IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
CYDE Liquidating Co.,[1]	)	Case No.: 12-10633 (BLS)
	)	
Debtor.	)	

DISCLOSURE STATEMENT FOR JOINT PLAN OF LIQUIDATION OF CYBERDEFENDER CORPORATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE PROPOSED BY THE DEBTOR AND ITS OFFICIAL COMMITTEE OF UNSECURED CREDITORS

IMPORTANT DATES

- Date by which Ballots must be received: **_____, 2012 at 4:00 p.m., Eastern time**
- Date by which objections to Confirmation of the Plan must be filed and served: **_____, 2012 at 4:00 p.m., Eastern time**
- Hearing on Confirmation of the Plan: **_____, 2012 at ___ p.m., Eastern time**

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Dated: August 3, 2012

[1]The last four digits of the Debtor's federal tax identification number are (5833). As described below, pursuant to an order of the Bankruptcy Court, the Debtor's name, which was previously CyberDefender Corporation, has been changed to CYDE Liquidating Co.

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I.
PREFATORY STATEMENT AND DEFINITIONS

Pursuant to chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), 11 U.S.C. §§101, *et seq*., CYDE Liquidating Co., f/k/a CyberDefender Corporation, the debtor and debtor in possession in the above-captioned case, together with the Official Committee of Unsecured Creditors (the "Committee"), hereby submits this disclosure statement (the "Disclosure Statement") in support of the *Joint Plan of Liquidation of CyberDefender Corporation Under Chapter 11 of the Bankruptcy Code Proposed by the Debtor and Its Official Committee of Unsecured Creditors* (the "Plan"). The definitions contained in the Bankruptcy Code are incorporated herein by this reference. Capitalized terms not otherwise defined herein shall have the definitions set forth in Article I to the Plan.

II.
INTRODUCTION AND OVERVIEW

A. Introduction

On February 23, 2012 (the "Petition Date"), the Debtor commenced the above-referenced chapter 11 case (the "Chapter 11 Case") by filing a voluntary petition under chapter 11 of the Bankruptcy Code. The Debtor is referred to herein as the "Debtor" or the "Company".

This Disclosure Statement, submitted in accordance with section 1125 of the Bankruptcy Code, contains information regarding the Plan proposed by the Debtor and the Committee (the "Plan Proponents"). A copy of the Plan accompanies this Disclosure Statement. The Disclosure Statement is being distributed to you for the purpose of enabling you to make an informed judgment about the Plan.

The Debtor has sold substantially all of its assets during the Chapter 11 Case on June 1, 2012, after which time, the Debtor ceased operating. The Debtor's remaining Assets are cash proceeds from the sale ($500,000 less payment of post closing expenses to wind down the Debtor's operations) and various Causes of Action. The Plan is a liquidating plan under which the Debtor's remaining Assets will be administered and distributed by the Plan Administrator according to the priorities set forth under the Bankruptcy Code after costs of administering the liquidation are satisfied. The Plan Administrator will investigate and, as appropriate, prosecute, various Causes of Action. The proceeds of any such Causes of Action may be a further source of distribution to creditors under the Plan, but there can be no guarantee of the outcome of any such litigation.

The Disclosure Statement describes the Plan and contains information concerning, among other matters: (1) the history, business, results of operations, management, properties and liabilities of and pending litigation of and against the Debtor; (2) the Assets available for distribution under the Plan; and (3) a summary of the Plan. The Plan Proponents strongly urge you to review carefully the contents of this Disclosure Statement and the Plan (including any exhibits to each) before making a decision to accept or reject the Plan. Particular attention should be paid to the provisions affecting or impairing your rights as a Creditor.

On _____, 2012 the Bankruptcy Court approved this Disclosure Statement as containing sufficient information 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 Debtor to send you this Disclosure Statement and solicit your acceptance of the Plan. The Bankruptcy Court has not approved the Plan itself or conducted a detailed investigation into the contents of this Disclosure Statement.

Your vote on the Plan is important. Absent acceptance of the Plan, the Debtor would likely move to convert the case to a case under Chapter 7 of the Bankruptcy Code, which would increase administrative costs and delay distributions to holders of Claims. Accordingly, the Plan Proponents urge you to accept the Plan by completing and returning the enclosed ballot(s) no later than _____, 2012, by 4:00 p.m. Eastern Time.

B. Disclaimers

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE 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 THE DEBTOR'S BOOKS AND RECORDS, THAT WOULD ENABLE A HYPOTHETICAL REASONABLE INVESTOR TYPICAL OF HOLDERS OF CLAIMS OR EQUITY INTERESTS OF THE RELEVANT CLASS TO MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN. *See* 11 U.S.C. § 1125(a).

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 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 OR REJECTION THAT ARE OTHER THAN AS CONTAINED IN OR INCLUDED WITH THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON IN ARRIVING AT YOUR DECISION.

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 IS BASED IN PART, MAY BE INCOMPLETE OR INACCURATE. HOWEVER, REASONABLE EFFORT HAS BEEN MADE TO ENSURE THAT ALL SUCH INFORMATION IS FAIRLY PRESENTED.

PACHULSKI STANG ZIEHL & JONES LLP ("PSZ&J") IS GENERAL INSOLVENCY COUNSEL TO THE DEBTOR AND PEPPER HAMILTON LLP IS GENERAL COUNSEL TO THE COMMITTEE (PSZ&J AND PEPPER HAMILTON LLP ARE THE "LAW FIRMS"). THE LAW FIRMS HAVE RELIED UPON INFORMATION PROVIDED BY THE DEBTOR IN CONNECTION WITH PREPARATION OF THIS DISCLOSURE STATEMENT AND HAVE NOT INDEPENDENTLY VERIFIED ALL OF THE INFORMATION 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.

C. 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" comprising all of the property interests of the debtor. Unless a trustee is appointed by the Bankruptcy Court for cause (no trustee has been appointed in this Chapter 11 Case), a debtor remains in possession and control of all its assets as a "debtor in possession." The debtor may continue to operate its 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 a debtor's business. The filing of the bankruptcy petition gives rise to what is known as the "automatic stay" which, 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 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 interest holders. In this case, the Committee was appointed on March 9, 2012. The Committee is a co-proponent of the Plan.

A Chapter 11 debtor emerges from bankruptcy by successfully confirming a plan of reorganization. Alternatively, the assets of a debtor may be sold and the proceeds distributed to creditors through a plan of liquidation, such as this Plan. A plan may be either consensual or non-consensual and provides, among other things, for the treatment of the claims of creditors and interests of stockholders and holders of options or warrants. The provisions of the Plan are summarized below.

D. 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. The Plan is a plan of liquidation and provides for the distribution of the proceeds from the Debtor's recent sale transaction (the "Sale Transaction") involving the sale of substantially all of its assets to US Tech Support LLC (the

"Purchaser"), which is a wholly-owned subsidiary of GR Match, LLC ("GRM") under the Asset Purchase Agreement with the Debtor.

The Plan provides for the classification and treatment of Claims against and Equity Interests in the Debtor. For classification and treatment of Claims against and Equity Interests in the Debtor, the Plan designates five (5) Classes of Claims and one (1) Class of Equity Interests. These classes and Plan treatments take into account the differing nature and priority, under the Bankruptcy Code, of the various Claims and Equity Interests.

1. Description of Property to Be Distributed under the Plan

The Plan provides that the Plan Administrator will administer and distribute the proceeds of the Assets for the benefit of Holders of Allowed Claims in accordance with the treatment set forth in the Plan. On the Effective Date, all Assets shall vest in the Liquidating Debtor free and clear of all Claims and Liens but subject to the terms and conditions of the Plan and the Confirmation Order. Holders of Class 5 Allowed General Unsecured Claims will receive Pro Rata distributions of Available Cash from the Plan Administrator in accordance with the Plan.

Pursuant to the Plan, all existing Equity Interests in the Debtor (including all issued and outstanding preferred and common stock) will be extinguished and cancelled and, after all distributions are made to the holders of Claims, the Debtor will be dissolved.

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

The following chart[2] briefly summarizes the treatment of holders of Claims and Equity Interests under the Plan. Amounts listed below are estimated. Actual Claims and Distributions will vary depending upon, among other things, the outcome of objections to Claims, recoveries on Preserved Avoidance Actions.

a. Unclassified Claims

CLASS NO.	DESCRIPTION	ESTIMATE OF CLAIM AMOUNTS AS OF EFFECTIVE DATE	TREATMENT
N/A	Administrative Claims Estimated Recovery: 100%	TBD	With respect to all Administrative Claims (excluding Professional Fee Claims) accrued and not paid as of the Effective Date, the Plan Administrator shall retain on the Effective Date, and deposit into the Administrative Claims/Priority Claims Account, an amount equal to the aggregate amount of asserted Administrative Claims (whether or not subject to dispute, but other than Administrative Claims that are disallowed on or

[2]This chart is only a summary of the classification and treatment of Claims and 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 and Equity Interests.

CLASS NO.	DESCRIPTION	ESTIMATE OF CLAIM AMOUNTS AS OF EFFECTIVE DATE	TREATMENT
			before the Effective Date pursuant to a Final Order of the Bankruptcy Court). The Plan Administrator shall pay each Holder of an Allowed Administrative Claim in full in the amount of its Allowed Claim from the Administrative Claims/Priority Claims Account, without interest, in Cash promptly after the date on which the Claim becomes an Allowed Claim, or on such other date and upon such other terms as may be agreed upon in writing by that Holder and the Plan Administrator.
N/A	Priority Tax Claims Estimated Recovery: 100%	TBD	Except to the extent that a Holder of an Allowed Priority Tax Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment, 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, the Plan Administrator shall pay to each Holder of an Allowed Priority Tax Claim such Allowed Priority Tax Claim, without interest, from the funds in the Tax Account. Any Claim or demand for penalty relating to any Priority Tax Claim (other than a penalty of the type specified in section 507(a)(8)(G) of the Bankruptcy Code) shall be disallowed, and the Holder of an Allowed Priority Tax Claim shall not assess or attempt to collect such penalty from the Estate or its Assets or properties.

b. Classified Claims

1	Priority Claims Estimated Recovery: 100%	TBD	The Plan Administrator shall pay the Allowed amount of each Class 1 Priority Claim from the Administrative Claims/Priority Claims Account to each Entity holding a Class 1 Priority Claim promptly following the later of (a) the Effective Date and (b) the date such Class 1 Priority Claim becomes an Allowed Claim (or as otherwise permitted by law). The Plan Administrator shall pay each Entity holding a Class 1 Priority Claim in Cash in full in respect of such Allowed Claim without interest accruing 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 1 is Unimpaired and Holders of Class 1 Claims are not entitled to vote on the Plan.
2	GRM Pre-Petition Claims	$0.00	Pursuant to the Sale Order and the APA, the GRM Pre-Petition Claims were deemed satisfied in full upon consummation of the Sale. Accordingly, no distributions shall be made under the Plan on

			account of the GRM Pre-Petition Claims. Class 2 is an Unimpaired Class and, therefore, the holder of the Class 2 Claim is deemed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.
3	Other Secured Claims Estimated Recovery: 100%	$0.00	Each Holder of an Allowed Class 3 Other Secured Claim, if any, shall receive one of the following treatments 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: (a) payment in full in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date the Claim becomes due and payable by its terms; (b) the return of the collateral securing such Claim; (c) the treatment described in Section 1124(2) of the Bankruptcy Code; or (d) such other treatment as agreed to in writing by the Class 3 Other Secured Claim Holder and the Plan Administrator. Class 3 is an Unimpaired Class and Holders of Class 3 Claims are not entitled to vote on the Plan.
4	Junior Subordinated Notes Claims	Unknown	Those Junior Subordinated Noteholders who have executed the Junior Subordinated Noteholder Stipulation shall have their Claims treated under the terms of the Junior Subordinated Noteholder Stipulation, which provides that the Settling Junior Subordinated Noteholder shall have their Junior Subordinated Noteholder Claim Allowed as a General Unsecured Claim in the face amount of the Junior Subordinated Notes held by such Creditor giving rise to its Claim and shall be treated in accordance with Class 5 of the Plan. The Junior Subordinated Noteholder Claims held by the Settling Junior Subordinated Noteholders are Impaired and entitled to vote on the Plan. The Junior Subordinated Noteholder Adversary Proceeding shall continue against those Junior Subordinated Noteholders who have not executed the Junior Subordinated Noteholder Stipulation. As set forth in the Junior Subordinated Noteholder Adversary Proceeding, the Estate believes that the Non-Settling Junior Subordinated Noteholders' Claims should be Disallowed on a variety of theories. To the extent that a default judgment or other adverse judgment is entered against a Non-Settling Junior Subordinated Noteholder, such Claim shall be Disallowed as a result of such judgment and, therefore, such claimant shall not be entitled to vote on the Plan. Any Non-Settling Junior Subordinated Noteholders' Claims that have not been adjudicated shall be Disputed Claims, such claimants shall receive no distribution on account of their Claims and shall not be entitled to vote on the Plan unless and until they obtain an order under

			Federal Bankruptcy Rule 3018 temporarily allowing their Claim for voting purposes.
5	General Unsecured Claims Estimated Recovery: Unknown	Unknown	Except to the extent that the Holder of an Allowed General Unsecured Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment (including, without limitation, any different treatment that may be provided for in the documentation governing such Claim or in a prior agreement with such Holder), each Holder of an Allowed General Unsecured Claim, in full and final satisfaction, release and settlement of such Allowed Claim, shall receive on account of such Allowed Claim, on or as soon as reasonably practicable after the Effective Date and from time to time thereafter in accordance with Article V.U of the Plan, a Pro Rata distribution of the amount of the Available Cash. Class 5 is an Impaired Class and Holders of Class 5 Claims are entitled to vote to accept or reject the Plan.
6	Equity Interests in the Debtor Estimated Recovery: 0%	$0	There shall be no Distribution made on account of Class 6 Equity Interests. After the entry of the Effective Date, the Equity Interests will be canceled and will cease to exist. Class 6 Equity Interests will receive no Distribution under the Plan and are, therefore, deemed to have rejected the Plan. Accordingly, Class 6 Equity Interests are not entitled to vote.

E. Voting on the Plan

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 Class is conclusively deemed not to have accepted the Plan). A Class is Impaired if legal, equitable or contractual rights attaching to the Claims or Interests of the Class are modified, other than by curing defaults and reinstating maturities. Under the Plan, Administrative Claims and Priority Tax Claims are unclassified and are not entitled to vote. Classes 1 and 3 are Unimpaired under the Plan pursuant to section 1124 of the Bankruptcy Code and are conclusively presumed to have accepted. Classes 2 and 6 will receive nothing under the Plan and are therefore conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and are not entitled to vote under the Plan. Accordingly, only Classes 4 and 5 are Impaired and entitled to vote to accept or reject the Plan. Only those votes cast by Holders of Allowed Claims shall be counted in determining whether a sufficient number of acceptances have been received to obtain Plan Confirmation.

2. How to Vote

All votes to accept or to reject the Plan must be cast by using the appropriate form of Ballot. No votes other than ones using such Ballots will be counted except to the extent ordered otherwise by the Bankruptcy Court. A form of Ballot is being provided to Creditors in Classes 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 Holders of Class 4 and 5 Claims one important choice to

make with respect to the Plan – they can vote for or against the Plan. To vote on the Plan, after carefully reviewing the Plan and this Disclosure Statement, 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. XRoads Case Management Services, LLC ("XCMS"), as the voting tabulator and Balloting Agent, will count the Ballots.

IN ORDER TO BE COUNTED, BALLOTS MUST BE COMPLETED, SIGNED AND RECEIVED BY THE DEBTOR'S BALLOTING AGENT NO LATER THAN 4:00 P.M. EASTERN TIME ON _____, 2012 AT THE FOLLOWING ADDRESS:

CyberDefender Corporation Ballot Processing
c/o XRoads Case Management Services, LLC
1821 E. Dyer Road, Suite 225
Santa Ana, CA 92705

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

F. Confirmation of the Plan

1. Generally

"Confirmation" is the technical term for the Bankruptcy Court's approval of a plan of reorganization or liquidation.

2. Objections to Confirmation

Any objections to Confirmation of the Plan must be in writing and must be filed with the Clerk of the Bankruptcy Court and served on counsel for the Debtor, the Committee, and the United States Trustee on or before the date set forth in the notice of the Confirmation Hearing sent to you with this Disclosure Statement and the Plan. Bankruptcy Rule 3017 governs the form of any such objection.

Counsel on whom objections must be served are:

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United States Trustee
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Wilmington, DE 19899-0035

3. Hearing on Confirmation

The Court has set _____, 2012 at ____ p.m. for a hearing (the "Confirmation Hearing") 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 in the United States Bankruptcy Court, 824 Market St., 6th Fl., Courtroom #1, Wilmington, Delaware 19801, before the Honorable Brendan L. Shannon, United States Bankruptcy Judge. The Confirmation Hearing may be continued from time to time and day to day without further notice. If the Court confirms the Plan, it will enter the Confirmation Order.

III.
HISTORY, ORGANIZATION AND ACTIVITIES OF THE DEBTOR

A. Background

On the Petition Date, the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code.

The Debtor continues to operate its business and manage its affairs as a debtor in possession pursuant to the Bankruptcy Code.

On March 9, 2012, the Committee was appointed. The members of the Committee are: Amber Brashear, MarketLive Inc., and Outsource Testing Inc.

B. Description of the Debtor and Summary of Operations

At the time of its bankruptcy filing, the Debtor was a Delaware corporation with its headquarters in Los Angeles, California.

Business Operations. As of the Petition Date, the Debtor was a provider of technology and technology services for consumers. Utilizing direct-to-consumer marketing, the Company addressed the growing demand for remote technical support services, antimalware and personal computer ("PC") optimization software and online backup services.

As of the Petition Date, the Debtor employed 322 full-time employees in hourly, salaried, supervisory, management, sales, administrative and technician positions to perform the functions necessary to effectively and efficiently operate the Debtor's business. The Debtor marketed its software products and services, as described below, directly to the consumer market. As of the Petition Date, the Debtor had approximately 677,000 active subscribers of its software and services.

Software. The Debtor marketed and sold antivirus/-antispy-ware and PC optimization software products under the brand names CyberDefender Early Detection Center, CyberDefender Registry Cleaner, CyberDefender PC Optimizer, CyberDefender Identity Protection Services, MaxMySpeed, DoubleMySpeed and MyCleanPC (the "Software"). The Software provides protection from viruses, spyware, phishing, and dangerous spam, and/or improves computer speed and reduces crashes by locating and removing invalid data references, duplicate files and junk files from the PC's registry.

LiveTech Remote Computer Repair. The Debtor operated a remote technical support service ("LiveTech"). LiveTech technicians were available 24 hours a day, 7 days a week to provide computer repair and optimization services for the Debtor's customers. LiveTech technicians connected to customers' computers using remote access software. The services provided by LiveTech technicians included (but were not limited to) malware removal, speed optimization, software updates, file backup, privacy settings, home network configuration and hardware troubleshooting.

Online Data Backup. The Debtor also marketed and sold a cloud-based data backup service (the "Online Data Backup"). Using software installed on the customer's PC, the Online Data Backup saves automatic backups of files, such as documents, photographs and music, to a secure Internet-based storage center. Online Data Backup customers with active subscriptions can access files that have been saved online from his or her own PC, as well as from other computers.

The Debtor also offered certain identity protection services ("IDPS") to its customers. The IDPS services are provided by MyPublicInfo, Inc., as a third party service provider.

C. Equity and Significant Indebtedness

As of the Petition Date, the Debtor was a publicly traded company (Nasdaq: CYDE). As of the Petition Date, the largest holders of the Debtor's common stock were individuals Gary Guss (13%) and Sean Downes (5%). The Debtor has no subsidiaries or affiliates.

For the nine months ended September 30, 2011, on an unaudited basis, the Debtor reported total book value assets of approximately $7,961,647, including approximately $1,688,276 in accounts receivable, $1,546,221 in cash and $1,508,744 in property and

equipment. For the nine months ended September 30, 2011, the Debtor reported net sales and net losses of $39,883,039 and $(17,587,295), respectively.

Senior Prepetition Debt. As of the Petition Date, the Debtor was indebted to GRM, an affiliate of Guthy-Renker Partners, Inc., for certain prepetition secured loans under two separate loan facilities in the aggregate principal amount of $11.6 million not including interest, as described below (the "Senior Loan Indebtedness").

In March 2010, GRM advanced to CyberDefender Corporation, a California corporation, the predecessor in interest to the Debtor ("CyberDefender California"), certain loans pursuant to that certain Loan and Securities Purchase Agreement, dated as of March 31, 2010 (as amended, the "Prepetition Loan Agreement"). The loan was evidenced by that certain 9% Secured Convertible Promissory Note (the "Promissory Note"), due March 31, 2012, in the principal amount of $5.3 million. As permitted under the terms of the Prepetition Loan Agreement, the Company requested, and GRM agreed, to have the interest payments due and payable on July 1, 2010, January 1, 2011, April 1, 2011, and July 1, 2011 added to the aggregate principal amount of the Promissory Note increasing the principal amount to $5,793,342. Pursuant to that certain Security Agreement, dated March 31, 2010, executed by CyberDefender California in favor of GRM (the "Security Agreement"), CyberDefender California granted GRM a first lien priority security interest in substantially all of the Debtor's property described in Exhibit "A" of the Security Agreement.

In June 2010, CyberDefender California was reincorporated as a Delaware corporation.

In December 2010, the Debtor and GRM entered into a Revolving Credit Loan Agreement (the "Revolving Credit Facility"), whereunder GRM extended $5 million of loans to the Debtor. Pursuant to the Revolving Credit Security Agreement, the Debtor granted GRM a second lien priority security interest (subject only to liens in favor of GRM under the Prepetition Loan Agreement and the Security Agreement) in substantially all of the Debtor's property as described in Exhibit "A" of the Revolving Credit Security Agreement, whether then existing or thereafter from time to time acquired, and in all proceeds and products thereof. Effective as of February 25, 2011, the Debtor and GRM entered into a Loan Modification Agreement (the "Loan Modification Agreement") pursuant to which the Debtor and GRM agreed to convert the indebtedness under the Revolving Credit Facility into indebtedness that is convertible to stock in the Debtor. The Loan Modification Agreement amended and restated the Revolving Credit Facility on the terms and conditions of an Amended and Restated Nine Percent (9%) Secured Convertible Promissory Note made as of February 25, 2011 in the principal amount of $5,700,773.94, due March 31, 2012 (the "Amended and Restated Note"). The interest due and payable on July 1, 2010, January 1, 2011, and April 1, 2011 was added to the aggregate principal amount of the Amended and Restated Note, increasing the principal amount to $5,793,342. After the Debtor failed to make an interest payment due and payable on July 1, 2011, GRM agreed to have the interest payment due and payable on July 1, 2011 added to the aggregate principal amount of the Amended and Restated Note increasing the principal amount to $5,878,588 pursuant to the Second Forbearance Agreement (defined below).

The Debtor failed to make those interest payments due and payable on July 1, 2011 under the Prepetition Loan Agreement and the Amended and Restated Note. As a result, on July 25, 2011, the Debtor and GRM entered into a Waiver and Forbearance Agreement, pursuant to

which the Debtor requested and GRM agreed for a period of sixty days through and including September 23, 2011, and for that period only, to waive its rights and remedies under the Prepetition Loan Agreement and the Loan Modification Agreement and related documents. On September 30, 2011, and effective as of September 23, 2011, the Debtor and GRM entered into a Second Waiver and Forbearance Agreement (the "Second Forbearance Agreement"). Pursuant to the Second Forbearance Agreement, the Debtor requested and GRM, among other things, agreed: (i) to capitalize the unpaid interest payments described above and payable on July 1, 2011 so long as the Debtor paid the interest due and payable on both the Promissory Note and the Amended and Restated Note on October 1, 2011; and (ii) for a period of one hundred and twenty days through and including January 24, 2012, and for that period only, to waive its rights and remedies under the Prepetition Loan Agreement, the Loan Modification Agreement and related documents.

Media Services Agreement Indebtedness. On or about March 24, 2009, CyberDefender California, as predecessor in interest to CyberDefender, entered into a Media and Marketing Services Agreement (the "First Media Services Agreement") with GRM, pursuant to which GRM agreed to provide direct response media campaigns, including radio and television direct response commercials, to promote the Debtor's products and services and will purchase media time on the Debtor's behalf. As security for the Debtor's prompt payment of all amounts due and the performance of all obligations under the First Media Services Agreement, the Debtor granted GRM a security interest and lien in any proceeds held in the Merchant Services Account (as defined in the First Media Services Agreement), including, without limitation, any settlement accounts and/or reserve accounts held in connection therewith, and any rights to receive credits or payments under any merchant services agreement or other similar agreement relating to the Merchant Services Account. In furtherance thereof, GRM, the Debtor and Union Bank, N.A. entered into that certain Special Deposit Account Control Agreement, effective March 10, 2010.

On or about July 19, 2011, the Debtor and GRM entered into a second Media and Marketing Services Agreement (as amended, the "Second Media Services Agreement") with GRM, whereunder the First Media Services Agreement was deemed terminated, replaced and superseded by the Second Media Services Agreement. Pursuant to the Second Media Services Agreement, GRM invoices the Debtor in arrears for all actual out of-pocket costs incurred by GRM for providing direct marketing services to the Debtor, plus an amount equal to two and one half percent (2.5%) of such costs (collectively, the "Media Services Reimbursements"). In addition, GRM receives a monthly management fee of $75,000 pursuant to the terms of the Second Media Services Agreement (the "Media Management Fees").[3]

Under the Second Media Services Agreement, the Debtor granted to GRM, as security for the Debtor's prompt payment of all amounts due and performance of all obligations under the Media Services Agreement, a security interest in the Collateral (as defined in the Second Media Services Agreement). As of the February 15, 2012, the Debtor owed GRM $3,331,214 of unpaid Media Services Reimbursements and Media Management Fees pursuant to the Second Media Services Agreement.

[3]The Second Media Services Agreement was further amended to allow $50,000 of the management fee to be waived per month by GRM during the four month period commencing on June 1, 2011 and expiring on September 30, 2011.

9% Subordinated Notes. In September 2011, the Debtor completed the private sale of $2,240,412 in aggregate principal amount of 9% Subordinated Convertible Promissory Notes (the "9% Notes") to 33 accredited investors, including two independent directors of the Debtor, pursuant to Securities Purchase Agreements. The first tranche of 9% Subordinated Notes in the aggregate principal amount of $1,789,700 and accrued interest is due and payable in August 2012, and the second tranche of the 9% Subordinated Notes in the aggregate principal amount of $450,712 and accrued interest is due and payable in October 2012. Both tranches of the 9% Subordinated Notes are secured by *pari passu* security interests in substantially all of the Debtor's assets. The holders' rights and remedies under the 9% Subordinated Notes are contractually subordinated to GRM's rights and remedies under the Prepetition Loan Agreement, the Loan Modification Agreement and the Second Media Services Agreement.

10.5% Subordinated Notes. In December 2011, the Debtor completed the private sale of $2,950,000 in aggregate principal amount of 10.5% Subordinated Convertible Promissory Notes (the "10.5% Notes") to an investor in the Debtor, pursuant to a Securities Purchase Agreement. The 10.5% Notes and accrued interest are due and payable from October 30, 2012 through January 28, 2013. The 10.5% Subordinated Notes are secured by a security interest in substantially all of the Debtor's assets. The holder's rights and remedies under the 10.5% Subordinated Notes are also contractually subordinated to GRM's rights and remedies under the Prepetition Loan Agreement, the Loan Modification Agreement and the Second Media Services Agreement.

The Debtor also has approximately $5,925,000 in outstanding accounts payable to unsecured trade creditors as of February 14, 2012. This amount does not include any other categories of unsecured claims that may be outstanding including, but not limited to, potential claims arising out of pending litigation or other contingent claims.

As of the Petition Date, the Debtor's outstanding indebtedness, not including accrued interest, was as follows:

Prepetition Loan Agreement	$5,793,341
Loan Modification Agreement	$5,877,131
Media Services Agreement	$3,331,214
9% Subordinated Notes	$2,240,412
10.5% Subordinated Notes	$2,950,000
Trade	$5,925,000

D. Circumstances Leading to the Commencement of the Chapter 11 Case and Goals of Chapter 11 Case

Due in part to the challenging economic climate and other factors, the Debtor had reported net losses since becoming a publicly traded company. The Debtor's operational losses were compounded by the inability to raise capital in the public market caused by a number of factors. After being listed on The Nasdaq Stock Market LLC in June 2010, the Debtor intended

to raise capital in the fall of 2010 by offering common stock for sale utilizing Securities and Exchange Commission ("SEC") Form S-3, which was declared effective by the SEC in August 2010. However, as a direct result of certain conduct of the Debtor's then independent registered public accounting firm, the Debtor: (1) was prevented from engaging in the offering; and (2) suffered a material adverse public market reaction and a material decline in the price of its common stock. Although the Debtor thereafter engaged in extensive capital raising efforts through two financial advisory firms, the efforts at raising capital on the public markets were not successful.

Beginning in May 2011 through September 2011, the Debtor, through its financial advisor RBC Capital Markets ("RBC"), conducted a marketing process for the sale of the Debtor. RBC contacted 83 potential strategic and private equity investors. During this time, the Debtor responded to due diligence inquiries from at least 25 of those potential purchasers who had executed non-disclosure agreements. Ultimately, no offers were received for the Debtor by the deadline.

In the fall of 2011, the Debtor conducted a final effort at a capital restructuring by engaging a new financial advisor to underwrite a public offering of the Debtor's common stock. Ultimately, the Debtor was not able to engage in the public offering and the Debtor could not raise sufficient capital to continue to fund operations and repay its Senior Loan Indebtedness. On January 1, 2012, the Debtor missed an interest payment due and owing to GRM on account of the Senior Loan Indebtedness and on January 23, 2012, missed a payment due under the Media Services Agreement.

In the weeks before the Petition Date, the Debtor retained XRoads Solutions Group, LLC ("XRoads") to provide financial advisory services in connection with a restructuring of its business and capital structure and to assist the Debtor in further marketing its assets for sale. The Debtor, with XRoads' assistance, continued to search for investors or purchasers for its business. Ultimately, after several weeks of diligence, arms-length and good faith negotiations, GRM emerged as the stalking horse bidder, and the Debtor entered into an asset purchase agreement with GRM (the "APA"). Under the APA, which was subject to any higher and better bids being received, the Debtor agreed to sell the Company to GRM or its designee in exchange for forgiveness of the Senior Loan Indebtedness and amounts extended under the DIP Financing (discussed below), cancellation of GRM's equity interests in the Debtor, and $250,000.

Therefore, on February 23, 2012, the Debtor filed this Case to effect a sale pursuant to the terms outlined in the APA and also to provide the opportunity for higher and better offers to be received through a Court-supervised sales process.

E. The Commencement of the Chapter 11 Case

The Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for District of Delaware on February 23, 2012.

F. First Day Motions and Other Relief

On the Petition Date, the Debtor sought approval from the Bankruptcy Court of certain motions and applications (collectively, the "First Day Motions"). The Debtor sought this relief

to minimize disruption of the Debtor's business operations as a result of the chapter 11 filing, to establish procedures in the Chapter 11 Case regarding the administration of the Chapter 11 Case and interim compensation for Estate professionals, and to facilitate reorganization efforts. Specifically, the critical First Day Motions and other important motions during the Chapter 11 Case addressed the following issues, among others:

1. Employees

As of the Petition Date, the Debtor employed 322 individuals (the "Employees") all of whom were located at the Debtor's headquarters in Los Angeles. Of that total amount, 305 Employees were employed on a full-time basis and 17 individuals were employed on a part-time basis. The Debtor's Motion requested authority to pay prepetition employee-related obligations in the ordinary course of business, such as, among other things, (a) wages, salaries, commissions, and other accrued compensation, (b) Employee business expenses, (c) contributions and benefits under certain Employee benefit plans, including without limitation, certain medical, dental, vision, 401(k), flexible spending, and (d) disability, life insurance, and other workers' compensation obligations. The Court entered its order granting the relief requested by the Debtor in this motion on February 24, 2012 [Docket No. 25].

2. Cash Management

Prior to the commencement of the Chapter 11 Case, the Debtor, in the ordinary course of its business, maintained various bank accounts from which it managed its cash receipts and disbursements. The Debtor's cash management system included the use of an operating account, and other specialized accounts to handle receipts and disbursements. Absent an immediate order from the Court at the commencement of the Chapter 11 Case, the Debtor faced the risk of the suspension of its cash management system. The Debtor also needed authority to maintain existing bank accounts in order to minimize disruptions and make the transition to chapter 11 smoother and more orderly. The Debtor further requested that it be excused from compliance with certain aspects of section 345(b) of the Bankruptcy Code, requiring certain deposit or investment procedures. The Court entered its order granting the relief requested by the Debtor in respect of its cash management system and related relief on February 24, 2012 [Docket No. 27].

3. Utilities

In the normal conduct of its business, the Debtor used gas, water, electric, telephone, and other services provided by various utility companies that serviced the Debtor's corporate headquarters. Inasmuch as the Debtor did business with various utilities, it was imperative that procedures be established for efficient administration of the Debtor's responsibilities under section 366 of the Bankruptcy Code. On February 24, 2012, the Court entered its interim order implementing the procedures proposed by the Debtor to ensure adequate assurance of future payment to utility service providers [Docket No. 22]. A final order was entered on March 14, 2012 [Docket No. 95]. The utility deposit created pursuant to the final order will be reimbursed or credited to the Purchaser pursuant to the terms of the APA.

4. Customer Obligations

The Debtor sought and obtained Court approval of the right to honor pre-petition warranty programs, in order to maintain the good will of its customers during the period prior to the closing of the sale of its assets to the Purchaser. The Court granted such authority on February 24, 2012 [Docket No. 26].

5. Interim Compensation for Professionals

The Debtor sought authority to implement procedures for the application, interim allowance and payment of Estate Professionals on a monthly basis. On March 14, 2012, the Court entered its order approving the monthly compensation procedures proposed by the Debtor [Docket No. 93].

6. Ordinary Course Professionals

On the Petition Date, the Debtor filed a motion seeking authority to retain and pay certain professionals in the ordinary course of business, without having to file applications to employ and compensate such professionals. The "Ordinary Course Professionals" consisted primarily of firms that provided, among other things, various ongoing legal services. On March 14, 2012, the Court entered its order authorizing the employment of ordinary course professionals using the procedures outlined by the Debtor [Docket No. 88].

7. DIP Financing and Use of Cash Collateral

Pursuant to the *Final Order Pursuant to Sections 361, 362, 363 and 364 of the Bankruptcy Code and Rule 4001 of the Federal Rules of Bankruptcy Procedure Authorizing the Debtor to (I) Use Cash Collateral, (II) Obtain Post-Petition Financing and (III) Provide Adequate Protection to Secured Creditors* [Docket No. 108] (the "Financing Order"), the Bankruptcy Court authorized the Debtor to up incur up to $4.61 million in financing (the "DIP Financing") from GRM. The Debtor required the DIP Financing in order to fund its operations through the close of the sale of its assets.

Following the closing of sale to the Purchaser, which is discussed below in more detail, the outstanding indebtedness to the Purchaser under the Financing Order was deemed satisfied in full except that, pursuant to the terms of the Sale Closing Stipulation, additional funds were advanced by GRM under the Financing Order and the parties agreed that a further true-up would occur post closing.

8. Sale Procedures Motion

On the Petition Date, the Debtor filed the *Debtor's Motion for Orders (A) Establishing Bidding Procedures in Connection with Sale of Substantially All Assets of the Debtor, (B) Approving the Form and Manner of Notices, (C) Setting a Sale Hearing, (D) Authorizing the Sale of the Assets Free and Clear of All Liens, Claims, and Encumbrances, (E) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (F) Granting Related Relief* (the "Sale Procedures Motion") [Docket No. 10] concerning the proposed Sale Transaction. Generally, the Sale Procedures Motion sought entry of an order scheduling dates, times and places for a hearing regarding a sale motion, and approving the

bidding and auction procedures. On March 14, 2012, the Court entered its Order granting the relief requested in the Sale Procedures Motion [Docket No. 94].

9. Sale Motion

The Sale Procedures Motion filed on the Petition Date also sought authority of the Debtor to sell substantially all of its assets pursuant to the APA with GRM or its designee, or, alternatively, to a party at the sale auction presenting the highest and best bid for such assets.

Despite extensive marketing both prepetition and postpetition by the Debtor and its professionals, no bids were received prior to the Bid Deadline and the Debtor sought to proceed with the APA with GRM or its designee. Certain of the Junior Subordinated Investors objected to the sale, arguing that Section 363(f) of the Bankruptcy Code did not permit a sale free and clear of their liens unless they consented or their liens were paid in full. After a contested hearing, on May 7, 2012, the Court entered its order granting the relief requested by the Debtor in the Sale Motion, overruling all objections, and approving the sale of the assets sold to the Purchaser [Docket No. 192].

G. Bar Date for Filing Proofs of Claim

On May 17, 2012, the Debtor filed a motion requesting that the Court set a deadline by which parties, including governmental units, must file proofs of claim (the "Bar Date Motion") [Docket No. 206]. The Bar Date Motion was granted by the Court on June 6, 2012, (the "Bar Date Order") [Docket No. 239] and established August 21, 2012 as the deadline for filing Proofs of Claim with the Court for any claims against the Debtor arising prior to the Petition Date (the "General Bar Date") and August 21, 2012 as (i) the deadline to file Administrative Claims arising as of the Petition Date through June 1, 2012.

H. Filing of Statements and Schedules

On March 29, 2012, the Debtor filed its Schedules of Assets and Liabilities and Statements of Financial Affairs with the Bankruptcy Court, which set forth, *inter alia*, scheduled prepetition claims against the Debtor based on its books and records, as amended from time to time [Docket Nos. 125, 126 and 137].

I. Other Significant Postpetition Developments

1. Settlement of Potential Claims Against GRM

Paragraph 9 of the Financing Order vested the Committee with standing: (a) to bring any claims (other than claims relating to the DIP Loan or the DIP Liens) or object to or challenge any of the Claims Stipulations in the Financing Order, including in relation to (i) the validity, extent, perfection or priority of GRM's Prepetition Loan Liens on the Prepetition Collateral, the Prepetition Note Obligations and the Prepetition Note Liens (as such terms are defined in the Financing Order) or (ii) the validity, allowability, enforceability, priority, status or amount of the Prepetition Loan Obligations, the Prepetition Note Obligations, and the Prepetition Note Liens (as such terms are defined in the Financing Order); or (b) to bring suit against GRM and/or the DIP Lender in connection with or related to the matters covered by the Claims Stipulations (as

defined in the Financing Order) or such other matters as to which the Committee may have standing to bring claims. The Committee's right to challenge the liens/claims of GRM expired on the earlier of (a) the date that is the later of (i) seventy-five (75) days after the Petition Date or (ii) sixty (60) days after the date of appointment of a Committee; or (b) the date of entry of an order approving the Sale (cumulatively the "Challenge Period").

Following the Court's entry of the Financing Order, the Committee, through its counsel, began an immediate investigation of the nature, extent, priority, validity and enforceability of GRM's Prepetition Loan Documents, GRM's Prepetition Loan Obligations and GRM's Prepetition Loan Liens (the "Committee Investigation").

During the course of the Committee Investigation, the Committee reviewed, analyzed and examined the nature, extent, validity and enforceability of GRM's Prepetition Loan Documents, GRM's Prepetition Loan Obligations and GRM's Prepetition Loan Liens. The Committee also reviewed, analyzed and examined the consideration being paid by GRM for the Buyer Avoidance Actions being purchased by GRM under the APA.

Upon completion of the Committee Investigation, the Committee entered into extensive settlement discussions with GRM and the Debtor regarding the nature, extent, validity and enforceability of GRM's Prepetition Loan Documents, GRM's Prepetition Loan Obligations and GRM's Prepetition Loan Liens.

The Committee's settlement discussions with GRM and the Debtor culminated in the Committee Settlement Agreement that resulted in the payment of an additional $250,000 cash to the Debtor's estate at the closing of the Sale for a total of $500,000 (the "Cash Purchase Price"). The Cash Purchase Price represents a 100% increase in the cash consideration to be paid by GRM to the Debtor's estate under the APA. More importantly, the Cash Purchase Price was being tendered to the Debtor's estate in full and final satisfaction of: (i) all avoidance actions, avoidance claims and causes of action that belong to or can be asserted against GRM through the challenge rights granted to the Committee under the Financing Order; and (ii) the Buyer Avoidance Actions that otherwise belong to the Debtor's estate and that were purchased by GRM under the APA. In exchange for the Cash Purchase Price, GRM and its affiliates were granted full releases by the Debtor as of the Sale Transaction closing date.

A copy of the Committee Settlement Agreement was attached to the Emergency Motion of the Official Committee of Unsecured Creditors of CyberDefender Corporation Pursuant to Bankruptcy Rule 9019 for the Entry of an Order Approving Settlement Agreement by and among the Debtor, the Official Committee of Unsecured Creditors and GRM, which was approved by Court Order on June 6, 2012 [Docket No. 241].

2. Dispute with Subordinated Investors

In connection with its investigatory duties, the Committee, through its counsel, began an investigation of any claims asserted by, and potential estate claims against, the holders of those certain notes issued by the Debtor: (a) pursuant to the 9% Subordinated Convertible Promissory Notes in aggregate principal amount of $2,240,412 to 33 accredited investors in September 2011 (the "9% Notes"); and (b) pursuant to the 10.5% Subordinated Convertible Promissory Notes in the aggregate principal amount of $2,950,000 (the "10% Notes" and, together with the 9% Notes,

the "Junior Subordinated Notes" and the holders of such notes are hereafter referred to as the "Junior Subordinated Noteholders"). Among other matters investigated and pursued by the Committee in connection with the Junior Subordinated Notes and the Junior Subordinated Noteholders were, inter alia: (a) the potential avoidance of the liens asserted by the Junior Subordinated Noteholders (the "Noteholder Liens") such that any of their alleged secured claims could be treated as unsecured claims; (b) whether the Noteholder :iens, to the extent they were valid, should extend to the proceeds of the Cash Purchase Price; and (c) the potential equitable subordination or recharacterization of the claims asserted by the Junior Subordinated Noteholders.

As a result of its investigation, on May 1, 2012, the Committee filed a complaint in an adversary proceeding (the "Adversary Complaint") in the Bankruptcy Court against the Subordinated Noteholders styled *Official Committee of Unsecured Creditors of CyberDefender, Inc. v. Richardson & Patel, L.L.P, et. al.*, Adv. Pro. No. 12-50623 (Bankr. D. Del.) seeking, *inter alia*: (a) to recharacterize the claims of the Junior Subordinated Noteholders as equity investments; (b) to avoid and preserve the Noteholder Liens for the benefit of the Debtor's estate; and (c) a determination that the claims of the Junior Subordinated Noteholders were undersecured and not entitled to priority over the claims of general unsecured creditors.

Following the filing of the Adversary Complaint, the Committee and certain of the Junior Subordinated Noteholders entered into extensive settlement discussions which culminated in those parties reaching a settlement in principle (the "Noteholder Settlement") with the substantial majority of the Junior Subordinated Noteholders pursuant to which: (a) the settling Junior Subordinated Noteholders agreed that their alleged secured claims would be allowed as General Unsecured Claims in the face amount of the Junior Subordinated Notes held by such creditors; (b) the Junior Subordinated Noteholders would withdraw their outstanding objections to the Sale pursuant to which they were asserting that their alleged secured claims extended to the proceeds of the Cash Purchase Price (thus ensuring that the Cash Purchase Price would be paid to the Debtor's bankruptcy estate free and clear of any liens or secured claims); (c) and the Adversary Complaint would be withdrawn with respect to the settling Junior Subordinated Noteholders. Those non-settling Junior Subordinated Noteholders will be defaulted and, as a result of such defaults, the Committee shall seek the entry of a judgment disallowing such claims.

The Committee and the settling Junior Subordinated Noteholders are in the process of documenting the Noteholder Settlement and taking the actions contemplated by such compromise.

3. Closing of the Sale Transaction

The Sale closing occurred on June 1, 2012. The consideration paid by the Purchaser was as follows: (i) the Cash Purchase Price of $500,000 (less $50,000 as described below); (ii) cancellation of all indebtedness, including a significant unsecured deficiency claim; and (iii) assumption of certain indebtedness associated with the assumption and assignment of contracts.

In connection with the Sale closing, the Debtor, the Committee, and the Purchaser entered into the Stipulation Between the Debtor, GRM and the Official Committee of Unsecured Creditors of CyberDefender Corporation Regarding Compromise [Docket No. 213] (the "Sale Closing Stipulation") to effectuate the Sale closing and transition, which was approved by Court

Order entered May 24, 2012 [Docket No. 215]. Under the Sale Closing Stipulation, among other items, the Purchaser agreed to allow the Debtor to use funds to pay up to $289,688.29 in accrued vacation, subject to a reimbursement of $50,000 provided that the dispute with the Junior Subordinated Noteholders resulted in any portion of the Cash Purchase Price not being subject to the liens of the Junior Subordinated Noteholders. Because the dispute with the Junior Subordinated Noteholders was resolved in the manner set forth above, the Debtor will reimburse $50,000 of the Cash Purchase Price to the Purchaser. In addition, pursuant to the Sale Closing Stipulation, additional funds were advanced by GRM under the Financing Order and the parties agreed that a further true-up would occur post closing.

After the Closing, three of the Debtor's employees (Chief Financial Officer and Interim Chief Executive Officer, General Counsel, and Director of Investor Relations) agreed to remain employees of the Debtor in exchange for reduced compensation in order to wind-down the Debtor's business operations and assist the Debtor to confirm the Plan. In addition, GRM, although under no obligation to do so, agreed to provide the Interim Chief Executive Officer, the General Counsel and Chief Operating Officer with additional compensation since GRM did not hire any of these employees.

4. Name Change of Debtor

Pursuant to the APA, the Debtor was required to change its name to remove "CyberDefender" from its name. Accordingly, the Debtor changed its name to CYDE Liquidating Co. On June 22, 2012, the Court entered an order changing the name of this case to In re CYDE Liquidating Co. [Docket No. 263].

IV.
DESCRIPTION OF THE PLAN

A DISCUSSION OF THE PRINCIPAL PROVISIONS OF THE PLAN AS THEY RELATE TO THE TREATMENT OF CLASSES OF ALLOWED CLAIMS AND INTERESTS IS SET FORTH IN ARTICLES V THROUGH XIII 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 CONTROL. ALL CAPITALIZED TERMS NOT OTHERWISE DEFINED HAVE THE MEANINGS ASCRIBED TO THEM IN THE PLAN.

V.
ADMINISTRATIVE CLAIMS, PROFESSIONAL FEES AND PRIORITY TAX CLAIMS

A. Introduction

Certain types of Claims are not placed into voting Classes; instead they are unclassified. They are not considered Impaired and they do not vote on the Plan because they are

automatically entitled to the specific treatment provided for them in the Bankruptcy Code. As such, the Debtor has not placed the following Claims in a Class:

B. Administrative Claims (Other Than Professional Fees)

With respect to all Administrative Claims (excluding Professional Fee Claims) accrued and not paid as of the Effective Date, the Plan Administrator shall retain on the Effective Date and deposit into the Administrative Claims/Priority Claims Account an amount equal to the aggregate amount of asserted Administrative Claims (whether or not subject to dispute, but other than Administrative Claims that are disallowed on or before the Effective Date pursuant to a Final Order of the Bankruptcy Court). The Plan Administrator shall pay each Holder of an Allowed Administrative Claim in full in the amount of its Allowed Claim from the Administrative Claims/Priority Claims Account, without interest, in Cash promptly after the date on which the Claim becomes an Allowed Claim, or on such other date and upon such other terms as may be agreed upon in writing by that Holder and the Plan Administrator.

Notwithstanding any provision in the Plan regarding payment of Administrative Claims to the contrary, and without waiver of any argument that such Claim is already time-barred by prior orders of the Bankruptcy Court, all Administrative Claims required to be Filed and not Filed by the applicable Administrative Claim Bar Date shall be deemed disallowed. As provided herein, the Administrative Claims/Priority Claims Account will include funds sufficient to cover the aggregate asserted amount of all disputed Administrative Claims. Without limiting the foregoing, all unpaid fees payable under 28 U.S.C. § 1930, shall be paid on or before the Effective Date.

C. Professional Fee Claims

The Plan Administrator shall pay Professionals from the Professional Fees Account all of their respective accrued and Allowed fees and reimbursement of expenses arising prior to and through the Effective Date, provided, however, that, should there be insufficient funds in the Professional Fees Account to satisfy all Allowed Professional Fees in full, any additional unpaid Allowed Professional Fees shall be treated as Allowed Administrative Claims and shall be paid from Available Cash or from the Post Confirmation Administration Reserve.

The Bankruptcy Court must rule on and allow all Professional Fee Claims arising prior to or through the Effective Date before the fees will be owed and paid. For all Professional Fee Claims arising prior to or through the Effective Date, except Bankruptcy Clerk's Office fees 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.

The Plan Administrator 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 *Administrative Order Establishing Procedures for Interim Compensation Pursuant to Section 331 of the*

Bankruptcy Code entered in this Chapter 11 Case, 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. Holders of Administrative Claims (including, without limitation, Professionals) requesting compensation or reimbursement of such expenses pursuant to sections 327, 328, 330, 331, 503(b) and 1103 of the Bankruptcy Code that do not file such requests by the applicable deadline provided for herein shall be forever barred from asserting such claims against the Debtor, the Estate, the Plan Administrator, or their successors, their assigns or their property. Any objection to Professional Fee Claims shall be filed on or before the objection deadline specified in the application for final compensation or order of the Bankruptcy Court.

The professionals retained by the Plan Administrator shall submit invoices for fees and expenses to the Plan Administrator and, subject to Article V.H of the Plan, if the Plan Administrator does not dispute such invoice the Plan Administrator shall pay such invoice in accordance with its terms, or, in the event the Plan Administrator disputes such invoice, on such other terms as the Plan Administrator and the applicable professional may agree to, without the need for further Court authorization. Upon the Effective Date, any requirement that Estate professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code in seeking compensation for services rendered after such date shall terminate, and the professional persons shall be paid by the Plan Administrator from the Professional Fees Account or, to the extent necessary, from Available Cash or the Post Confirmation Administration Reserve.

D. United States Trustee's Fees

U.S. Trustee Fees incurred by the Estate prior to the Effective Date shall be paid in Cash on the Effective Date in accordance with the applicable schedule for payment of such fees.

E. GRM Post-Petition Claims

All obligations owing to GRM under the Financing Order were satisfied in full in connection with the Sale closing except that pursuant to the terms of the Sale Closing Stipulation, additional funds were advanced by GRM under the Financing Order and the parties agreed that a further true-up would occur post closing.

F. Priority Tax Claims

Except to the extent that a Holder of an Allowed Priority Tax Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment, 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, the Plan Administrator shall pay to each Holder of an Allowed Priority Tax Claim such Allowed Priority Tax Claim, without interest, from the funds in the Tax Account. Any Claim or demand for penalty relating to any Priority Tax Claim (other than a penalty of the type specified in section 507(a)(8)(G) of the Bankruptcy Code) shall be disallowed, and the Holder of an Allowed Priority Tax Claim shall not assess or attempt to collect such penalty from the Estate or its Assets or properties.

VI.
CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS

The classification of Claims and Equity Interests pursuant to the Plan are as follows:

1. Summary

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes, including voting, Confirmation and Distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class, and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that such Claim or Equity Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

2. Classification and Treatment of Claims Against the Debtor

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

Class	Status	Voting Rights
Class 1 – Priority Claims	Unimpaired	Not Entitled to Vote
Class 2 – GRM Pre-Petition Claims	Unimpaired	Not Entitled to Vote
Class 3 – Other Secured Claims	Unimpaired	Not Entitled to Vote
Class 4 – Junior Subordinated Notes Claims	Impaired	As set forth in Article III.B.4 of the Plan
Class 5 – General Unsecured Claims	Impaired	Entitled to Vote
Class 6 – Equity Interests in the Debtor	Impaired	Not Entitled to Vote

3. Class 1 – Priority Claims

a. Classification: Class 1 consists of Priority Claims against the Debtor.

b. Treatment: Except to the extent that the Holder of an Allowed Priority Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment (including, without limitation, any different treatment that may be provided for in the documentation governing such Claim or in a prior agreement with such Holder), the Plan Administrator shall pay the Allowed amount of each Class 1 Priority Claim from the Administrative Claims/Priority Claims Account to each Person holding a Class 1 Priority Claim promptly following the later of (a) the Effective Date, or as soon as practicable thereafter, and (b) the date such Class 1 Priority Claim becomes an Allowed Claim (or as otherwise permitted by law). The Plan Administrator shall pay each Holder of a Class 1 Priority Claim in Cash in full in

respect of such Allowed Claim without interest accruing from the Petition Date, or on such less favorable terms as may be agreed to in writing by such Holder.

c. Voting: Class 1 is an Unimpaired Class and, therefore, each Holder of a Class 1 Claim is deemed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

4. Class 2 – GRM Pre-Petition Claims

a. Classification: Class 2 consists of the GRM Pre-Petition Claims.

b. Treatment: Pursuant to the Sale Order and the APA, the GRM Pre-Petition Claims were deemed satisfied in full upon consummation of the Sale. Accordingly, no distributions shall be made under the Plan on account of the GRM Pre-Petition Claims.

c. Voting: Class 2 is an Unimpaired Class and, therefore, the Holder of the Class 2 Claim is deemed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

5. Class 3 – Other Secured Claims

a. Classification: Class 3 consists of Other Secured Claims (if any). For convenience of identification, the Plan describes Allowed Class 3 Other Secured Claims in Class 3 as a single Class. Class 3 consists of separate subclasses, each based on the underlying property securing such Allowed Class 3 Other Secured Claim, and each subclass is treated hereunder as a distinct Class for treatment and distribution purposes and for all other purposes under the Bankruptcy Code.

b. Treatment: Except to the extent that the Holder of an Allowed Class 3 Other Secured Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment (including, without limitation, any different treatment that may be provided for in the documentation governing such Claim or in a prior agreement with such Holder), each Holder of an Allowed Class 3 Other Secured Claim, in full satisfaction, release, and discharge of such Allowed Class 3 Other Secured Claim, shall receive, on account of such Allowed Class 3 Other Secured Claim, one of the following alternative treatments at the option of the Plan Proponents: (a) payment in full in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date the Claim becomes due and payable by its terms; (b) the return of the collateral securing such Claim; (c) the treatment described in Section 1124(2) of the Bankruptcy Code; or (d) such other treatment as agreed to in writing by the Class 3 Other Secured Claim Holder and the Plan Administrator. To the extent that the value of the collateral securing any Allowed Class 3 Other Secured Claim is less than the amount of such Allowed Class 3 Other Secured Claim, the undersecured portion of such Claim shall be treated for all purposes under the Plan as an Unsecured Claim and shall be classified as such.

c. Voting: Class 3 is Unimpaired by the Plan and, therefore, each Holder of an Allowed Class 3 Other Secured Claim is deemed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

6. Class 4 – Junior Subordinated Notes Claims

a. Classification: Class 4 consists of the Junior Subordinated Notes Claims, which consists of the Claims held by the Settling Junior Subordinated Noteholders and the Non-Settling Junior Subordinated Noteholders.

b. Treatment of Settling Junior Subordinated Noteholders Claims and Voting: Those Junior Subordinated Noteholders who have executed the Junior Subordinated Noteholder Stipulation shall have their Claims treated under the terms of the Junior Subordinated Noteholder Stipulation, which provides that the Settling Junior Subordinated Noteholder shall have their Junior Subordinated Noteholder Claim Allowed as a General Unsecured Claim in the face amount of the Junior Subordinated Notes held by such Creditor giving rise to its Claim and shall be treated in accordance with Class 5 of the Plan. The Junior Subordinated Noteholder Claims held by the Settling Junior Subordinated Noteholders are Impaired and entitled to vote on the Plan.

c. Treatment of Non-Settling Junior Subordinated Noteholders Claims and Voting: The Junior Subordinated Noteholder Adversary Proceeding shall continue against those Junior Subordinated Noteholders who have not executed the Junior Subordinated Noteholder Stipulation. As set forth in the Junior Subordinated Noteholder Adversary Proceeding, the Estate believes that the Non-Settling Junior Subordinated Noteholders' Claims should be Disallowed on a variety of theories. To the extent that a default judgment or other adverse judgment is entered against a Non-Settling Junior Subordinated Noteholder, such Claim shall be Disallowed as a result of such judgment and, therefore, such claimant shall not be entitled to vote on the Plan. Any Non-Settling Junior Subordinated Noteholders' Claims that have not been adjudicated shall be Disputed Claims, such claimants shall receive no distribution on account of their Claims and shall not be entitled to vote on the Plan unless and until they obtain an order under Federal Bankruptcy Rule 3018 temporarily allowing their Claim for voting purposes.

7. Class 5 – General Unsecured Claims

a. Classification: Class 5 consists of General Unsecured Claims against the Debtor.

b. Treatment: Except to the extent that the Holder of an Allowed General Unsecured Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment (including, without limitation, any different treatment that may be provided for in the documentation governing such Claim or in a prior agreement with such Holder), each Holder of an Allowed General Unsecured Claim, in full and final satisfaction, release and settlement of such Allowed Claim, shall receive on account of such Allowed Claim, on or as soon as reasonably practicable after the Effective Date and from time to time thereafter in accordance with Article V.U of the Plan, a Pro Rata distribution of the amount of the Available Cash.

c. Voting: Class 5 is an Impaired Class and Holders of Class 5 Claims are entitled to vote on the Plan.

8. Class 6 – Equity Interests

a. Classification: Class 6 consists of all Equity Interests in the Debtor.

On the Effective Date, all Equity Interests in the Debtor shall be canceled, annulled and extinguished, and Holders of Equity Interests shall not be entitled to receive or retain any property or interest in property under the Plan on account of such Equity Interests.

Holders of Class 6 Equity Interests will receive no Distributions under the Plan and Class 6 is therefore deemed to have rejected the Plan. Accordingly, Class 6 Equity Interests are not entitled to vote on the Plan.

VII.
ACCEPTANCE OR REJECTION OF THE PLAN

A. Voting of Claims

Each Holder of an Allowed Claim in an Impaired Class which receives or retains property under the Plan shall be entitled to vote separately to accept or reject the Plan and indicate such vote on a duly executed and delivered Ballot as provided in such order as is entered by the Court establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other controlling order or orders of the Court. As Classes 4 and 5 are Impaired Classes, the Holders of Claims in each of those Classes are being provided a Ballot and are entitled to vote on the Plan.

B. Nonconsensual Confirmation

If any Impaired Class entitled to vote shall not accept the Plan by the requisite statutory majorities provided in sections 1126(c) or 1126(d) of the Bankruptcy Code, as applicable, or if any Impaired Class is deemed to have rejected the Plan, the Plan Proponents reserve the right (a) to undertake to have the Court confirm the Plan under section 1129(b) of the Bankruptcy Code and (b) subject to section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, to modify the Plan to the extent necessary to obtain entry of the Confirmation Order, provided such modifications are consistent with Article X of the Plan. At the Confirmation Hearing, the Plan Proponents will seek a ruling that if no Holder of a Claim eligible to vote in a particular Class timely votes to accept or reject the Plan, the Plan will be deemed accepted by the Holders of such Claims in such Class for the purposes of section 1129(b) of the Bankruptcy Code.

VIII.
IMPLEMENTATION OF THE PLAN AND THE PLAN ADMINISTRATOR

A. Implementation of the Plan

The Plan will be implemented by the Plan Administrator in a manner consistent with the terms and conditions set forth in the Plan, and the Confirmation Order.

B. Plan Funding

The funds utilized to make Cash payments under the Plan have been and/or will be generated from, among other things, Cash on hand and the proceeds of sale, liquidation or other disposition of the Assets.

C. Vesting of Assets in the Liquidating Debtor

Except as expressly provided herein, on the Effective Date, all Assets shall vest in the Liquidating Debtor free and clear of all Claims and Liens, but subject to the terms and conditions of the Plan and the Confirmation Order.

D. Good Faith

Confirmation of the Plan shall constitute a finding that: (i) the Plan has been proposed in good faith and in compliance with applicable provisions of the Bankruptcy Code; and (ii) the solicitation of acceptances or rejections of the Plan by all Persons has been in good faith and in compliance with applicable provisions of the Bankruptcy Code.

E. Continuing Existence

From and after the Effective Date, the Debtor pursuant to the direction of the Plan Administrator in accordance with the terms of this Plan and the Confirmation Order, shall continue in existence as the Liquidating Debtor for the purposes of (i) winding up the Debtor's affairs as expeditiously as reasonably possible, (ii) liquidating, by conversion to Cash, or other methods, the Assets, as expeditiously as reasonably possible, (iii) enforcing and prosecuting Causes of Action, interests, rights and privileges of the Debtor, (iv) resolving Disputed Claims, (v) administering the Plan, (vi) filing appropriate tax returns, and (vii) performing all such other acts and conditions required by and consistent with consummation of the terms of the Plan.

F. Liquidation of Remaining Assets

From and after the Effective Date, the Plan Administrator may, without further approval of the Court, use, sell at public or private sale, assign, transfer, or otherwise dispose of any of the Assets and convert the same to Cash.

G. Management of Debtor

On the Effective Date, the Debtor's Board of Directors shall be relieved of all further responsibilities, and shall be deemed to have resigned their positions with the Debtor, and the operation of the Debtor shall become the general responsibility of the Plan Administrator in accordance with applicable law.

H. Powers and Obligations of the Plan Administrator

The Confirmation Order shall provide for the appointment of the Plan Administrator. The compensation for the Plan Administrator shall be as set forth in the Plan Supplement. The Plan Administrator shall be deemed the Estate's representative in accordance with section 1123

of the Bankruptcy Code and shall have all powers, authority and responsibilities specified under sections 704 and 1106 of the Bankruptcy Code.

The Plan Administrator will act for the Debtor in a fiduciary capacity as applicable to a board of directors, subject to the provisions of the Plan. On the Effective Date, the Plan Administrator on behalf of the Liquidating Debtor shall succeed to all of the rights of the Debtor with respect to the Assets necessary to protect, conserve, and liquidate all Assets as quickly as reasonably practicable, including, without limitation, control over (including the right to waive) all attorney-client privileges, work-product privileges, accountant-client privileges and any other evidentiary privileges relating to the Assets that, prior to the Effective Date, belonged to the Debtor pursuant to applicable law. The powers and duties of the Plan Administrator shall include, without further Order of the Court except where expressly stated otherwise, the right:

i. to invest Cash in accordance with section 345 of the Bankruptcy Code, and withdraw and make distributions of Cash to Holders of Allowed Claims and pay taxes, if any, and other obligations owed by the Debtor or incurred by the Plan Administrator in connection with the wind-down of the Estate in accordance with the Plan;

ii. to receive, manage, invest, supervise, and protect the Assets, including paying taxes, if any, or other obligations incurred in connection with the Assets;

iii. to engage attorneys, consultants, agents, employees and all professional persons to assist the Plan Administrator with respect to the Plan Administrator's responsibilities;

iv. subject to applicable sections of the Plan, to pay the fees and expenses for the attorneys, consultants, agents, employees and professionals engaged by the Plan Administrator and the Post Effective Date Committee and to pay all other expenses in connection with administering the Plan and winding down the affairs of the Debtor without further order of the Court;

v. to execute and deliver all documents, and take all actions, necessary to consummate the Plan and wind-down the Debtor's business, including, without limitation, to effectuate the dissolution of the Debtor;

vi. to use, sell at public or private sale, assign, transfer, abandon or otherwise dispose of any of the Assets and convert the same to Cash, in consultation with the Post Effective Date Committee;

vii. to coordinate the collection of outstanding accounts receivable, in consultation with the Post Effective Date Committee;

viii. to coordinate the storage and maintenance of the Debtor's books and records;

ix. to oversee compliance with the Debtor's accounting, finance and reporting obligations;

x. to oversee the filing of final tax returns, audits and other corporate dissolution documents if required;

xi. to perform any additional corporate actions as necessary to carry out the wind-down, liquidation and dissolution of the Debtor;

xii. to communicate regularly with and respond to inquiries from the Post Effective Date Committee and its professionals, including providing to them information on disbursements and copies of bank statements;

xiii. to object to Claims, in consultation with the Post Effective Date Committee;

xiv. subject to Article V.K of the Plan, unless otherwise explicitly relinquished under the Plan or pursuant to the Sale Order or APA: (a) act on behalf of the Debtor or the Estate in prosecuting, defending or asserting any Causes of Action or other rights (whether legal or equitable) pertaining to the Assets or to the Debtor or the Estate that exist as of the Confirmation Date or could arise at any time thereafter, whether under the Bankruptcy Code or other applicable law, including in all adversary proceedings and contested matters then pending (whether or not originally asserted in the name of the Debtor or any other authorized Estate representative such as the Committee) or that can be commenced in the Court and in all actions and proceedings that may be pending (whether or not originally asserted in the name of the Debtor or any other authorized Estate representative such as the Committee) or that can be commenced elsewhere; and (b) subject to the approval of the Post Effective Date Committee (which approval shall be subject to the limitations set forth in Article V.K of the Plan) or Order of the Court, settle, compromise, retain, enforce, dispute or adjust any Claim or Cause of Action (a "Resolution"), provided, however that approval of the Court shall not be required (but may, in the discretion of the Plan Administrator, be obtained) for any Resolution for which the approval of the Post Effective Date Committee is obtained or is otherwise not required pursuant to the Plan;

xv. to implement and/or enforce all provisions of the Plan;

xvi. to obtain, purchase and maintain, a directors and officers liability insurance policy, an errors and omissions insurance policy, and any additional policies necessary for the preservation of the assets of the Estate, each with appropriate tails, to the extent the Plan Administrator deems necessary with the affirmative consent of the Post Effective Date Committee or upon Court authorization; and

xvii. to use such other powers as may be vested in or assumed by the Plan Administrator pursuant to the Plan or Court order or as may be necessary and proper to carry out the provisions of the Plan.

In the event the Plan Administrator and the Post Effective Date Committee are unable to reach a consensus respecting any matters which require prior approval thereof, any of the parties may bring such matter to the Court for resolution and the Plan Administrator shall be authorized to act in accordance with any ruling of the Court.

I. Resignation, Death or Removal of Plan Administrator

The Plan Administrator may resign at any time upon not less than 30 days' written notice to the Post Effective Date Committee. The Plan Administrator may be removed at any time by the Post Effective Date Committee for cause upon proper application to, and Final Order of, the Court. For purposes of the preceding sentence, "cause" shall mean gross negligence, fraud or willful misconduct. In the event of the resignation, removal, death or incapacity of the Plan Administrator or any other vacancy in the position of Plan Administrator, the Post Effective Date Committee shall designate another Person to become the Plan Administrator, and thereupon the successor Plan Administrator, without further act, shall become fully vested with all of the rights, powers, duties and obligations of his or her predecessor. No successor Plan Administrator hereunder shall in any event have any liability or responsibility for the acts or omissions of his or her predecessors.

J. Post Effective Date Committee

On the Effective Date, the Committee, shall dissolve, and members thereof shall be released and discharged from all rights and duties from or related to the Chapter 11 Case. On or before the Effective Date, a Post Effective Date Committee shall be formed which shall be comprised of 3 members, which members shall be selected by the Committee. The Post Effective Date Committee shall carry out its duties under the Plan until such time as all distributions on account of all Allowed General Unsecured Claims have been completed or reserved for in accordance with the Plan, at which time the Post Effective Date Committee shall be dissolved and all requirements in the Plan respecting the approval of or consultation with the Post Effective Date Committee shall be terminated. The fiduciary duties that applied to the Committee prior to the Effective Date shall apply to the Post Effective Date Committee.

If a member of the Post Effective Date Committee resigns or is removed, no replacement shall be appointed. The Post Effective Date Committee's role shall be to consult with the Plan Administrator and to perform the functions set forth in the Plan.

The Post Effective Date Committee shall have the power and authority to utilize the services of its counsel as necessary to perform the duties of the Post Effective Date Committee and to authorize and direct such Persons to act on behalf of the Post Effective Date Committee in connection with any matter requiring its attention or action. The Plan Administrator shall be responsible for the payment of all reasonable and necessary fees and expenses of such counsel from the Post Confirmation Administrative Reserve. The Plan Administrator shall pay the reasonable and necessary fees and expenses of the Post Effective Date Committee's counsel.

Except for the reimbursement of reasonable, actual costs and expenses incurred in connection with their duties as members of the Post Effective Date Committee, the members of the Post Effective Date Committee shall serve without compensation. Reasonable expenses incurred by members of the Post Effective Date Committee may be paid by the Plan Administrator in accordance with the Post Confirmation Administrative Reserve without the need for Court approval.

The Plan Administrator shall provide a quarterly report of all material matters to the Post Effective Date Committee.

K. Limitations on Certain Actions by the Plan Administrator Without Approval of the Post Effective Date Committee

(a) Limitations on Actions. Notwithstanding anything to the contrary contained in the Plan, Plan Administrator's discretion to settle Claims and Causes of Action and dispose of Assets shall be subject to the limitations contained in Article V.K of the Plan.

(b) Resolution of Claims. The Plan Administrator may resolve objections to Claims that were either pending on the Effective Date or first initiated after the Effective Date as follows:

- without notice to, or consent from, the Post Effective Date Committee where the face amount of the Claim is equal to or less than $250,000;

- with the affirmative consent of the Post Effective Date Committee where the face amount of the Claim is in excess of $250,000 but is equal to or less than $1,000,000; and

- with the affirmative consent of the Post Effective Date Committee and approval from the Bankruptcy Court where the face amount of the Claim is in excess of $1,000,000.

(c) Sale of Assets. The Plan Administrator may sell Assets as follows:

- without notice to, or consent from, the Post Effective Date Committee where the sales price is equal to or less than $25,000;

- with written notice to the Post Effective Date Committee where the sales price is more than $25,000 and equal to or less than $100,000 provided that no member of the Post Effective Date Committee objects to the sale within five (5) business days of transmission of the written notice; provided, further that if a member of the Post Effective Date Committee so objects then the Plan Administrator may only proceed with the proposed sale with the consent of the Post Effective Date Committee;

- with the affirmative consent of the Post Effective Date Committee where the sales price is more than $100,000 and equal to or less than $2,000,000; and

- with the affirmative consent of the Post Effective Date Committee and approval from the Bankruptcy Court where the sales price is more than $2,000,000.

(d) Settlement of Causes of Action. The Plan Administrator may settle Causes of Action as follows:

- without notice to, or consent from, the Post Effective Date Committee where the disputed amount (i.e. gross transfer minus good faith estimates of new value and ordinary course of business) is less than $100,000 and the Plan Administrator proposes to settle such claim for more than 60% of the disputed amount;

- with written notice to the Post Effective Date Committee where the disputed amount is less than $100,000 and the Plan Administrator proposes to settle such claim for less than 60% of the disputed amount, provided that no member of the Post Effective Date Committee objects in writing to the proposed settlement within five (5) business days of transmission of the written notice; provided, further that if a member of the Post Effective Date Committee so objects then the Plan Administrator may only proceed with the proposed settlement with the consent of the Post Effective Date Committee;

- with written notice to the Post Effective Date Committee where the disputed amount is between $100,000 and $500,000 and the Plan Administrator proposes to settle such claim for more than 60% of the disputed amount; provided that no member of the Post Effective Date Committee objects in writing to the proposed settlement within five (5) business days of transmission of the written notice; provided, further that if a member of the Post Effective Date Committee so objects then the Plan Administrator may only proceed with the proposed settlement with the consent of the Post Effective Date Committee;

- with the affirmative consent of the Post Effective Date Committee where the disputed amount is between $100,000 and $500,000 and the Plan Administrator proposes to settle such claim for less than 60% of the disputed amount; and

- with the affirmative consent of the Post Effective Date Committee and approval from the Bankruptcy Court where the disputed amount is more than $500,000.

L. Rights of Action

Except to the extent (i) waived pursuant to prior Court Order or expressly through the Plan, or (ii) such claims and rights of action otherwise were sold to Purchaser in connection with the Sale, in accordance with section 1123(b)(3)(B) of the Bankruptcy Code, all of the Debtor's rights of action, including, without limitation, the Debtor's Causes of Action and the Causes of Action listed on the Retained Causes of Action Schedule, are retained by the Liquidating Debtor and the Plan Administrator on behalf of the Liquidating Debtor may pursue by any lawful means all such actions for the benefit of the Holders of Claims. Any distributions provided for in the Plan and the allowance of any Claim for the purpose of voting on the Plan is and shall be without prejudice to the rights of the Plan Administrator to pursue and prosecute any Causes of Action

including, but not limited to the Retained Causes of Action. Except as otherwise set forth in the Plan, all Causes of Action of the Debtor shall survive confirmation of the Plan and the commencement and prosecution of Causes of Action of the Debtor shall not be barred or limited by any estoppel, whether judicial, equitable or otherwise. In reviewing the Plan and the Disclosure Statement, and in determining whether to vote for or against the Plan, Creditors and other parties should consider that Causes of Action of the Debtor may exist against them and that, except as otherwise set forth in the Plan, the Plan preserves all Causes of Action of the Debtor, and that the Plan authorizes the Plan Administrator on behalf of the Liquidating Debtor to prosecute all Causes of Action of the Debtor.

Prior to February 23, 2012, the Company both: (1) engaged in a number of efforts to raise capital; and (2) entered into certain transactions which resulted in investments in the Debtor. Except as to the Released Parties to the extent of the releases set forth in Article VI.B herein, the Debtor reserves all rights against all of its former financial advisors, professional advisors, and other persons and entities, including attorneys, agents, employees and representatives of those entities arising out of or in connection with those efforts and transactions. In addition, the Debtor reserves all rights against Grant Thornton LLP and KMJ Corbin & Company, the Debtor's former independent registered public accounting firms, including their current and former attorneys, agents, employees and representatives arising out of or in connection with their engagements.

M. Cancellation of Existing Interests, Securities, Instruments and Agreements

On the Effective Date, all outstanding prepetition Claims against and Equity Interests in the Debtor shall be deemed cancelled without further act or action under any applicable agreement, law, regulation, order or rule and the obligations of the Debtor relating to, arising under, in respect of, or in connection with such securities, instruments, or agreements shall be deemed discharged, released and/or satisfied as to the Debtor. Solely for purposes of administering the Plan and compliance with any applicable state law requirements, on the Effective Date, the Plan Administrator shall be deemed to be the sole equity holder of the Debtor.

N. Corporate Action

On the Effective Date, the appointment of the Plan Administrator, and any and all other matters provided for under the Plan involving corporate action by the Debtor or its directors, including, without limitation, the transfer of management responsibilities of the Debtor to the Plan Administrator, shall be deemed to have occurred and shall be in effect from and after the Effective Date pursuant to applicable law, without any requirement of further action by the Debtor's directors. Upon making all distributions contemplated by the Plan and the filing by the Plan Administrator of a certification to that effect with the Court (which may be included in the application for the entry of the final decree), the Debtor shall be deemed dissolved for all purposes and the Plan Administrator shall be authorized to deliver any necessary documents and to take all other appropriate action to dissolve under any applicable law. From and after the Effective Date, the Debtor shall not be required to file any document, or take any action, to withdraw their business operations from any states where the Debtor previously conducted business.

O. Full and Final Satisfaction

All payments and all distributions under the Plan shall be in full and final satisfaction, release and settlement of the Debtor's obligations with respect to all Claims and Interests, except as otherwise provided in the Plan.

P. Settlement Agreements

With respect to any and all settlements incorporated into, or otherwise implemented pursuant to or in connection with the Plan in each case to the extent such settlements have not been approved by prior Court Order, the Plan and Disclosure Statement shall be deemed to constitute a motion of approval of such settlements pursuant to Bankruptcy Rule 9019 and any other applicable provisions of the Bankruptcy Rules and Bankruptcy Code.

Q. Setoffs

The Plan Administrator may, pursuant to and to the greatest extent permitted by applicable law, set off against any Claim asserted against the Debtor or the Assets, and the payments or other distributions to be made pursuant to the Plan in respect of such Claim, any Claims of any nature whatsoever that that Debtor or the Estate may have against the Holder of such Claim. Neither the failure to effect a setoff, nor the allowance of any Claim against the Debtor hereunder, shall constitute a waiver or release of any such Claim the Debtor or the Estate may have against such Holder.

R. Establishment and Maintenance of Reserve for Disputed Claims

On or as soon as practicable after the Effective Date and before making any distributions under the Plan, the Plan Administrator (on behalf of the Debtor), in consultation with the Post Effective Date Committee, shall establish and maintain a Cash reserve (the "*Disputed Claims Reserve*") equal to (i) the distributions to which Holders of Disputed Claims would be entitled under the Plan if such Disputed Claims were Allowed Claims in the amount of such Disputed Claim, or (ii) such lesser amount as required by an Order of the Court or as is agreed to in writing between the Creditor, on the one hand, and the Debtor or, as applicable, the Plan Administrator, on the other. As Disputed Claims are resolved, excess Cash in the Disputed Claims Reserve shall be made available for distribution to the Holders of Allowed Claims in accordance with the Plan, after funding the Post Confirmation Administrative Reserve. For the purposes of effectuating the provisions of the Plan and the distributions to Holders of Allowed Claims, the Debtor may, at any time and regardless of whether an objection to the Disputed Claim has been brought, request that the Court estimate the amount of Disputed Claims pursuant to section 502(c) of the Bankruptcy Code, in which event the amounts so estimated shall be deemed the Allowed amounts of such Claims for purposes of distribution under the Plan. In lieu of estimating the amount of any Disputed Claim, the Court may determine the amount to be reserved for such Disputed Claim (singularly or in the aggregate), or such amount may be fixed by agreement in writing by and between the Debtor and the Holder of a Disputed Claim. In the event that the Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Court. If the estimated amount constitutes a maximum limitation on such Claim, the Plan Administrator may elect to pursue any supplemental proceedings to object to any

ultimate allowance of such Claim. Claims may be estimated by the Court and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Court.

S. Distributions Upon Allowance of Disputed Claims

The Holder of a Disputed Claim that becomes an Allowed Claim subsequent to the Effective Date shall receive distributions from the Disputed Claims Reserve as soon as practical following the date on which such Disputed Claim becomes an Allowed Claim. Such distributions shall be made in accordance with the Plan based upon the distributions that would have been made to such Holder under the Plan if the Disputed Claim had been an Allowed Claim on or prior to the Effective Date. No Holder of a Disputed Claim shall have any Claim against the Disputed Claims Reserve or the Debtor with respect to such Claim until such Disputed Claim shall become an Allowed Claim, and no Holder of a Disputed Claim shall have any right to interest on such Disputed Claim. No distributions shall be made on account of any Claim, or a portion thereof, to the extent the Claimant receives payment from any third parties on account of such Claim, or a portion thereof.

T. Establishment of Reserve for Plan Expenses

On or as soon as practicable after the Effective Date and before making any distributions under the Plan, the Plan Administrator (on behalf of the Liquidating Debtor), in consultation with the Post Effective Date Committee, shall establish and maintain a Cash reserve (the "Post Confirmation Administrative Reserve") for estimated expenses of administering the Plan including, without limitation, (i) amounts reasonably necessary to maintain the value of the Assets during liquidation, (ii) reasonable administrative expenses (including the costs and expenses of the Plan Administrator and the Post Effective Date Committee, and the fees, costs and expenses of all professionals retained by the Plan Administrator and the Post Effective Date Committee, and taxes, if any, imposed in respect of the Assets), (iii) amounts necessary to fund the Causes of Action, (iv) amounts to satisfy other liabilities to which the Assets are otherwise subject, in accordance with the Plan, and (v) any other necessary reserves. In the event the Plan Administrator and the Post Effective Date Committee are unable to agree on the appropriate level of the Post Confirmation Administrative Reserve, the Plan Administrator may seek appropriate relief from the Court.

U. Plan Distributions

The Plan Administrator shall make initial distributions to Holders of Allowed Claims on or as soon as reasonably practicable after the Effective Date. The Plan Administrator shall make subsequent periodic distributions to Holders of Allowed Claims in consultation with the Post Effective Date Committee until such time as any further distribution is not practicable because the cost of making such distribution exceeds the amount of Available Cash on hand. Any remaining Available Cash after the final distribution has been made shall be donated to the American Bankruptcy Institute Anthony H.N. Schnelling Endowment Fund. All such distributions to the Holders of Allowed Claims shall be made in accordance with the Plan. The Plan Administrator may withhold from amounts distributable to any Person any and all amounts determined in the Plan Administrator's reasonable sole discretion to be required by any law, regulation, rule, ruling, directive or other governmental requirement. Holders of Allowed Claims shall, as a condition to receiving distributions, provide such information and take such steps as

the Plan Administrator may reasonably require to ensure compliance with withholding and reporting requirements and to enable the Plan Administrator to obtain certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law.

V. Allocation of Distributions

All payments and all Distributions under the Plan to Holders of Allowed Claims shall be allocated first to the principal amounts of such Claims, with any excess allocated to interest that has accrued on such Claims but remains unpaid.

W. *De Minimis* Distributions

The Plan Administrator shall not be required to make a distribution in an amount less than $50 in the aggregate on account of any Allowed Claim.

X. Delivery of Plan Distributions

All distributions under the Plan on account of any Allowed Claims shall be made at the address of the Holder of such Allowed Claim as set forth in a proof of Claim filed by such Holder or in the Schedules, or at such other address as such Holder shall have specified for payment purposes in a written notice to the Plan Administrator at least fifteen (15) days prior to a given distribution date. In the event that any distribution to any Holder is returned as undeliverable, the Plan Administrator shall use reasonable efforts to determine the current address of such Holder, but no distribution to such Holder shall be made unless and until the Plan Administrator has determined the then-current address of such Holder, at which time such distribution shall be made to such Holder without interest; provided, however, that any undeliverable or unclaimed distribution that is unclaimed after ninety (90) days following the initial distribution to any such Holder or after forty-five (45) days following the final distribution to any such Holder (collectively, the "*Unclaimed Property*") shall be reallocated by the Plan Administrator for re-distribution for the benefit of all other Holders of Allowed Claims in accordance with the Plan.

Y. Distributions to Holders as of the Confirmation Date

As of the close of business on the Confirmation Date, the claims register shall be closed, and there shall be no further changes in the record Holders of any Claims. Neither the Debtor nor the Plan Administrator, as applicable, shall have any obligation to recognize any transfer of any Claims occurring after the close of business on the Confirmation Date, and shall instead be entitled to recognize and deal for all purposes under the Plan (except as to voting to accept or reject the Plan pursuant to Article IV.A of the Plan) with only those Holders of record as of the close of business on the Confirmation Date.

Z. Abandoned Remaining Assets

The Plan Administrator may abandon any Assets (other than Cash) included among the Assets, without the need for additional approval of the Court, and upon such abandonment, such Assets shall cease to be Assets.

AA. Windup

After (a) the Plan has been fully administered, (b) all Disputed Claims have been resolved, (c) all Causes of Action have been resolved, and (d) all Assets have been reduced to Cash or abandoned, the Plan Administrator shall effect a final distribution of all Cash remaining (after reserving sufficient Cash to pay all unpaid expenses of administration of the Plan and all expenses reasonably expected to be incurred in connection with the final distribution) to Holders of Allowed Claims in accordance with the Plan.

BB. Indefeasibility of Distributions

All distributions provided for under the Plan shall be indefeasible.

CC. Saturday, Sunday, or Legal Holiday

If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next Business Day.

DD. Final Order

Any requirement in the Plan for a Final Order may be waived by the Plan Proponents or the Plan Administrator.

IX.
INJUNCTION AND RELEASES

A. Injunction

Except as otherwise expressly provided herein including, without limitation, the treatment of Claims against the Debtor, the entry of the Confirmation Order shall, provided that the Effective Date shall have occurred, operate to enjoin permanently all Persons that have held, currently hold or may hold a Claim against the Debtor, from taking any of the following actions against the Debtor, the Liquidating Debtor, the Plan Administrator, the Committee, the Post Effective Date Committee, or any of their respective attorneys, advisors, employees, present and former directors, officers, trustees, agents, members, or any of their respective successors or assigns (in each case, solely in their capacities as such), or any of their respective assets or properties, on account of any Claim against the Debtor: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind with respect to a Claim against the Debtor; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim against the Debtor; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim against the Debtor; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any Claim, liability or obligation due to the Debtor or their property or Assets with respect to a Claim against the Debtor; and (e) proceeding in any manner in any place whatsoever that does not conform to or comply with or is inconsistent with the provisions of the Plan; provided, however, nothing in this injunction shall

preclude the Holder of a Claim against the Debtor from pursuing any applicable insurance after the Effective Date, from seeking discovery in actions against third parties or from pursuing third-party insurance that does not cover Claims against the Debtor; provided further, however, nothing in this injunction shall limit the rights of a Holder of a Claim against the Debtor to enforce the terms of the Plan; and provided further, however, that nothing in this injunction shall limit the rights of the Post Confirmation Administrator for pursuing any of the entities listed on the Retained Causes of Action Schedule for any and all claims of the Debtor.

B. Releases by the Debtor

In consideration for services rendered to the Estate and for the consideration as more fully set forth in Article III.I.3 of the Disclosure Statement, to the greatest extent permissible by law, and except as otherwise specifically provided in Article VI.B of the Plan, as of the Effective Date, the Debtor shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever released and discharged each of the Released Parties of and from any and all past, present and future legal actions, causes of action, choses in action, rights, demands, suits, claims, liabilities, encumbrances, lawsuits, adverse consequences, amounts paid in settlement, costs, fees, damages, debts, deficiencies, diminution in value, disbursements, expenses, losses and other obligations of any kind, character or nature whatsoever, whether in law, equity or otherwise (including, without limitation, those arising under Chapter 5 of the Bankruptcy Code and applicable non-bankruptcy law, and any and all alter-ego, lender liability, indemnification or contribution theories of recovery, and interest or other costs, penalties, legal, accounting and other professional fees and expenses, and incidental, consequential and punitive damages payable to third parties), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, foreseen or unforeseen, suspected or unsuspected, now existing, heretofore existing or which may heretofore accrue against the Debtor or the Released Parties (in each case, solely in their capacities as such) occurring from the beginning of time to and including the Effective Date related in any way, directly or indirectly, arising out of, and/or connected with any or all of the Debtor, its Estate, and the Chapter 11 Case; provided, however, that notwithstanding the foregoing or any other provision of the Plan, nothing in the Plan, or any order confirming the Plan shall affect any causes of action, claims, or counterclaims that may be asserted by the Debtor or the Plan Administrator in connection with an objection to a Claim that has not been Allowed, in each case as determined by a court of competent jurisdiction. Notwithstanding anything to the contrary in this Article VI.B of the Plan, this Article does not release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan. Furthermore, nothing in Article VI of the Plan shall affect the liability of any Claims held by any third party against any of the Released Parties.

C. Releases Set Forth in the Final DIP Order and Sale Order

Notwithstanding anything to the contrary in the Plan, the entry of the Confirmation Order and the occurrence of the Effective Date shall not in any way alter or limit the releases set forth in the Financing Order or the Sale Order, each of which are reaffirmed in their entirety.

D. Exculpation

None of: (i) Pachulski Stang Ziehl & Jones LLP in its capacity as counsel to the Debtor (ii) XRoads Solutions Group, LLC, in its capacity as the Debtor's financial advisor and investment banker; (iii) the Debtor's officers, directors, managers, Director of Investor Relations, and trustees (in their capacities as such) as of the Petition Date; (iv) the Committee and the Post Effective Date Committee, (v) the members of the Committee and the members of the Post Effective Date Committee, in their individual capacities as members of the Committee and as members of the Post Effective Date Committee or (v) Pepper Hamilton LLP in its capacity as counsel to the Committee and as counsel to the Post Effective Date Committee, shall have or incur any liability for any act or omission in connection with, related to, or arising out of, the Case, the formulation, preparation, dissemination, implementation, confirmation, or approval of the Plan, the administration of the Plan or the property to be distributed under the Plan, or any contract, instrument, release, or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan, provided, however, that the foregoing provisions shall not affect the liability of any Person that would result solely from any such act or omission to the extent that act or omission is determined by a Final Order of the Court to have constituted willful misconduct or gross negligence; and in all respects, such Persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan and shall be fully protected from liability in acting or refraining to act in accordance with such advice; provided further, however, that Article VI.E of the Plan shall not limit the Debtor's obligations under the Plan.

E. Indemnification

The Plan Administrator and the members of the Post Effective Date Committee shall be indemnified and receive reimbursement against and from all loss, liability, expense (including counsel fees) or damage which the Plan Administrator and the members of the Post Effective Date Committee may incur or sustain in the exercise and performance of any of their respective powers and duties under the Plan, to the fullest extent permitted by law, except if such loss, liability, expense or damage is finally determined by a court of competent jurisdiction to result solely from the Plan Administrator's or the Post Effective Date Committee member's willful misconduct, fraud, intentional misconduct or gross negligence. The amounts necessary for such indemnification and reimbursement shall be paid by the Plan Administrator out of the Available Cash. The Plan Administrator shall not be personally liable for this indemnification obligation or the payment of any expense of administering the Plan or any other liability incurred in connection with the Plan, and no person shall look to the Plan Administrator personally for the payment of any such expense or liability. This indemnification shall survive the death, resignation or removal, as may be applicable, of the Plan Administrator and the members of the Post Effective Date Committee and shall inure to the benefit of the Plan Administrator's and the Post Effective Date Committee members' successors, heirs and assigns, as applicable.

F. Cause of Action Injunction

On and after the Effective Date, all Persons other than the Plan Administrator will be permanently enjoined from commencing or continuing in any manner any action or proceeding (whether directly, indirectly, derivatively or otherwise) on account of, or respecting any, Claim,

debt, right or Cause of Action that the Plan Administrator retains authority to pursue in accordance with the Plan.

G. Preservation and Application of Insurance

The provisions of the Plan shall not diminish or impair in any manner the enforceability and/or coverage of any insurance policies (and any agreements, documents, or instruments relating thereto) that may cover Claims (including personal injury/workers' compensation and directors/ officers Claims) against the Debtor, any directors, trustees or officers of the Debtor, or any other Person, other than as expressly as set forth herein. For the avoidance of doubt, and as set forth in the Plan, all of the Debtor's insurance policies, or third party policies naming the Debtor as an additional insured party, and the proceeds thereof shall be available to satisfy Claims to the extent such insurance policies cover such Claims. In addition, such insurance policies and proceeds thereof shall be available to satisfy Claims estimated pursuant to section 502(c) of the Bankruptcy Code or in accordance with the Plan.

H. No Discharge

The Debtor shall not be entitled to a discharge under section 1141(d) of the Bankruptcy Code.

X.
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, except for any executory contracts or unexpired leases listed in the Plan Supplement or executory contracts or unexpired leases that were previously assumed or rejected by order of the Bankruptcy Court, or are the subject of a pending motion to assume or reject, pursuant to section 365 of the Bankruptcy Code, each executory contract and unexpired lease entered into by the Debtor prior to the Petition Date that has not previously expired or terminated pursuant to its own terms shall be deemed rejected pursuant to section 365 of the Bankruptcy Code. The Confirmation Order shall constitute an Order of the Bankruptcy Court approving such rejections pursuant to section 365 of the Bankruptcy Code, as of the Effective Date. The non-Debtor parties to any rejected personal property leases shall be responsible for taking all steps necessary to retrieve the personal property that is the subject of such executory contracts and leases.

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

All proofs of claim with respect to Claims arising from the rejection of executory contracts or unexpired leases, if any, must be Filed with the Bankruptcy Court within thirty (30) days after the earlier of the date of entry of the Effective Date or an order of the Bankruptcy Court approving such rejection. Any Claims arising from the rejection of an executory contract or unexpired lease not Filed within such times will be forever barred from assertion against the Debtor, the Estate and its property, and the Plan Administrator, unless otherwise ordered by the Bankruptcy Court or provided in the Plan. All such Claims for which proofs of claim are timely

and properly Filed and ultimately Allowed will be treated as General Unsecured Claims subject to the provisions of Article III.B.5 of the Plan.

XI.
PROVISIONS FOR RESOLVING AND TREATING CLAIMS AND INTERESTS

A. Prosecution of Disputed Claims and Interests

Except as otherwise provided herein, the Plan Administrator shall have the sole right to object to all Claims and Equity Interests on any basis, including those Claims and Equity Interests that are not listed in the Schedules, that are listed therein as disputed, contingent, and/or unliquidated, that are listed therein at a lesser amount than asserted by the respective Creditor or Equity Interest Holder, or that are listed therein for a different category of Claim or Equity Interest than that asserted by the respective Creditor or Equity Interest Holder. Subject to further extension by the Court for cause with or without notice, the Plan Administrator may object to the allowance of General Unsecured Claims up to (120) days after the Effective Date, and the allowance of Administrative/Priority Claims, Secured Claims and Interests up to the later of (i) sixty (60) days after the Effective Date or (ii) the deadline for filing an objection established by order of the Court; provided, however, that an objection to a Claim based on section 502(d) of the Bankruptcy Code may be made at any time in any adversary proceeding against the Holder of any relevant Claim. The filing of a motion to extend the deadline to object to any Claims or Equity Interests shall automatically extend such deadline until a Final Order is entered on such motion. In the event that such motion to extend the deadline to object to Claims or Interests is denied by the Court, such deadline shall be the later of the current deadline (as previously extended, if applicable) or 30 days after the Court's entry of an order denying the motion to extend such deadline. From and after the Effective Date, the Plan Administrator on behalf of the Liquidating Debtor shall succeed to all of the rights, defenses, offsets, and counterclaims of the Debtor and the Committee in respect of all Claims and Interests, and in that capacity shall have the exclusive power to prosecute, defend, compromise, settle, and otherwise deal with all such objections. For the avoidance of doubt, the Plan Administrator shall not object to any Claim that is or becomes Allowed.

Pursuant to Bankruptcy Rule 9019(b), the Plan Administrator may settle any Disputed Claim or Interest (or aggregate of Claims and Interests if held by a single Creditor or Interest Holder) without Court approval, subject to any right of the Post Effective Date Committee under the Plan to approve such settlement.

B. No Distributions Pending Allowance

Notwithstanding any provision in the Plan to the contrary, no partial payments and no partial distributions shall be made by the Plan Administrator with respect to any portion of any Claim against the Debtor if such Claim or any portion thereof is a Disputed Claim. In the event and to the extent that a Claim against the Debtor becomes an Allowed Claim after the Effective Date, the holder of such Allowed Claim shall receive all payments and distributions to which such holder is then entitled under the Plan.

XII.
CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Conditions to Confirmation

The following conditions are conditions precedent to Confirmation of the Plan unless waived by the Plan Proponents pursuant to Article IX.C of the Plan: (i) the Confirmation Order must be in a form and substance reasonably acceptable to the Plan Proponents; and (ii) the Confirmation Order shall:

(a) authorize the appointment of all parties appointed under or in accordance with the Plan, including, without limitation, the Plan Administrator, and direct such parties to perform their obligations under such documents;

(b) approve in all respects the transactions, agreements, and documents to be effected pursuant to the Plan;

(c) authorize the Plan Administrator and the Post Effective Date Committee to assume the rights and responsibilities fixed in the Plan;

(d) approve the releases and injunctions granted and created by the Plan;

(e) order, find, and decree that the Plan complies with all applicable provisions of the Bankruptcy Code, including that the Plan was proposed in good faith; and

(f) order that nothing herein operates as a discharge, release, exculpation, or waiver of, or establishes any defense or limitation of damages to, any Claim or Cause of Action belonging to the Estate.

B. Conditions to Effective Date

The Plan shall not become effective unless and until the following conditions shall have been satisfied or waived pursuant to Article IX.C of the Plan:

(a) the Confirmation Date shall have occurred and the Confirmation Order, in a form consistent with the requirements of Article IX.A of the Plan, shall have become a Final Order;

(b) the Plan Supplement, if any, shall be in form and substance acceptable to the Plan Proponents;

(c) the Plan Administrator shall have been appointed;

(d) all actions, documents and agreements necessary to implement the provisions of the Plan to be effectuated on or prior to the Effective Date shall be reasonably satisfactory to the Plan Proponents, and such actions, documents, and agreements shall have been effected or executed and delivered;

(e) all documents to be contained in the Plan Supplement, to the extent applicable, shall be completed and in final form and, as applicable, executed by the parties thereto and all conditions precedent contained in any of the foregoing shall have been satisfied or waived by the Debtor; and

(f) all other actions required by the Plan to occur on or before the Effective Date shall have occurred.

C. Waiver of Conditions

Any of the conditions set forth in this Article of the Plan may be waived by the Plan Proponents.

D. Notice of Effective Date

The Liquidating Debtor shall file a notice with the Court after the Effective Date that the Effective Date has occurred.

E. Effect of Non-Occurrence of Conditions to Effective Date

If the Confirmation Order is vacated, the Plan shall be null and void in all respects, and nothing contained in the Plan or the Disclosure Statement shall: (a) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtor; (b) prejudice in any manner the rights of the Plan Proponents; or (c) constitute an admission, acknowledgment, offer or undertaking by the Plan Proponents in any respects.

XIII.
MODIFICATION, REVOCATION OR WITHDRAWAL OF THE PLAN

A. Modification of Plan: Generally The Plan Proponents may alter, amend or modify the Plan pursuant to section 1127 of the Bankruptcy Code at any time prior to the Confirmation Date. After such time and prior to substantial consummation of the Plan, the Plan Proponents may, so long as the treatment of Holders of Claims against the Debtor under the Plan is not adversely affected, institute proceedings in Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, notice of such proceedings shall be served in accordance with Bankruptcy Rule 2002 or as the Court shall otherwise order.**Modification of Plan: Ancillary Documents**

Notwithstanding any reference herein to documents in the Plan Supplement, and without limiting Article X.A of the Plan, the Plan Proponents may revise the documents in the Plan Supplement by filing revised documents with the Court on or prior to the Confirmation Date.

C. Revocation or Withdrawal of Plan

The Plan Proponents reserve the right to revoke or withdraw the Plan at any time prior to the Effective Date. If the Plan Proponents revoke or withdraw the Plan prior to the Effective Date, then the Plan shall be deemed null and void, and nothing contained in the Plan shall be deemed to constitute a waiver or release of any Claims by or against the Debtor or any other

Person or to prejudice in any manner the rights of the Debtor or any Person in any further proceedings involving the Debtor.

XIV.
RETENTION OF JURISDICTION

Notwithstanding entry of the Confirmation Order or Consummation having occurred, this Chapter 11 Case having been closed, or a Final Decree having been entered, the Bankruptcy Court shall, to the fullest extent provided for under applicable law, have jurisdiction over matters arising out of, and related to this Chapter 11 Case and the Plan, under and for the purposes of, sections 105(a), 1127, 1142 and 1144 of the Bankruptcy Code and for, among other things, the following purposes:

A. to allow, disallow, determine, liquidate, classify, estimate or establish the priority or status of any Claim, including the resolution of any request for payment of any Administrative Claim or Priority Tax Claim and the resolution of any and all objections to the allowance or priority of Claims;

B. to grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan, for periods ending on or before the Effective Date;

C. to resolve any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which the Debtor is a party or with respect to which the Debtor may be liable and to hear, determine and, if necessary, liquidate, any Claims arising therefrom;

D. to ensure that Distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan, including ruling on any motion or objection Filed pursuant to the Plan;

E. to decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving the Debtor or its affiliates, directors, employees, agents or Professionals that may be pending on the Effective Date;

F. to enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan or the Disclosure Statement;

G. to resolve any cases, controversies, suits or disputes that may arise in connection with the Consummation, interpretation or enforcement of the Plan, or any Entity's obligations incurred in connection with the Plan, including, among other things, any Avoidance Actions or subordination actions under sections 510, 544, 545, 547, 548, 549, 550, 551, and 553 of the Bankruptcy Code;

H. to approve any Resolution pursuant to Federal Bankruptcy Rule 9019 or otherwise;

I. to issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with Consummation or enforcement of the Plan, except as otherwise provided herein;

J. to resolve any cases, controversies, suits or disputes with respect to the releases, injunction and other provisions contained in the Plan and enter such orders as may be necessary or appropriate to implement such releases, injunction and other provisions;

K. to enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;

L. to determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan or the Disclosure Statement;

M. to enter a Final Decree concluding this Chapter 11 Case;

N. to consider any modification of the Plan proposed under section 1127 of the Bankruptcy Code;

O. to protect the property of the Estate from adverse Claims or interference inconsistent with the Plan, including to hear actions to quiet or otherwise clear title to such property based upon the terms and provisions of the Plan, or to determine the Debtor's exclusive ownership of claims and Causes of Action retained or otherwise dealt with under the Plan;

P. to hear and determine matters pertaining to abandonment of property of the Estate;

Q. to consider any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

R. to interpret, enforce and address any and all issues relating to any orders previously entered in this Chapter 11 Case to the extent such orders are not superseded or inconsistent with the Plan;

S. to recover all assets of the Debtor and property of the Estate, wherever located;

T. to hear and determine matters concerning state, local, and federal taxes in accordance with sections 345, 505, and 1146 of the Bankruptcy Code.

U. to hear and act on any other matter not inconsistent with the Bankruptcy Code; and

V. to interpret and enforce the injunctions contained in the Confirmation Order and Plan.

XV.
MISCELLANEOUS PLAN PROVISIONS

A. Payment of Statutory Fees

All fees payable pursuant to 28 U.S.C § 1930, as determined by the Bankruptcy Court at the hearing pursuant to section 1128 of the Bankruptcy Code, shall be paid on or before the Effective Date. The Plan Administrator shall pay fees that accrue under 28 U.S.C § 1930 until a Final Decree is entered in this case, or the Bankruptcy Court otherwise orders. The Plan Administrator shall submit U.S. Trustee quarterly fee status reports with each quarterly fee paid after Confirmation.

B. Reports

Until a final decree closing the Case is entered, the Plan Administrator shall comply with any requisite reporting requirements established pursuant to the guidelines of the U.S. Trustee.

C. Governing Law

Except to the extent the Bankruptcy Code, the Bankruptcy Rules, or other federal laws are applicable, the laws of the State of Delaware shall govern the construction and implementation of the Plan and all rights and obligations arising under the Plan.

D. Withholding and Reporting Requirements

In connection with the Plan and all instruments issued in connection therewith and distributions thereon, the Plan Administrator shall comply with all withholding, reporting, certification and information requirements imposed by any federal, state, local or foreign taxing authority and all distributions hereunder shall, to the extent applicable, be subject to any such withholding, reporting, certification and information requirements. Persons entitled to receive distributions hereunder shall, as a condition to receiving such distributions, provide such information and take such steps as the Plan Administrator may reasonably require to ensure compliance with such withholding and reporting requirements, and to enable the Plan Administrator to obtain the certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law.

Each person holding an Allowed Claim is required to provide any information necessary to effect the necessary information reporting and withholding of applicable taxes with respect to distributions to be made under the Plan. The Plan Administrator shall be entitled in its sole discretion to withhold any distributions to a Holder of an Allowed Claim that fails to provide tax identification or social security information upon written request.

Notwithstanding any other provision of the Plan, (a) each Holder of an Allowed Claim that is to receive a Distribution on account thereof pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations, on account of such Distribution, and (b) no Distribution shall be made to or on behalf of such Holder pursuant to the Plan unless and until such Holder has made arrangements satisfactory to the Plan Administrator,

for the payment and satisfaction of such withholding tax obligations or such tax obligation that would be imposed upon the Debtor in connection with such Distribution. Any property to be distributed pursuant to the Plan shall, pending the implementation of such arrangements, be treated as an Unclaimed Distribution under the Plan.

E. Section 1146 Exemption

Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of any security under the Plan; or the execution, delivery, or recording of an instrument of transfer pursuant to, in implementation of or as contemplated by the Plan; or the vesting, transfer, or sale of any real property of the Debtor pursuant to, in implementation of or as contemplated by the Plan shall not be taxed under any state or local law imposing a stamp tax, transfer tax, or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, intangible tax, or similar tax.

F. Plan Supplement

The Plan Supplement, if any, and all documents contained therein shall be filed with the Clerk of the Court before the last day upon which Holders of Claims may vote to accept or reject the Plan; provided, however, that the Plan Proponents may amend any such documents through and including the Effective Date in a manner consistent with the Plan and Disclosure Statement. Once filed with the Court, the Plan Supplement may be inspected in the office of the Clerk of the Court during normal Court hours. Holders of Claims may obtain a copy of the Plan Supplement upon written request to the Debtor in accordance with Article XII.O of the Plan. In addition, a link to the Plan Supplement, as filed with the Court, shall be prominently displayed on the website of the Debtor's claims, noticing and balloting agent.

G. Successors and Assigns

The rights, benefits and obligations of any Person named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign of such Person.

H. Reservation of Rights

Except as expressly set forth herein, the Plan shall have no force or effect unless the Bankruptcy Court enters the Confirmation Order and the Effective Date has occurred. The filing of the Plan, the statements or provisions contained therein, or the taking of any action by the Plan Proponents with respect to the Plan shall not be, or shall not be deemed to be, an admission or waiver of any rights of the Plan Proponents with respect to the Holders of Claims or Equity Interests prior to the Effective Date.

I. Post-Confirmation Effectiveness of Proofs of Claims

Proofs of Claim shall, upon the Effective Date, represent only the right to participate in the Distributions contemplated by the Plan (to the extent the claims set forth in such Proofs of Claims are Allowed) and otherwise shall have no further force or effect.

J. Term of Injunctions or Stays

Unless otherwise provided in the Plan, all injunctions or stays provided for in this Chapter 11 Case under sections 105 and 362 of the Bankruptcy Code or otherwise in effect on the Confirmation Date shall remain in full force and effect until the Effective Date.

K. Further Assurances

The Plan Proponents, the Plan Administrator and all Holders of Claims receiving Distributions under the Plan and all other parties in interest shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

L. Entire Agreement

The Plan supersedes all prior discussions, understandings, agreements, and documents pertaining or relating to any subject matter of the Plan, except for the Financing Order.

M. Retiree Benefits

On and after the Effective Date, the Debtor will have no employees and will not pay retiree benefits.

N. Failure of Bankruptcy Court to Exercise Jurisdiction

If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction, or is otherwise without jurisdiction over any matter arising out of this Chapter 11 Case, including any of the matters set forth in the Plan, the Plan shall not prohibit or limit the exercise of jurisdiction by any other court of competent jurisdiction with respect to such matter.

O. Notices

Any pleading, notice or other document required by the Plan to be served on or delivered to the Plan Proponents shall be sent by first class U.S. mail, postage prepaid to:

Counsel for the Debtor

James E. O'Neill, Esquire
Pachulski Stang Ziehl & Jones LLP
919 North Market St., 16th Floor
Wilmington, DE 19801

-and-

Jeffrey N. Pomerantz (Admitted Pro Hac Vice)
Shirley S. Cho (Admitted Pro Hac Vice)
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1313 N. Market Street
P.O. Box 1709
Wilmington, DE 19899-1709

United States Trustee
844 King Street, Room 2207
Lockbox #35
Wilmington, DE 19899-0035

P. Filing of Additional Documents

On or before the Effective Date, the Debtor may File such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

Q. Enforceability

Should any provision in the Plan be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any and all other provisions of the Plan.

R. Severability

The provisions of the Plan shall not be severable unless such severance is agreed to by the Plan Proponents, and such severance would constitute a permissible modification of the Plan pursuant to section 1127 of the Bankruptcy Code.

S. Binding Effect; Counterparts

The provisions of the Plan shall bind all Holders of Claims against the Debtor, whether or not they have accepted the Plan. The Plan may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Plan.

T. Reliance

The Plan Administrator, and its respective agents, employees and professionals, while acting in their capacity as such, (such actions including but not limited to, objecting to Claims, making Distributions to Creditors holding allowed Claims, and approving settlement of actions, as the case may be), shall be permitted to reasonably rely on any certificates, sworn statements, instruments, reports, claim dockets, schedules, or other documents reasonably believed to be genuine and to have been prepared or presented by the Bankruptcy Court Clerk's Office, the Debtor, and the Estate's professionals.

U. Plan Controls

In the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Disclosure Statement, the provisions of the Plan shall control and take precedence. In the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Confirmation Order, the provisions of the Confirmation Orders shall control and take precedence.

XVI.
RISK FACTORS

Based upon the cash expected to be available for Distribution to Holders of Allowed General Unsecured Claims and the amount of Claims asserted against the Estate, it is not expected that there will be a material Distribution unless the Plan Admnistrator successfully prosecutes the Causes of Action. The Plan Administrator's ability to generate value from the prosecution of retained Causes of Action is inherently dependent upon a number of factors. Accordingly, the Plan Administrator's ability to make a meaningful Distribution to Allowed General Unsecured Claims is highly uncertain.

For the reasons set forth in this Disclosure Statement in Article XVII below, the Debtor believes that the very same risks described herein are present for, and significantly greater to, Creditors in a chapter 7 case.

XVII.
BEST INTERESTS OF CREDITORS TEST

Confirmation of the Plan requires, among other things, that each holder of a claim in an Impaired class and each holder of an interest either: (a) accepts the Plan; or (b) receives or retains under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. This requirement is commonly referred to as the "Best Interests Test."

A. Chapter 7

To determine the value that the holders of Impaired claims and interests would receive if the Debtor were liquidated, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtor's assets and properties in the context of a chapter 7 liquidation case. Bankruptcy Code section 704 requires a chapter 7 trustee to collect and

reduce to money the property of the estate as expeditiously as is compatible with the best interests of parties in interest.

The Cash available for satisfaction of Allowed Claims would consist of the Cash, if any, held by the Debtor at the time of the commencement of the chapter 7 case. Any such Cash amount would then be reduced by the amount of any Allowed Claims secured by such assets, the costs and expenses of the liquidation and such additional Administrative Claims and other priority claims that may result from the use of chapter 7 for the purposes of liquidation.

The costs of liquidation under chapter 7 would include fees payable to a trustee in bankruptcy, as well as those that might be payable to his or her attorneys and to other professionals that such trustee may engage, plus any unpaid expenses incurred by the Debtor during the Chapter 11 Case that would be allowed in the chapter 7 case, such as compensation for attorneys, appraisers, accountants or other professionals and costs and expenses of the Debtor. Such Administrative Claims would have to be paid in Cash, in full, from the liquidation proceeds before the balance of those proceeds could be made available to pay other Claims.

B. Liquidation Analysis

Pursuant to Bankruptcy Code section 1129(a)(7), 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 were 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." For the reasons set forth in the following paragraph, the Plan Proponents believe that the Plan satisfies the Best Interests of Creditors Test.

The Plan Proponents believe the Plan provides greater recovery to the Holders of Allowed General Unsecured Claims than such Holders would receive under a liquidation under chapter 7. Substantially all of the Debtor's assets were sold to the Purchaser and the only major asset remaining is the Cash received by the Debtor as a result of the Sale, along with the Causes of Action.

In a chapter 7 case, the chapter 7 trustee would be entitled to seek a sliding scale commission based upon the funds distributed by such trustee, even though the Debtor has already accumulated much of the funds and has already incurred many of the expenses associated with generating those funds. In light of historical experience in other cases, the Plan Proponents believe that the costs of such fees for a chapter 7 trustee and the professional fees for the professionals retained by the chapter 7 trustee would be about 5% of available funds. Accordingly, the Plan Proponents believe that there is a reasonable likelihood that Creditors would "pay again" for the funds accumulated by the Debtor, since the chapter 7 trustee would be entitled to receive a commission in some amount for all funds distributed, including the substantial funds handed over to the Plan Administrator by the Debtor. As well, under the chapter 11 scenario, the Plan Administrator will likely utilize the Debtor and Committee's existing professionals and will thus be able to pursue causes of action more efficiently. It is also anticipated that chapter 7 liquidation would result in delay in the Distributions to Creditors. Among other things, chapter 7 cases would trigger a new bar date for filing Claims that would be

more than 90 days following conversion of the case to chapter 7. Fed. R. Bankr. P. 3002(c). Hence, a chapter 7 liquidation would not only delay Distributions, but raise the prospect of additional Claims that were not asserted in the Chapter 11 Case. Based on the foregoing, the Plan provides an opportunity to bring the greatest return to Creditors.

The Plan Proponents believe that, if the Plan is not confirmed or is not confirmable, the only likely alternative will be conversion of the Chapter 11 Case to chapter 7 liquidation. For the reasons set forth above, the Plan Proponents believe that the Plan is more likely to yield greater economic benefits to unsecured creditors than chapter 7 liquidation because it will avoid a layer of administrative expense associated with the appointment of a chapter 7 trustee, while increasing the efficiency of administrating the Debtor's assets for the benefit of its Creditors.

XVIII.
CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion is a summary of certain U.S. federal income tax consequences of the Plan to the Debtor, Holders of Claims, and Equity Interests. This summary generally does not address the U.S. federal income tax consequences to Holders whose Claims are Unimpaired or otherwise entitled to payment in full in Cash under the Plan, or to Holders of Claims that are deemed to reject the Plan.

This summary is based on the Internal Revenue Code of 1986, as amended (the "IRC"), Treasury Regulations promulgated and proposed thereunder, judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service ("IRS") as in effect on the date hereof. These authorities are all subject to change, possibly with retroactive effect, and any such change could alter or modify the U.S. federal income tax consequences described below. No legal opinions have been requested from counsel with respect to any of the tax aspects of the Plan and no rulings have been or will be requested from the IRS with respect to the any of the issues discussed below.

This summary is for general information only and does not purport to address all aspects of U.S. federal income taxation that may be relevant to Holders of Claims and Equity Interests in light of their personal circumstances, nor does the discussion deal with tax issues with respect to taxpayers subject to special treatment under the U.S. federal income tax laws (including, for example, foreign taxpayers, banks, governmental authorities or agencies, pass-through entities, brokers and dealers in securities, insurance companies, financial institutions, tax-exempt organizations, small business investment companies, regulated investment companies). This summary does not address any aspect of foreign, state, local, or estate and gift taxation. This summary only addresses the tax consequences to Holders of Claims who have held such Claims as capital assets within the meaning of the IRC.

THE FOLLOWING SUMMARY IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE PERSONAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS URGED TO CONSULT WITH SUCH HOLDER'S TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL, FOREIGN, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE HEREBY NOTIFIED THAT: (1) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS AND INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE IRC; (2) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE DEBTOR OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (3) HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. Consequences to Holders of Certain Claims

As set forth more fully in the Plan, and in satisfaction of their respective Claims, it is contemplated that (1) Holders of Allowed General Unsecured Claims and (2) Settling Junior Subordinated Noteholders that are treated as Holders of Allowed General Unsecured Claims, to the extent that the undersecured portion of any such Claim is treated as an Allowed General Unsecured Claim, will receive a Pro Rata distribution of the Available Cash.

The United States federal income tax consequences of the Plan to Holders of Claims, including the character, amount and timing of income, gain or loss recognized as a consequence of the Plan and the distributions provided for by the Plan, generally will depend upon, among other things: (1) whether the Holder's Claim (or a portion thereof) constitutes a Claim for principal or interest, (2) the origin of the Holder's Claim, (3) the Holder's holding period for the Claim, (4) whether the Holder acquired the Claim at a discount, (5) the type of consideration received by the Holder in exchange for the Claim, (6) whether the Holder is a United States or foreign person for federal tax purposes, (7) whether the Holder reports income on the accrual or cash basis method of tax accounting, (8) whether the Holder has taken a bad debt deduction or worthless security deduction in the current or prior years with respect to the Claim, (9) whether the Claim is an installment obligation, and (10) whether the Holder receives distributions under the Plan in more than one taxable year.

In general, each Holder of an Allowed General Unsecured Claim (including any other Claim to the extent such Claim is treated as an Allowed General Unsecured Claim) will recognize gain or loss in an amount equal to (i) the amount of cash received by such Holder in satisfaction of its Claim (other than any amounts received in respect of a Claim for accrued but unpaid interest) and (ii) the Holder's adjusted tax basis in its Claim. The character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, whether the Claim constitutes a capital asset in the hands of the Holder and how long it has been held, whether the Claim was acquired at a market discount, and whether and to what extent the Holder previously claimed a bad debt deduction.

Pursuant to the Plan, distributions received in respect of Claims will be allocated first to the principal amount of such Claims, with any excess allocated to unpaid accrued interest. However, there is no assurance that the IRS will respect this allocation. In general, to the extent that an amount received by a Holder of a Claim is received in satisfaction of interest that accrued

on its Claim during its holding period, such amount will be taxable to the Holder as interest income, except to the extent such Holder previously included such interest in gross income. Conversely, a Holder generally recognizes a deductible loss to the extent that any accrued interest was previously included in its gross income and is not paid in full. To the extent that any portion of the distribution is treated as interest, Holders may be required to provide certain tax information in order to avoid the withholding of taxes.

B. Consequences to Holders of Equity Interests

Pursuant to the Plan, all Equity Interests in the Debtor shall be canceled and extinguished on the Effective Date and Holders of Equity Interests shall not be entitled to receive any distribution under the Plan. Each Holder of an Equity Interest generally will recognize loss in an amount equal to such Holder's adjusted tax basis in its Equity Interest. The character of any recognized loss will be determined by a number of factors, including the tax status of the Holder, whether the Equity Interest constitutes a capital asset in the hands of the Holder and how long it has been held, and whether and to what extent the Holder previously claimed a deduction for the worthlessness of all or a portion of the Equity Interest.

C. Consequences to the Debtor

The Debtor expects to have a net operating loss ("NOL") for the 2012 taxable year. As a result, the Debtor does not expect to incur any federal income tax liability as a result of the implementation of the Plan.

While the Debtor will realize cancellation of indebtedness income ("COD") as a result of the discharge and satisfaction of Claims pursuant to the Plan, the Debtor is not required to recognize any of this COD under the IRC.

In general, the IRC provides that a debtor in a bankruptcy case must reduce certain of its tax attributes—including NOL carryforwards and current year NOLs, capital loss carryforwards, tax credits, and tax basis in assets (but not below the amount of liabilities to which the debtor remains subject)—by the amount of any COD incurred pursuant to a confirmed chapter 11 plan. The amount of COD incurred for federal income tax purpose is generally the amount by which the indebtedness discharged exceeds the value of any consideration given in exchange therefor. Any reduction in tax attributes in respect of COD incurred does not occur until the end of the taxable year after such attributes have been applied. As a result, any income incurred on the Effective Date in connection with the implementation of the Plan, or prior to the end of such taxable year, generally could be (and is expected to be) offset by NOL carryforwards or current year NOLs of the Debtor prior to any attribute reduction on account of any COD incurred. Although the Debtor does not expect to have any taxable income in subsequent taxable years, any NOL remaining after attribute reduction may be carried forward and used to offset taxable income in subsequent taxable years.

D. Information Reporting and Withholding

All distributions to Holders of Claims and Equity Interests under the Plan are subject to any applicable tax withholding, including employment tax withholding. Under U.S. federal income tax law, interest, dividends, and other reportable payments may, under certain

circumstances, be subject to "backup withholding" at the then applicable withholding rate (currently 28%). Backup withholding generally applies if the Holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is a United States person that is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax and the appropriate information is supplied to the IRS. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

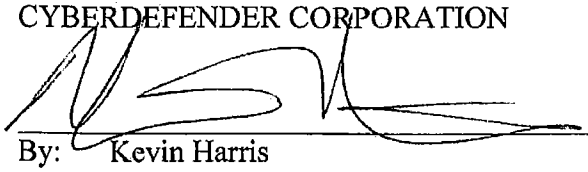
THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, HOLDERS OF CLAIMS AND INTERESTS 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.

XIX.
CONCLUSION

The Plan Proponents believe that the Plan is in the best interest of Creditors and urges Creditors to vote to accept the Plan.

Dated: Aug. 3 2012

CYBERDEFENDER CORPORATION



By: Kevin Harris
Its: Chief Financial Officer and Interim Chief Executive Officer

Submitted by:

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