 1123(b) of the Bankruptcy Code and will be transferred to the Liquidating Trust.

5. Payment of Plan Expenses.

In accordance with the terms of this Plan, all Plan Expenses may be paid by the Liquidating Trustee without further notice to Creditors or approval of the Bankruptcy Court. Plan Expenses allocable to the satisfaction of Allowed Administrative Claims, Priority Tax Claims, Class 1 - Other Priority Claims, or Class 3 - Other Secured Claims pursuant to this Plan shall be paid exclusively from the Plan Funding Cash Contribution. Plan Expenses in excess of the amounts funded by the Plan Funding Cash Contribution shall be paid from the Litigation Recoveries.

6. Post-Confirmation Operations of the Debtor.

The Liquidating Trustee shall serve as the trustee of the Plan Assets and disbursing agent following confirmation of this Plan.

7. Full and Final Satisfaction.

Commencing upon the Effective Date, the Liquidating Trustee shall be authorized and directed to distribute the amounts required under the Plan to the Holders of Allowed Claims according to the provisions of the Plan, *provided, however*, that the distribution to the holder of the Westernbank Secured Claim shall be made on the Effective Date, or as soon as practicable thereafter, by the Trustee, not the Liquidating Trustee. Upon the Effective Date, all Debts of the Debtor shall be deemed fixed and adjusted pursuant to this Plan and the Debtor shall have no further liability on account of any Claims or Interests except as set forth in this Plan. All payments and all distributions made by the Trustee or the Liquidating Trustee, as the case may be, under and in accordance with the Plan shall be in full and final satisfaction, settlement, release, and discharge of all Claims.

8. Distribution Procedures.

Except as otherwise agreed by the Holder of a particular Claim, or as provided in this Plan, all amounts to be paid by the Liquidating Trustee under the Plan shall be distributed in such amounts and at such times as is reasonably prudent as determined by the Liquidating Trustee. On the Effective Date, or as soon as practicable thereafter, the Liquidating Trustee shall pay, in full satisfaction of their respective claims, the Holders of (i) Allowed Administrative Claims, (ii) Allowed Priority Tax Claims, and (iii) Allowed Class 1 – Other Priority Claims Cash in the full amount of their Claims.

The Liquidating Trustee shall make the Cash payments to the Holders of Allowed Claims: (a) in U.S. dollars by check, draft or warrant, drawn on a domestic bank selected by the Liquidating Trustee Agent in its sole discretion, or by wire transfer from a domestic bank, at the Liquidating Trustee's option, and (b) by first-class mail (or by other equivalent or superior means as determined by the Liquidating Trustee).

9. The Liquidating Trustee.

The Liquidating Trustee may employ or contract with other entities to perform the obligations created under the Plan. Any third party shall receive reasonable compensation for services rendered and reimbursement for expenses incurred in connection with this Plan or any functions or responsibilities adopted under the Plan and which amounts shall constitute as Plan Expenses. The Liquidating Trustee shall be empowered to (i) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan,

(ii) make all distributions contemplated hereby, (iii) employ professionals to represent it with respect to its responsibilities, and (iv) exercise such other powers as may be vested in the Liquidating Trustee by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Liquidating Trustee to be necessary and proper to implement the provisions hereof.

10. Resolution of Disputed Claims.

The Liquidating Trustee may object to any Claims at any time until the 60th day following the Effective Date. The Liquidating Trustee shall be authorized to settle, or withdraw any objections to, any Disputed

Claim following the Confirmation Date without further notice to Creditors or authorization of the Bankruptcy Court, in which event such Claim shall be deemed to be an Allowed Claim in the amount compromised for purposes of this Plan. Under no circumstances will any distributions be made on account of Disallowed Claims.

11. Allocation of Distributions.

Distributions to any Holder of an Allowed Claim shall be allocated first to the principal amount of any such Allowed Claim, as determined for federal income tax purposes, and then, to the extent the consideration exceeds such amount, to the remainder of such Claim comprising interest, if any (but solely to the extent that interest is an allowable portion of such Allowed Claim).

12. Reports to Creditors

On at least a calendar-quarter basis, on or before the first business day of such quarter, the Liquidating Trustee shall provide to a designee of Westernbank and a designee of the Committee a written report of the activities of the Liquidating Trust, which report shall provide (a) a status report of the Litigation claims being pursued by the Liquidating Trust, including a description of any recoveries on account of such Litigation claims, (b) a description of all expenses incurred by the Liquidating Trust, which shall be presented on a quarterly and cumulative basis, and, if requested by either recipient of the report, copies of bills relating to such expenses, (c) a description of cash on hand in the Liquidating Trust, and (d) a status report on the resolution of any claims objections. The first such quarterly report shall be due on the date that is the first business day of the calendar quarter after the Effective Date. The Committee and Westernbank shall designate the recipients of the report on or before the Effective Date.

13. Rounding.

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

14. Disputed Payments.

In the event of any dispute between and among Creditors as to the right of any Entity to receive or retain any payment or distribution to be made to such Entity under the Plan, the Liquidating Trustee may, in lieu of making such payment or distribution to such Entity, instead hold such payment or distribution until the disposition thereof shall be determined by the Bankruptcy Court.

15. Unclaimed Property.

Any entity which fails to cash any check for any distribution or claim any Cash within 120 days from the date upon which a distribution is first made to such entity shall forfeit all rights to any distribution under the Plan, including forfeiture of any right to receive any subsequent distribution under the Plan. Entities which fail to claim Cash shall forfeit their rights thereto and shall have no claim whatsoever against the Debtor, or the Trustee, the Liquidating Trustee, or any Holder of an Allowed Claim to whom distributions are made by the Liquidating Trustee, or the property of any of them. The Trustee shall distribute such property to the holders of other Allowed Claims in accordance with the Plan, or, if the cost of distribution would be material in relation to the amount to be distributed, may donate such property to a charitable organization selected by the Trustee.

16. Setoffs.

Nothing contained in the Plan shall constitute a waiver or release by the Debtor, the Trustee and/or Liquidating Trustee of any right of setoff or recoupment the Debtor, the Trustee and/or the Liquidating Trustee may have against any Creditor or Equity Interest Holder

17. Withholding Taxes.

Pursuant to section 346(f) of the Bankruptcy Code, the Liquidating Trustee shall be entitled to deduct any federal, state or local withholding taxes from any Cash payments made with respect to Allowed Claims, as appropriate.

18. United States Trustee Fees.

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

E. Executory Contracts

1. Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, each executory contract and unexpired lease entered into by Debtor prior to the Petition Date that has not previously expired or terminated pursuant to its own terms, including but not limited to those set forth on Schedule 1 to the Plan (which may be filed with the Plan Supplement), shall be deemed rejected pursuant to Section 365 of the Bankruptcy Code, except with respect to executory contracts or unexpired leases that: (i) were previously assumed or rejected by prior orders of the Bankruptcy Court, or (ii) are subject to a pending motion to assume or reject, pursuant to section 365 of the Bankruptcy Code, on the Confirmation Date.

Nothing in this section shall be construed as an acknowledgement that a particular contract or agreement is executory or is properly characterized as a lease or an executory contract, as the case may be. The Confirmation Order shall constitute an order of the Bankruptcy Court approving such rejections (or such assumptions, as the case may be) pursuant to Section 365 of the Bankruptcy Code, as of the Effective Date. The non-Debtor parties to any rejected personal property leases shall be responsible for taking all steps necessary to retrieve the personal property that is the subject of such executory contracts and leases.

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

All Proofs of Claim with respect to Claims arising from the rejection of executory contracts or unexpired leases pursuant to Confirmation of the Plan, if any, must be Filed with the Bankruptcy Court within thirty (30) days after the earlier of the date of the Effective Date or entry of an order of the Bankruptcy Court approving such rejection. Any Claims arising from the rejection of an executory contract or unexpired lease pursuant to Confirmation of the Plan that is not Filed within such times will be forever barred from assertion against Debtor, the Estate, the Trustee, the Liquidating Trustee or the property of any of them. All such Claims for which Proofs of Claim are timely and properly Filed and ultimately Allowed will be treated as Class 4 Unsecured Claims subject to the provisions of Article 3 hereof. Notwithstanding the foregoing, nothing in this Plan shall be deemed to extend or

otherwise affect any bar date or deadline ordered by the Court with respect to the filing of any Claims for rejection damages for executory contracts and unexpired leases previously rejected by the Debtor.

F. Conditions to Confirmation of the Plan

Confirmation of the Plan is conditioned upon the Court entering the Confirmation Order, in form and substance reasonably acceptable to the Trustee, approving the Plan in substantially the form filed. If the Court does not enter the Confirmation Order, then the Debtor may, at its option, withdraw the Plan and, if withdrawn, the Plan shall be of no further force or effect. Provided no stay of the Confirmation Order is then in effect, the Plan shall become effective on the Effective Date.

G. Conditions to the Effectiveness of the Plan

Effectiveness of the Plan is conditioned upon the Court entering the Confirmation Order, in form and substance reasonably acceptable to the Trustee approving the Plan in substantially the form filed. If the Court does not enter the Confirmation Order, then the Trustee, at his option, may withdraw the Plan and, if withdrawn, the Plan shall be of no further force or effect. Provided no stay of the Confirmation Order is then in effect, the Plan shall become effective on the Effective Date.

H. Conditions to Effectiveness of Plan

Unless otherwise waived by the Trustee, the effectiveness of the Plan is conditioned on (i) there being sufficient Cash in the estate to make the Plan Funding Cash Contribution in an amount sufficient to pay all Administrative Claims, Professional Fee Claims, and Priority Tax Claims, and any cash payments to Class 3 – Other Security Claims, (ii) entry of a Confirmation Order in form and substance reasonably acceptable to the Trustee and Westernbank, and (iii) the execution and delivery of all documents and instruments called for under this Plan in form and substance reasonably acceptable to the Trustee and Westernbank. The determination of whether these conditions to the effectiveness of the Plan have been satisfied shall be made exclusively by the Trustee.

Further conditions to the effectiveness of the Plan shall be entry of a Confirmation Order and the execution and delivery of all related documents and instruments in form and substance reasonably satisfactory to the Trustee.

I. Effective Date

Provided no stay of the Confirmation Order is then in effect and all of the conditions to the effectiveness of the Plan in this Article 7 have been met or waived, the Plan shall become effective on the Effective Date.

J. Effects Of Confirmation

1. Binding Effect of Plan

The provisions of the confirmed Plan shall be binding on and inure to the benefit of the Debtor, all present and former Holders of Claims against and Equity Interests in the Debtor, whether or not such Holders will receive or retain any property or interest in property under the Plan, their respective successors and assigns, and all other parties in interest in the Chapter 11 Case, to the maximum extent permitted by applicable law, whether or not such Creditor or Equity Interest Holder has filed a Proof of Claim or Interest in this Chapter 11 Case, whether or not the Claim of such Creditor or the Interest of such Equity Interest Holder is Impaired under the Plan, and whether or

not such Creditor or Equity Interest Holder has accepted or rejected the Plan. All Claims and Debts shall be as fixed and adjusted pursuant to the Plan. Pursuant to Section 3.B.2.b of the Plan, with respect to any Taxes of the kind specified in Bankruptcy Code section 1146 the Plan shall also bind any taxing authority, recorder of deeds or similar official for any county, state, or Governmental Unit or parish in which any instrument related to the Plan or related to any transaction contemplated under the Plan is to be recorded.

2. Limitation of Liability.

The Trustee and his present and former agents, advisors, accountants, attorneys and representatives, and each of his and their respective present and former officers, directors, managers, employees, agents, advisors, accountants, attorneys and representatives, will neither have nor incur any liability to any entity for any action taken in good faith or omitted in good faith to be taken in connection with or related to this Chapter 11 Case or the formulation, preparation, dissemination, solicitation, implementation, Confirmation or consummation of this Plan, the Disclosure Statement, or any agreement created or entered into in connection with the Plan or incident to this Chapter 11 Case; provided, however, that this limitation will not affect or modify the obligations created under the Plan, or the rights of any Holder of an Allowed Claim to enforce its rights under the Plan.

3. Releases.

As part of the Plan, the releases set forth below shall be granted pursuant to this Plan and the Confirmation Order:

a. Trustee and Committee Releases

On the Effective Date (i) the Trustee, the Debtor, the Committee, and his and their estates, and their respective officers, directors, managers, employees, agents, advisors, accountants, attorneys and representatives, and the Estate, shall be deemed to have released and discharged Westernbank, and any of its affiliates and present and former officers, directors, managers, shareholders, agents, representatives, consultants, advisors, accountants, counsel, and employees, from any and all claims, causes of action, demands, losses, whether known or unknown, in law or equity, against any of them, based in whole or in part upon any act or omission arising from or in connection with or in any way relating to the Debtor; and (ii) Trustee, the Debtor, the Estate and all creditors, and his and their respective officers and directors, shareholders, agents, representatives, consultants, counsel and employees, shall be deemed to have released and discharged the Committee and each Committee member (solely in such capacity) from any and all claims, causes of action, demands, losses, whether known or unknown, in law or equity, against each other based in whole or in part upon any act or omission arising from or in connection with or in any way to the Debtor.

b. Other Releases

As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by applicable law, each Holder of a Claim or Equity Interest that affirmatively voted in favor of the Plan, shall have agreed to forever release, waive and discharge the Released Parties of and from all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities whatsoever in connection with or related to the Debtor this Chapter 11

Case, or the Plan whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transition, event or other occurrence taking place on or prior to the Effective Date in connection with the Chapter 11 Case, or the formulation, preparation, dissemination, solicitation, implementation, Confirmation or Consummation of the Plan, the Disclosure Statement, or any agreement created or entered into in connection with the Plan or incident to this Chapter 11 case; provided, however, that the foregoing shall not operate as a waiver or release from any causes of action arising out of the willful misconduct or gross negligence of such present or former director, officer, employee, agent, attorneys or professional of the Trustee or the Committee or its members, agents, advisors or attorneys, as determined by Final Order of a court of competent jurisdiction.

4. Injunction.

Except as otherwise expressly provided in the Confirmation Order or the Plan, and except in connection with the enforcement of the terms of the Plan or any documents provided for or contemplated in the Plan, all entities who have held, hold or may hold Claims against or Equity Interests in the Debtor or the Estate that arose prior to the Effective Date are permanently enjoined from: (a)commencing or continuing in any manner, directly or indirectly, any action or other proceeding of any kind against any of the Released Parties, the Estate, any property of the Debtor the Liquidating Trustee, or the Plan Assets with respect to any such Claim or Equity Interest; (b)the enforcement, attachment, collection or recovery by any manner or means, directly or indirectly, of any judgment, award, decree, or order against the Released Parties, the Estate, any property of the Debtor, the Liquidating Trustee, or the Plan Assets with respect to any such Claim or Equity Interest; (c)creating, perfecting or enforcing, directly or indirectly, any Lien or encumbrance of any kind against the Released Parties, the Estate any property of the Debtor, the Liquidating Trustee, or the Plan Assets with respect to any such Claim or Equity Interest; (d) asserting, directly or indirectly, any setoff, right of subrogation, or recoupment of any kind against any obligation due the Debtor, the Estate, or any property of the Debtor, with respect to any such Claim or Equity Interest; and (e)any act, in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan with respect to such Claim or Equity Interest. Nothing contained in this section shall prohibit the Holder of a timely-filed Proof of Claim from litigating its right to seek to have such Claim declared an Allowed Claim and paid in accordance with the distribution provisions of this Plan, or enjoin or prohibit the interpretation or enforcement by the Claimant of any of the obligations of the Debtor under this Plan. Any person or Entity injured by any willful violation of such injunction may recover actual damages, including costs and attorneys' fees from the willful violator. In accordance with the foregoing, except as provided in this Plan or the Confirmation Order, the Confirmation Order shall be a judicial determination of discharge of all such Claims and Equity Interests and other debts and liabilities against the Debtor and/or the Estate, pursuant to section 524 and 1141 of the Bankruptcy Code, and such discharge shall void any judgment obtained against the Debtor at any time, to the extent such judgment relates to a discharged Claim or terminated Equity Interest. jurisdiction.

5. Post-Confirmation Liability of the Trustee and the Liquidating Trustee.

The Trustee and the Liquidating Trustee and each of his respective consultants, agents, advisors, attorneys, accountants, financial advisors, other representatives and the professionals shall not be liable for any liability, loss, damage, claim, cause of action, cost and expense, including but not limited to attorneys' fees, arising out of or due to their actions or omissions, or consequences of such actions or omissions, to the Holders of Claims or Equity Interests for any action or inaction taken in good faith in connection with the performance or discharge of his or her duties under this Plan, provided, however, that the Liquidating Trustee and his consultants, agents, advisors, attorneys, accountants, financial advisors, other representatives and the professionals may be liable for actions or inactions that are grossly negligent or which constitute willful misconduct. Any act or omission taken with the approval of the Bankruptcy Court, and not inconsistent therewith, will be conclusively deemed not to constitute gross negligence or willful misconduct.

VI.

OTHER CRITICAL INFORMATION REGARDING THE PLAN

A. Chapter 5 Claims and Litigation Claims

The Trustee has not yet fully analyzed the Chapter 5 Claims and other Litigation that they may have against third parties and may not have commenced all actions against potential transferees. All Litigation, including, without limitation, all Chapter 5 Claims, is expressly preserved pursuant to section 1123 of the Bankruptcy Code.

B. Dissolution of Committee

The Committee will dissolve on the Effective Date of the Plan, and the members of the Committee and the Committee's Professionals will cease to have any role arising from or relating to the Chapter 11 Case in their capacity as members of the Committee, except to receive the quarterly reports from the Liquidating Trustee. The Professionals retained by the Committee and the members thereof will not be entitled to assert any fee claims for any services rendered or expenses incurred after the after the date on which the Committee is dissolved, except for reasonable fees for services rendered, and actual and necessary costs incurred, in connection with any applications for allowance of Professional Fees pending on the Effective Date or filed and served after the Effective Date pursuant to the Plan.

C. Tax Implications

The United States federal income tax consequences of the distributions contemplated by the Plan to the Holders of Claims that are United States Persons will depend upon a number of factors. For purposes of the following discussion, a "United States Person" is any person or entity (1) who is a citizen or resident of the United States, (2) that is a corporation or partnership created or organized in or under the laws of the United States or any state thereof, (3) that is an estate, the income of which is subject to United States federal income taxation regardless of its source or (4) that is a trust (a) the administration over which a United States person can exercise primary supervision and all of the substantial decisions of which one or more United States persons have the authority to control; or (b) that has elected to continue to be treated as a United States Person for United States federal income tax purposes. In the case of a partnership, the tax treatment of its partners will depend on the status of the partner

and the activities of the partnership. United States Persons who are partners in a partnership should consult their tax advisors. A “Non-United States Person” is any person or entity that is not a United States Person. For purposes of the following discussion and unless otherwise noted below, the term “Holder” shall mean a Holder of a Claim that is a United States Person.

The United States federal income tax consequences to Holders and the character and amount of income, gain or loss recognized as a consequence of the Plan and the distributions provided for thereby will depend upon, among other things, (1) the manner in which a Holder acquired a Claim; (2) the length of time the Claim has been held; (3) whether the Claim was acquired at a discount; (4) whether the Holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years; (5) whether the Holder has previously included in income accrued but unpaid interest with respect to the Claim; (6) the method of tax accounting of the Holder; and (7) whether the Claim is an installment obligation for United States federal income tax purposes. Certain Holders of Claims (such as foreign persons, S corporations, regulated investment companies, insurance companies, financial institutions, small business investment companies, broker-dealers and tax-exempt organizations) may be subject to special rules not addressed in this summary of United States federal income tax consequences. There also may be state, local, and/or foreign income or other tax considerations or United States federal estate and gift tax considerations applicable to Holders of Claims, which are not addressed herein. EACH HOLDER OF A CLAIM OR INTEREST AFFECTED BY THE PLAN IS STRONGLY URGED TO CONSULT ITS TAX ADVISOR WITH RESPECT TO DISTRIBUTIONS RECEIVED UNDER THE PLAN.

1. Holders of Claims.

A Holder who received Cash (or potentially other consideration with respect to any Holders of Class 3 Claims) in satisfaction of its Claims may recognize ordinary income or loss to the extent that any portion of such consideration is characterized as accrued interest. A Holder who did not previously include in income accrued but unpaid interest attributable to its Claim, and who receives a distribution on account of its Claim pursuant to the Plan, will be treated as having received interest income to the extent that any consideration received is characterized for United States federal income tax purposes as interest, regardless of whether such Holder realizes an overall gain or loss as a result of surrendering its Claim. A Holder who previously included in its income accrued but unpaid interest attributable to its Claim should recognize an ordinary loss to the extent that such accrued but unpaid interest is not satisfied, regardless of whether such Holder realizes an overall gain or loss as a result of the distribution it may receive under the Plan on account of its Claim.

2. Non-United States Persons.

A Holder of a Claim that is a Non-United States Person generally will not be subject to United States federal income tax with respect to property (including money) received in exchange for such Claim pursuant to the Plan, unless (i) such Holder is engaged in a trade or business in the United States to which income, gain or loss from the exchange is “effective connected” for United States federal income tax purposes, or (ii) if such Holder is an individual, such Holder is present in the United States for 183 days or more during the taxable year of the exchange and certain other requirements are met.

3. Importance of Obtaining Professional Tax Assistance.

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A CLAIM HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, CLAIM HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE UNITED STATES FEDERAL, STATE AND LOCAL, AND APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

D. Risks Under the Plan

As noted above, the effectiveness of the Plan is conditioned on the satisfaction of the conditions summarized in Article V.G of this Disclosure Statement. If the Plan is not confirmed, or does not become effective as a result of the failure of one or more of these conditions, the Trustee believes that the likely alternative would be the conversion of the Chapter 11 Case to a chapter 7 case under the Bankruptcy Code, and that Holders of Unsecured Claims would not receive any distributions on account of their Claims.

E. Absolute Priority Rule and Liquidation Analysis

Pursuant to section 1129(a)(8) of the Bankruptcy Code, all classes of claims must either accept the Plan or be unimpaired under the Plan. The Plan will not satisfy the "cram down" requirements of section 1129(b)(1) with respect to Class 2 absent the acceptance by that class, because the holders of claims in Class 4 are receiving distributions on account of their Claims even though the Claim in Class 2, which is of a higher priority, is not being paid in full. This rule is known as the "Absolute Priority Rule". Thus, if Class votes to reject the Plan, the Plan cannot be confirmed over the objection of such Class because the Plan would violate the Absolute Priority Rule.

In addition to requiring the acceptance of each of the voting Classes which cannot be crammed down under the Plan, the Plan must also satisfy section 1129(a)(7) of the Bankruptcy Code. Pursuant to section 1129(a)(7) of the Bankruptcy Code, unless there is unanimous acceptance of the Plan by an Impaired Class, the Debtor must demonstrate, and the Bankruptcy Court must determine, that with respect to such Class, each Holder of a Claim will receive property of a value, as of the Effective Date of the Plan, that is not less than the amount that such Holder would receive if the Debtor was liquidated under chapter 7 of the Bankruptcy Code on the Effective Date of the Plan. This requirement is commonly referred to as the "Best Interests of Creditors Test." Because substantially all of the Debtor's remaining assets are encumbered by the Westernbank Secured Claim of over \$143 million, the Trustee estimates that there would be no assets to collect or liquidate under chapter 7 for the benefit of Priority Claims and Unsecured Creditors, except for any net proceeds derived from the prosecution, if any, of avoidance actions by a chapter 7 trustee which would be a lesser amount than the amount that will be paid to such creditors under the Plan and would be subject to significantly greater dilution as a result of the *pro rata* application of the unsecured Westernbank Deficiency Claim than is provided for in the Plan.

Moreover, if the Chapter 11 Case were converted, the Trustee does not believe that there would be any remaining or available funds for a chapter 7 trustee to use to administer the chapter 7 case in order to prosecute

any material avoidance actions. And even if a chapter 7 trustee is hypothetically able successfully to prosecute any avoidance actions, all Administrative Claims would need to be paid in full prior to any distributions to Holders of Priority Claims and Unsecured Claims.

Moreover, even if there were any assets for distribution to Unsecured Creditors in a hypothetical liquidation of the Debtor that were not subject to Westernbank's security interest, the net proceeds from the collection, sale and or liquidation of any such assets would be reduced by the commission payable to the chapter 7 trustee and the trustee's attorney's and accounting fees, as well as the administrative costs incurred during the Chapter 11 Case (such as the compensation for chapter 11 Professionals).⁷

In addition, the Trustee and his Professionals have acquired knowledge of the Estates and the Claims against them that cannot be easily duplicated by a chapter 7 trustee in a cost-effective manner. The Trustee believes that, if the Plan is not confirmed, the most likely alternative will be conversion of the Chapter 11 Case to a chapter 7 liquidation, which, as noted above, would not provide any distribution to Creditors because substantially all of the Debtor's assets would be used to satisfy the Westernbank Secured Claim. Therefore, the Trustee believes that the Plan satisfies the Best Interests of Creditors Test. At the Confirmation Hearing, the Bankruptcy Court will determine whether the Holders of Claims and Equity Interests in any Impaired Class that has not voted to accept the Plan would receive a distribution under the Plan that is at least as great as the distribution that such Holders would receive upon a liquidation of the Debtor pursuant to chapter 7 of the Bankruptcy Code.

VII. **CONFIRMATION OF THE PLAN**

The Trustee will seek confirmation of the Plan at the Confirmation Hearing, pursuant to applicable provisions of the Bankruptcy Code.

A. Confirmation Hearing.

The Bankruptcy Court will hold the Confirmation Hearing on March 5, 2010, at 1:00 p.m. to determine whether the Plan has been accepted by the requisite number of Creditors and whether the other requirements for Confirmation of the Plan have been satisfied.

B. Requirements for Confirmation

At the Confirmation Hearing, the Bankruptcy Court will determine whether the provisions of section 1129 of the Bankruptcy Code have been satisfied. If all of the provisions of section 1129 of the Bankruptcy Code are met, the Bankruptcy Court may enter an order confirming the Plan. The Trustee believes that all of the requirements of section 1129 of the Bankruptcy Code will be satisfied. Among other things, the Trustee believes that the Plan will be accepted by the requisite number of votes and satisfies all of the statutory requirements of chapter 11 of the Bankruptcy Code. The Trustee submits that they have complied or will have complied with all of

⁷ It is also anticipated that a chapter 7 liquidation would result in delay in the distributions to Creditors. Among other things, a chapter 7 case would trigger a new bar date for filing Claims that would be more than 90 days following conversion of the Chapter 11 Case to chapter 7. Fed. R. Bankr. P. 3002(c). Hence, a chapter 7 liquidation would not only cost more in the way of administrative fees and delay distributions, but also raise the prospect of the allowance of additional Claims that were not timely asserted in the Chapter 11 Case. Based on the foregoing, the Trustee submits that the Plan provides the only opportunity for any recovery to Creditors.

the requirements of chapter 11, and that the Plan has been proposed and is made in good faith. In addition, the Trustee submits that the Plan satisfies the Best Interests of Creditors Test and will not be followed by the need for further bankruptcy relief.

As noted above, section 1129(b) of a Bankruptcy Code allows for Confirmation of the Plan if it does not unfairly discriminate and is fair and equitable with respect to each Class of Claims or Equity Interests that is Impaired under and has not accepted the Plan. To the extent required, the Trustee will seek Confirmation of the Plan pursuant to 1129(b) of the Bankruptcy Code on the basis that the Plan is fair and equitable and does not discriminate unfairly.

C. Classification of Claims and Interests

The Trustee believes that the Plan's classification of Claims, and Equity Interests fully complies with the requirements of the Bankruptcy Code.

D. Acceptance

As a condition to confirmation of a plan, the Bankruptcy Code requires that each class of Holders of claims or interests accept the plan, with the exceptions described below. The Bankruptcy Code defines acceptance by a class of Holders of claims as acceptance by Holders of two-thirds in dollar amount and a majority in number of claims of that class, but for this purpose counts only those who actually vote to accept or reject the plan. Holders of claims who fail to vote are not counted as either accepting or rejecting the plan.

Classes of claims and interest that are not Impaired under a plan are deemed to have accepted the plan. A class is Impaired if the legal, equitable, or contractual rights attaching to the claims or interests of that class are modified, other than by curing defaults and reinstating maturities or by payment in full in cash. A class that receives nothing under a plan is deemed to reject such plan.

IN THIS CHAPTER 11 CASE, CLASSES 2, 4 and 5 ARE IMPAIRED UNDER THE PLAN AND ARE ENTITLED TO VOTE THEREON. Classes 1 and 3 are Unimpaired and are therefore not entitled to vote on the Plan and are deemed to have accepted the Plan. Class 6 is Impaired, but is not entitled to vote on the Plan because the members of Class 6 will not receive any distributors under the Plan on account of their Equity Interests and therefore, Class 6 is deemed to reject the Plan.

E. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires a finding that Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further reorganization, of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

The Plan proposed by the Trustee satisfies these requirements and is "feasible" because the implementation of the Plan and the wind-up of the Debtor's affairs pursuant thereto will be funded by the Plan Funding Cash Contribution.

Therefore, the Trustee believes that Confirmation of the Plan is not likely to be followed by the need for a further bankruptcy relief by the Debtor.

F. Alternatives to Confirmation of Plan

If the Plan is not Confirmed by the Bankruptcy Court and consummated, the alternatives include

- (i) liquidation of the Debtor under chapter 7 of the Bankruptcy Code; or
- (ii) confirmation of an alternative plan of liquidation under chapter 11 of the Bankruptcy Code.

If the Plan is not confirmed, the Trustee believes that the Chapter 11 Case will be converted to a case under chapter 7 of the Bankruptcy Code, which would likely result in no recovery to Creditors for the reasons discussed above. Therefore, the Trustee believes that the Plan, as proposed, provides the greatest possible return available for the Holders of Claims in this Chapter 11 Case.

CONCLUSION

The Trustee believes that the Plan is in the best interest of Creditors and urge Creditors to vote to accept the Plan.

Dated: January 26, 2010

/s/ Stephen S. Gray
Stephen S. Gray
Chapter 11 Trustee of Inyx USA, Ltd.

Submitted by:

PACHULSKI STANG ZIEHL & JONES LLP

/s/ Bruce Grohsgal
Richard Pachulski
Bruce Grohsgal (Bar No. 3583)
919 North Market Street, 17th Floor
P.O. Box 8705
Wilmington, DE 19899-8705 (Courier 19801)
Telephone: (302) 652-4100
Facsimile: (302) 652-4400
Email: rpachulski@pszjlaw.com
bgrohsgal@pszjlaw.com

Counsel for the Chapter 11 Trustee