

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
: **Chapter 11**
: **Case No. 19-11811 (SMB)**
: **(Jointly Administered)**
: **Debtors.¹**
-----X

**NOTICES, RESTRICTIONS, AND
OTHER PROCEDURES REGARDING
(A) OWNERSHIP AND TRANSFERS OF INTERESTS IN THE
DEBTORS AND (B) CLAIMING A WORTHLESS STOCK DEDUCTION**

TO ALL PERSONS OR ENTITIES WITH EQUITY INTERESTS IN THE DEBTORS:

Pursuant to that certain *Final Order Establishing Notification Procedures and Approving Restrictions on (A) Certain Transfers of Interests in the Debtors and (B) Claiming a Worthless Stock Deduction* (the “**Final Order**”) entered by the United States Bankruptcy Court for the Southern District of New York (the “**Bankruptcy Court**”) on _____, 2019, Docket No. _____, the following restrictions, notification requirements, and/or other procedures (collectively, the “**Procedures**”) apply to all trading and transfers of Common Stock (including Options to acquire Common Stock) and all claims of Worthless Stock Deductions by a Majority Stockholder with respect to Common Stock.²

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, as applicable, are: Fusion Connect, Inc. (2021); Fusion BCHI Acquisition LLC (7402); Fusion NBS Acquisition Corp. (4332); Fusion LLC (0994); Fusion MPHC Holding Corporation (3066); Fusion MPHC Group, Inc. (1529); Fusion Cloud Company LLC (5568); Fusion Cloud Services, LLC (3012); Fusion CB Holdings, Inc. (6526); Fusion Communications, LLC (8337); Fusion Telecom, LLC (0894); Fusion Texas Holdings, Inc. (2636); Fusion Telecom of Kansas, LLC (0075); Fusion Telecom of Oklahoma, LLC (3260); Fusion Telecom of Missouri, LLC (5329); Fusion Telecom of Texas Ltd., L.L.P. (8531); Bircan Holdings, LLC (2819); Fusion Management Services LLC (5597); and Fusion PM Holdings, Inc. (2478). The principal executive office of the Debtors is located at 420 Lexington Avenue, Suite 1718, New York, New York 10170.

² Capitalized terms used, but not otherwise defined herein, shall have the same meanings ascribed to such terms in the Final Order.

A. Common Stock Restrictions

(1) Definitions. For purposes of these Procedures, the following terms have the following meanings:

(a) “**Common Stock**” shall mean any common stock issued by Fusion Connect, Inc.

(b) “**Option**” shall mean any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock, or similar interest regardless of whether it is contingent or otherwise not currently exercisable.

(c) “**Beneficial ownership**” of Common Stock and Options to acquire Common Stock shall be determined in accordance with section 382 of the title 26 of the United States Code (the “**Tax Code**”), the regulations promulgated by the U.S. Department of Treasury under the Tax Code (the “**Treasury Regulations**”), rulings issued by the Internal Revenue Service (the “**IRS**”), and the rules described herein, and, thus, to the extent provided in those sources, from time to time shall include, without limitation, (i) direct and indirect ownership, determined without regard to any rule that treats stock of an entity as to which the constructive ownership rules apply as no longer owned by that entity (e.g., a holding company would be considered to beneficially own all stock owned or acquired by its subsidiaries), (ii) ownership by a holder’s family members, (iii) ownership by any group of persons acting pursuant to a formal or informal understanding among themselves to make a coordinated acquisition of stock, and (iv) to the extent set forth in Treasury Regulations section 1.382-4, the ownership of an Option to acquire Common Stock.

(d) “**Entity**” shall mean any “entity” as such term is defined in Treasury Regulations section 1.382-3(a), including a group of persons who have a formal or informal understanding among themselves to make a coordinated acquisition of stock.

(e) “**Majority Stockholder**” shall mean (i) any person that beneficially owns at least 38,934,000 shares of Common Stock (representing approximately 47.5% of all issued and outstanding shares of Common Stock) or (ii) any person that would be a “50-percent shareholder” (within the meaning of section 382(g)(4)(D) of the Tax Code) of Common Stock if such person claimed a Worthless Stock Deduction at any time on or after the Commencement Date.

(f) “**Substantial Stockholder**” shall mean any Entity or person that beneficially owns at least 3,893,400 shares of Common Stock (representing approximately 4.75% of all issued and outstanding shares of Common Stock).

(g) “**Worthless Stock Deduction**” shall mean any claim (for income tax reporting purposes) of a worthless stock deduction under section 165(g) of the Tax Code with respect to the Common Stock.

(2) Notice of Substantial Ownership. Any person or Entity that beneficially owns, at any time on or after the Commencement Date, Common Stock in an amount sufficient to qualify such person or Entity as a Substantial Stockholder shall file with the Bankruptcy Court, and serve upon the NOL Notice Parties a notice of such person’s or Entity’s substantial ownership (a “**Substantial Stock Ownership Notice**”), in substantially the form annexed to the Final Order as Exhibit 2, which describes specifically and in detail such person’s or

Entity's beneficial ownership of Common Stock, on or before the date that is the later of (x) twenty (20) calendar days after the entry of the order granting the requested relief or (y) ten (10) business days after such person or Entity qualifies as a Substantial Stockholder. At the election of the Substantial Stockholder, the Substantial Stock Ownership Notice to be filed with the Bankruptcy Court (but not the Substantial Stock Ownership Notice that is served upon the NOL Notice Parties) may be redacted to exclude the Substantial Stockholder's taxpayer identification number ("**TIN**") and the amount of Common Stock that the Substantial Stockholder beneficially owns.

- (3) Acquisition of Common Stock. At least twenty (20) business days prior to the proposed date of any transfer of Common Stock (or grant or other acquisition of Options to acquire Common Stock) or exercise of any Option to acquire Common Stock that would result in an increase in the amount of Common Stock beneficially owned by any person or Entity that currently is or, as a result of the proposed transaction, would be a Substantial Stockholder (a "**Proposed Acquisition Transaction**"), such person, Entity, or Substantial Stockholder (a "**Proposed Transferee**") shall file with the Bankruptcy Court and serve upon the NOL Notice Parties a notice of such Proposed Transferee's intent to purchase, acquire, or otherwise accumulate Common Stock (an "**Acquisition Notice**"), in substantially the form annexed to the Final Order as Exhibit 3, which describes specifically and in detail the Proposed Acquisition Transaction. At the election of the Proposed Transferee, the Acquisition Notice to be filed with the Bankruptcy Court (but not the Acquisition Notice that is served upon the NOL Notice Parties) may be redacted to exclude the Proposed Transferee's TIN and the amount of Common Stock that the Proposed Transferee beneficially owns.
- (4) Disposition of Common Stock. At least twenty (20) business days prior to the proposed date of any transfer or other disposition of Common Stock (or Options to acquire Common Stock) that would result in either a decrease in the amount of Common Stock beneficially owned by a Substantial Stockholder or a person or Entity ceasing to be a Substantial Stockholder (a "**Proposed Disposition Transaction**" and, together with a Proposed Acquisition Transaction, a "**Proposed Transaction**"), such person, Entity, or Substantial Stockholder (a "**Proposed Transferor**") shall file with the Bankruptcy Court and serve upon the NOL Notice Parties a notice of such Proposed Transferor's intent to sell, trade, or otherwise transfer Common Stock (a "**Disposition Notice**" and, together with an Acquisition Notice, a "**Trading Notice**"), in substantially the form annexed to the Final Order as Exhibit 4, which describes specifically and in detail the Proposed Disposition Transaction. At the election of the Proposed Transferor, the Disposition Notice to be filed with the Bankruptcy Court (but not the Disposition Notice that is served upon the NOL Notice Parties) may be redacted to exclude the Proposed Transferor's TIN and the amount of Common Stock that the Proposed Transferor beneficially owns.
- (5) Notice of Status as a Majority Stockholder. Any person that currently is or becomes a Majority Stockholder shall file with the Bankruptcy Court and serve upon the NOL Notice Parties a notice of such status (a "**Majority Stockholder Notice**"), in substantially the form annexed to the Final Order as Exhibit 5, which describes specifically and in detail such person's beneficial ownership of Common Stock, on or before the date that is the later of (x) twenty (20) calendar days after the entry of the order granting the requested relief or

(y) ten (10) business days after such person qualifies as a Majority Stockholder. At the election of the Majority Stockholder, the Majority Stockholder Notice to be filed with the Bankruptcy Court (but not the Majority Stockholder Notice that is served upon the NOL Notice Parties) may be redacted to exclude the Majority Stockholder's TIN.

- (6) Notice of Intent to Claim a Worthless Stock Deduction. At least twenty (20) business days before a Majority Stockholder files any federal income tax return, or any amendment to such a return, claiming a Worthless Stock Deduction, such Majority Stockholder shall file with the Bankruptcy Court and serve upon the NOL Notice Parties advanced written notice of the intended tax deduction (a "**Worthless Stock Deduction Notice**"), in substantially the form annexed to the Final Order as **Exhibit 6**. At the election of the Majority Stockholder, the Worthless Stock Deduction Notice to be filed with the Bankruptcy Court (but not the Worthless Stock Deduction Notice that is served upon the NOL Notice Parties) may be redacted to exclude the Majority Stockholder's TIN.
- (7) Objection Procedures. The Debtors and any creditors' committee shall have fifteen (15) business days after the filing of a Trading Notice or a Worthless Stock Deduction Notice (the "**Objection Period**") to file with the Bankruptcy Court and serve on a Proposed Transferee or a Proposed Transferor, as the case may be, or a Majority Stockholder, as applicable, an objection (each, an "**Objection**") to any Proposed Transaction described in such Trading Notice or any Worthless Stock Deduction described in such Worthless Stock Deduction Notice. If the Debtors or any creditors' committee files an Objection by the expiration of the Objection Period (the "**Objection Deadline**"), then (a) the applicable Proposed Transaction shall not be effective unless approved by a final and nonappealable order of the Bankruptcy Court, and (b) the Majority Stockholder shall be enjoined from filing an original or amended federal income tax return, or a claim for refund, claiming a Worthless Stock Deduction unless permitted to do by a final and nonappealable order of the Bankruptcy Court. If neither the Debtors nor any creditors' committee file an Objection by the Objection Deadline or if the Debtors and any and all creditors' committees provide written authorization to the Proposed Transferee or the Proposed Transferor, as the case may be, or the Majority Stockholder, as applicable, approving the Proposed Transaction or the Worthless Stock Deduction prior to the Objection Deadline, then such Proposed Transaction or Worthless Stock Deduction may proceed solely as specifically described in the applicable Trading Notice or Worthless Stock Deduction Notice. Any further Proposed Transaction or Worthless Stock Deduction must be the subject of an additional Trading Notice or Worthless Stock Deduction Notice and Objection Period.

B. Noncompliance with the Procedures

Any acquisition, disposition, or trading of Common Stock (including Options to acquire Common Stock) in violation of these Procedures shall be null and void *ab initio* as an act in violation of the automatic stay under section 362 of the Bankruptcy Code and pursuant to the Bankruptcy Court's equitable powers under section 105(a) of the Bankruptcy Code. In the event that a Majority Stockholder claims a Worthless Stock Deduction in violation of these Procedures, such holder shall be required to file an amended federal income tax return revoking such deduction. Furthermore, any person or Entity that acquires, disposes of, or trades Common Stock (including

Options to acquire Common Stock) and any Majority Stockholder that claims a Worthless Stock Deduction in violation of these Procedures shall be subject to sanctions as provided by law.

C. Debtors' Right to Waive

The Debtors may, in their sole discretion, waive, in writing, any and all restrictions, stays, and notification Procedures contained in this Notice.

Dated: New York, New York
_____, 2019

BY ORDER OF THE COURT