

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF CONNECTICUT
BRIDGEPORT DIVISION**

In re:	:	Chapter 11
	:	
HALO TECHNOLOGY	:	Case No. 07-50480 (Lead Case)
HOLDINGS, INC.;	:	Jointly Administered
and Empagio, Inc.; Process Software,	:	with Case Nos. 07-50481; 07-50486 -
LLC.; Tenebril, Inc.; Kenosia Corporation;	:	07-50494; and 07-50496
David Corporation; Acuitrek, Inc.	:	
Revcast, Inc.; Revcast Enterprises, Inc.	:	
ProfitKey International, Inc.;	:	
6043577 Canada, Inc. and	:	
Warp Solutions, Inc.	:	
Debtors	:	January __, 2009

[PROPOSED]
DISCLOSURE STATEMENT

**[THIS DOCUMENT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY
COURT FOR CIRCULATION TO CREDITORS AND THEREFORE MAY NOT BE
RELIED UPON BY PERSONS CONSIDERING WHETHER TO VOTE TO ACCEPT
OR REJECT THE PROPOSED CREDITORS' COMMITTEE'S PLAN OF
REORGANIZATION]**

SUBMITTED BY

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

OF HALO TECHNOLOGY HOLDINGS, INC. ET AL.

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January 26, 2009

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I. INTRODUCTION.

The Official Committee of Unsecured Creditors (the “Committee”) files this Disclosure Statement (“Disclosure Statement”) pursuant to the requirements of Section 1125 of the Bankruptcy Code (the “Code”). This Disclosure Statement relates to the Plan of Reorganization (the “Plan”) submitted by the Committee in the Chapter 11 bankruptcy case (the “Bankruptcy Case”) of Halo Technology Holdings, Inc. (“Halo”), HTH EMP, Inc. f/k/a Empagio, Inc., Process Software, LLC, Tenebril, Inc., Kenosia Corporation, David Corporation, Acuitrek, Inc., Revcast, Inc., Revcast Enterprises, Inc., ProfitKey International, LLC, 6043577 Canada, Inc., and Warp Solutions, Inc. (collectively, the “Debtors”). A copy of the Plan is attached hereto as **Exhibit A**.

In the Plan, the Committee proposes to resolve and restructure the debts owed by the Debtors and to distribute available assets to the general unsecured creditors after payment of the costs of contemplated asset dispositions, and payments to secured creditors, priority creditors and administrative expense claimants. Under the terms of the Plan, the Debtors will be consolidated into a single surviving entity, the reorganized Halo Technology Holdings, Inc. Debtors’ existing equity interests will be cancelled and expunged, and Debtors’ creditors (unless within a “Convenience Class” described below) will receive in exchange for their existing debt equity interests in the reorganized Halo in proportion to their portion of the Debtors’ total unsecured debt. All real and personal property of the Debtors will likely, although not necessarily, be sold, after a suitable marketing period calculated to preserve to the extent reasonably possible the going concern value of each of the Debtors’ four operating businesses. The net proceeds will be used to pay secured claims and to create a fund that will

allow unsecured creditors to get a distribution from the Debtors' Bankruptcy Estate. Under the Plan, unsecured creditors will generally receive distributions of cash based upon the amount of their Allowed Claim relative to the total amount of Allowed Unsecured Claims.

AS A CREDITOR OF HALO, YOU CAN VOTE FOR OR AGAINST THE PLAN. THE COMMITTEE URGES YOU TO VOTE FOR THE PLAN. THE COMMITTEE BELIEVES THE PLAN OFFERS YOU THE BEST CHANCE OF RECOVERING ON YOUR CLAIM AGAINST THE DEBTORS.

II. SUMMARY OF THE PLAN.

THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE REMAINING PORTIONS OF THIS DISCLOSURE STATEMENT, AND THIS DISCLOSURE STATEMENT IN TURN IS QUALIFIED, IN ITS ENTIRETY, BY THE PLAN. THE PLAN IS AN INTEGRAL PART OF THIS DISCLOSURE STATEMENT, AND ANY HOLDER OF ANY CLAIM OR INTEREST SHOULD READ AND CONSIDER THE PLAN CAREFULLY, IN LIGHT OF THIS DISCLOSURE STATEMENT, IN MAKING AN INFORMED JUDGMENT ABOUT THE PLAN. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN, THE PLAN CONTROLS. ALL CAPITALIZED TERMS USED IN THIS DISCLOSURE STATEMENT SHALL HAVE THE DEFINITIONS ASCRIBED TO THEM IN THE PLAN UNLESS OTHERWISE DEFINED HEREIN.

The Plan is a "stock for debt" reorganization plan. Under the Plan, the various debtor entities will be consolidated into a single surviving entity, the reorganized Halo Technology Holdings, Inc. All property of the Debtors shall vest in the reorganized Halo to be dealt with pursuant to the Plan. The obligations to the Debtors' creditors, both secured and unsecured, will be restructured and satisfied. Existing equity interests are to be cancelled and expunged; equity interest holders will receive nothing under this Plan on account of their equity interests. At confirmation, Mr. Brian Sagi of Cerian Technology Ventures, LLC, shall be engaged as Post-Confirmation Chief Restructuring and Executive Officer. The businesses of the four Operating Companies (as defined in the Plan) will remain active as potential dispositions of

such businesses are evaluated and, if appropriate, implemented. The Debtors' cash on hand, as well as the proceeds of the sale of any of the Operating Companies, will be used to satisfy post-confirmation operating expenses (including funding of reserves set forth in this Plan) and costs of disposition, Administrative Claims and Priority Claims, the restructured debts of secured creditors and Convenience Class creditors, and shall then be used to pay the remaining unsecured creditors on a *pro rata* basis. The Committee believes that the distribution to unsecured creditors under this Plan will exceed the distribution, if any, to unsecured creditors under liquidation in accordance with the provisions of Chapter 7 of the Code.

As prescribed by the Code and the Rules, Claims asserted against, and Equity Interests in, the Debtor are placed into "Classes." The Plan designates four separate Classes of Claims and Interests. The classification of Claims and the treatment of each Class are discussed in detail below.

III. VOTING ON THE PLAN AND CONFIRMING THE PLAN.

To the extent the treatment proposed under the Plan alters, modifies or changes the legal, contractual, or equitable rights with respect to any Claim or Interest asserted against the Debtors, such Claim or Interest is considered "Impaired." The holder of an Impaired Claim or Interest is entitled to vote either in favor of or against the Plan. You will find a ballot included in the envelope with this Disclosure Statement. **PLEASE MARK THE BALLOT** to indicate whether (I) if you are a general unsecured claimant holding a claim in excess of \$10,000, you elect to voluntarily reduce your claim to \$10,000 and be included within the "Convenience Class (Class 5)" and (II) whether you vote to **ACCEPT or REJECT** the Plan.

After you have completed your Ballot, place the Ballot in the enclosed, pre-addressed, pre-stamped envelope and place the envelope in the mail as soon as practicable. **YOUR BALLOTS MUST BE RECEIVED BY THE VOTING AGENT, WHOSE ADDRESS IS PRINTED ON THE ENVELOPE, BY NO LATER THAN 5:00 P.M. ON _____, 2009, OR THEY WILL NOT BE COUNTED.**

Upon receipt, the Ballots will be tabulated, and the results of the voting will be presented to the Court for its consideration. As described in greater detail in Section VI C. of this Disclosure Statement, the Code prescribes certain requirements for confirmation of a plan. The Court will schedule a hearing (the “Confirmation Hearing”) to consider whether the Plan complies with those requirements.

The Code permits a court to confirm a plan even if all Impaired Classes have not voted in favor of a plan. Confirmation of a plan over the objection of a Class is sometimes called “cramdown.” As described in greater detail in Section VI D. of this Disclosure Statement, the Committee has expressly reserved the right to seek “cramdown” in the event all Impaired Classes do not vote in favor of the Plan.

IV. CHAPTER 11 PROCEEDINGS.

A. Background.

On August 20, 2007 (the “Petition Date”), the Debtors filed their Petition for Reorganization with the Bankruptcy Court, seeking relief under Chapter 11 of the Code. Under the provisions of the Code, the Debtors are operating their business as debtors in possession, subject to the supervision of the Bankruptcy Court and the Office of the United States Trustee. The Bankruptcy Cases have been procedurally consolidated for administrative

purposes. On September 25, 2007, the United States Trustee for Region 2 (the “U.S. Trustee”), pursuant to Section 1102(a) of the Bankruptcy Code, appointed the Official Committee of Unsecured Creditors of Halo Technology Holdings, Inc., *et al.*, to represent the interests of the Debtors’ unsecured creditors. The U.S. Trustee filed a Notice of Appointment of Committee of Unsecured Creditors on September 25, 2007, which appointment was amended on October 9, 2007.

Halo Technology Holdings, Inc. is a holding company whose subsidiaries operate enterprise software and information technology businesses. In addition to holding its existing subsidiaries, Halo’s strategy has been to pursue acquisitions of businesses, which either complement Halo’s existing businesses or expand the industries in which Halo operates. Halo’s subsidiaries who are part of this consolidated Chapter 11 reorganization include: (i) HTH EMP. Inc. f/k/a Empagio, Inc. (formerly a provider of human resource software and related services whose business assets were sold on May 5, 2007 to an unrelated company), (ii) Process Software, LLC (a developer of infrastructure of software solutions for mission-critical environments, including industry-leading TCP/IP stacks (suites of data communication protocols), (iii) Tenebril, Inc. (a software company providing award-winning Internet and spyware protection to consumers and organizations), (iv) David Corporation (a pioneer in Risk Management Information Systems), (iv) Acuitrek, Inc. (a provider of policy administration and underwriting software solutions for the alternative risk insurance market), (v) Kenosia Corporation (a software company whose products include its Data Alchemy product line), (vi) RevCast, Inc. and RevCast Enterprises, LLC (who together provide forecasting and replenishment solutions to some of the largest manufacturers in the world), (vii) Profitkey

International, LLC (a developer and marketer of integrated manufacturing software and information control systems for make-to-order and make-to-stock manufacturers), and (viii) 6043577 Canada, Inc. and Warp Solutions, Inc. (a producer of a series of application acceleration products that improve the speed and efficiency of transactions and information requests that are processed over the Internet and intranet network systems).

Currently, there are four companies who have on-going business operations, namely, Process Software, LLC (into which the operations of Tenebril, Inc. have been merged), David Corporation, Kenosia Corporation, and Profitkey International LLC (the “Operating Companies”).

Prior to the Petition Date, the Debtors entered into that certain loan agreement (as amended, the “Loan Agreement” and, together with all collateral and ancillary documentation executed in connection therewith, the “Loan Documents”) with a collection of banks on or about August 2, 2005 to provide debt and working capital to the Debtors. Fortress Credit Corp. (“Fortress”) is both a lender and the Agent under the Loan Documents. Fortress has asserted a first priority lien on and security interest in all of the Debtors’ properties and assets, including accounts receivable. As of the Petition Date, Fortress asserted a proof of claim in the approximate amount of \$7,893,038.72.

B. Events Subsequent to Chapter 11 Filing.

(1) Cash Collateral Dispute

On August 21, 2007, the Debtors filed a Motion for Authority to Use Cash Collateral and to Provide Adequate Protection. Cash collateral is the proceeds of the business that are subject to security interests held by one or more of the Debtors’ creditors. Thereafter, on

August 29, 2007, the Bankruptcy Court approved the Debtors' and Agent's Joint Stipulation and Interim Agreed Order (I) Authorizing the Use of Cash Collateral, and (II) Setting Final Hearing (the "Stipulation and Interim Order"). On October 12, 2007, the Agent filed its Objection to Debtors' Motion to Use Cash Collateral and to Provide Adequate Protection and Limited Objection to Certain Professional Applications which objection was supplemented on January 23, 2008. On January 29, 2008, the Debtors' filed their reply to the supplemental objection. Trial on the contested use of cash collateral was scheduled for February 27, 2008. However, the Debtors and Fortress ultimately reached a resolution on the use of cash collateral that was formalized in the Joint Stipulation and Interim Agreed Order Authorizing the Use of Cash Collateral dated March 18, 2008 and was approved by the Court. A final order to that effect was entered on March 20, 2008.

(2) Retention of Professionals

1. On or about October 10, 2007, the Committee retained Weiser LLP to assist it in: (i) analyzing the financial operations of the Debtors before and after the Petition Date; (ii) analyzing the Debtors' business operation, proposed business plan including proposed compensation, retention and severance plans, assumption/rejection of leases and executory contracts, proposed DIP financing agreements; and (iii) analyzing financial information submitted by the Debtors including, but not limited to Schedules of Assets and Liabilities, the Statement of Financial Affairs, cash flows and other projections prepared by the Debtors or its accountants. Subsequent to its retention, Weiser provided the following services to the Committee and the Debtors: (1) cash flow and profitability assessment; (2) valuation report in or about November, 2007; (3) cost-cutting review and assessment; and (4) financial advisor in

settlement negotiations with the Debtors and Fortress on the terms of a consensual Plan of Reorganization. Shortly after the petition date, Jim Horgan of Weiser met with Debtors' management, Ron Bienvenu, JR Mysogland and their former CFO, and gained an understanding of the business and the Debtors' historic and projected financial performance. Mr. Horgan discussed and provided suggestions to Debtors' management in the planning stages of major cost reductions that were subsequently enacted. Mr. Horgan's services were invaluable and were central to the Debtors' subsequent financial successes in the second quarter of 2008.

(3) The Old Empagio Litigation

In January, 2006, Halo purchased Empagio, Inc., a Georgia software company, from its former shareholders, namely, Barbara Beyer, Steven Payne, Lynn Fraas, Steven Garrett, Lisa Kiefer, Robert Lindsey and Randall Cooper (the "Old Empagio Shareholders"). In consideration for the sale, the Old Empagio Shareholders received shares of Halo. On March 19, 2007, the Old Empagio Shareholders filed an action against Halo in the Superior Court of Fulton County, Georgia (the "Georgia Action") alleging that Halo failed to register the stock and resold the assets of Old Empagio and was liable to them for breach of contract and fraud.

On April 23, 2007, Halo removed the Georgia Action to the United States District Court for the Northern District of Georgia. On October 3, 2007, Halo filed its Motion to Transfer the Georgia Action to the Bankruptcy Court for the Northern District of Georgia, to which the Old Empagio Shareholders objected.

On March 29, 2007, Halo commenced an action against several of the Old Empagio Shareholders, including Cooper, Payne, Garrett and Fraas, and certain venture capitalists,

including Primus Venture Partners, Inc., Primus Capital Fund V LP, Primus Venture Partners V, LLC, Jonathan E. Dick, Phillip C. Molner, and Primus Venture Partners (the “Primus Defendants”), in the United States District Court for the District of Connecticut (the “Cooper Group/Primus Suit”). In its complaint in the Cooper Group/Primus Suit, Halo alleges three causes of action: (1) violation of Connecticut’s unfair trade practices act; (2) breach of fiduciary duty; and (3) tortious interference with fiduciary duty. On June 16, 2007, the Defendants in the Cooper Group/Primus Suit moved to dismiss the case and/or transfer the venue to Georgia. On March 26, 2008, the Connecticut District Court denied their Motion.

On August 27, 2008, the District Court granted Primus Defendants’ motion to dismiss for lack of standing. The only remaining defendants are Randall Cooper and Steven Garrett. The action remains pending.

On November 5, 2007, the Old Empagio Shareholders moved to terminate or modify the automatic stay (the “Motion for Relief from Stay”) so that they could proceed with the Georgia Action. The Debtor and the Committee opposed the requested stay relief. On or about November 21, 2007, a stipulation was entered by and among the Debtor, the Old Empagio Shareholders and the Committee pursuant to which the parties agreed to extend the Bard Date for the filing of proofs of claim by the Old Empagio shareholders. Between November 21, 2007 and April 30, 2008, the parties attempted to settle the Georgia Action. On or about June 6, 2008, the Old Empagio Shareholders withdrew their Motion for Relief from Stay.

(4) The New Empagio Litigation

On May 17, 2007, Empagio, Inc. and Empagio Acquisition LLC (“Empagio Acquisition”) entered into that certain Asset Purchase Agreement (the “APA”) pursuant to which Empagio Acquisition agreed to purchase the operating assets of Empagio for \$16 million subject to certain adjustments. On the closing date, Empagio Acquisition paid the Debtor \$13,585,853 and placed \$250,000 in escrow (the “Empagio Sale Working Capital Escrow”). In addition, the APA provided for two deferred payments of \$1,000,000.00 plus interest, due on September 30, 2008 and September 30, 2009 (the “Empagio Sale Notes”). Subsequent to the closing, a dispute arose between the Debtor and Empagio Acquisition (the “Empagio Dispute”) regarding the Debtor’s entitlement to the Empagio Sale Working Capital Escrow and the Empagio Sale Notes and a variety of claims made by Empagio Acquisition against the Debtor.

On September 28, 2007, Empagio Acquisition filed a motion with the Bankruptcy Court seeking to compel (the “Motion to Compel”) the Debtor to submit the Empagio Dispute to arbitration. On October 18, 2007, the Debtor filed an objection to the Motion to Compel which was ultimately resolved by the parties agreement to submit a part of their dispute to arbitration, namely the calculation of the Net Working Capital and the Adjusted Purchase Price. The parties mutually selected the firm of PriceWaterhouse Coopers to arbitrate the dispute and the arbitration is currently pending.

C. Purpose of the Plan.

In formulating the Plan, the Committee seeks to satisfy all Allowed Administrative Claims and Allowed Priority Claims, reorganize the secured claims and to create a fund

allowing a distribution to unsecured creditors that would exceed any possible distribution to unsecured creditors under a Chapter 7 liquidation scenario. The Committee has concluded that a Chapter 7 liquidation would not be in the best interest of the creditors and would, in fact, produce substantially less for creditors than would be achieved under the Plan. In fact, the holders of Claims in Classes 2, 3, 4 and 5 under the Plan would likely receive no distribution in a Chapter 7 scenario. A copy of the Chapter 7 Liquidation Analysis is attached hereto as **Exhibit B.**

THE COMMITTEE BELIEVES THAT THE PLAN PROVIDES THE GREATEST AND EARLIEST POSSIBLE DISTRIBUTION TO THE CREDITORS. THEREFORE, THE COMMITTEE BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF EACH AND EVERY CLASS OF CREDITORS AND RECOMMENDS THAT THEY VOTE TO ACCEPT THE PLAN.

V. THE PLAN.

THE FOLLOWING SUMMARY IS INTENDED ONLY TO PROVIDE AN OVERVIEW OF THE COMMITTEE'S PLAN. ANY PARTY IN INTEREST CONSIDERING A VOTE ON THE PLAN SHOULD CAREFULLY READ THE PLAN IN ITS ENTIRETY BEFORE MAKING A DETERMINATION TO VOTE IN FAVOR OF OR AGAINST THE PLAN. THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE PLAN.

A. Overview.

The Plan recognizes that the businesses of these debtors have historically been significantly intermingled and supported, financially and otherwise, by one another; the Plan is premised on the substantive consolidation of the debtors into a single entity, the reorganized Halo Technology Holdings, Inc., with the assets and liabilities of each debtor being consolidated and treated as if the assets and liabilities of a single entity. Upon confirmation, all property of the Debtors, including the rights to pursue avoidance actions and other claims

of any of the Debtors, shall vest in the Reorganized Halo to be dealt with in accordance with the terms of the Plan. Reorganized Halo shall be authorized to issue, in addition to the shares of common stock to be issued to Class 3 and 4 claimants, additional common stock in an amount up to 25 percent of the number of shares to be issued to Class 3 and 4 claimants for purposes of providing incentives, if appropriate, to Operating Company employees.

The businesses conducted by the Operating Companies will remain active as potential dispositions of such businesses are evaluated and, if appropriate, implemented. The reorganized Halo will retain on existing terms the current day-to-day management and staff of the Operating Companies so as to preserve continuity of operations and the goodwill associated with such businesses. Existing management at the Halo level shall be terminated; provided, however, that at the discretion of the Post Confirmation CRO/CEO, and on such terms as may be negotiated, one or more persons constituting Halo's existing management may be retained on a consulting basis.

At confirmation, Mr. Brian Sagi, or such other qualified person as the Plan Proponent may designate, shall be engaged as Post-Confirmation Chief Restructuring and Executive Officer. The Post-Confirmation CRO/CEO shall be compensated in accordance with the terms of a written engagement agreement and shall report to the Board of Directors of the reorganized Halo. The compensation paid to the Post Confirmation CRO/CEO is expected to be not more than \$60,000 per month for 100 hours of service, to be reduced ratably as the Operating Companies are disposed of. Salary and benefit savings achieved from the resignation of Halo's current management team are expected to provide sufficient operational savings to fund this position in full or in large part; a shortfall, if any, will be made up cash

generated from post-confirmation operations. Duties of the Post-Confirmation CRO/CEO shall include: managing reorganized Halo; overseeing management of businesses of the Operating Companies (including but not limited to authority to hire and fire management at the Operating Company level); arranging for the discharge of the accounting function; reviewing contract renewals and new contracts for the Operating Companies; evaluation, coordination and implementation (alone or in conjunction with an investment banker to be retained by the reorganized Halo) of potential disposition(s) of the Operating Companies. Although negotiations have yet to be finalized the Plan Proponent believes, based on prior discussions with Cerian, that a fee structure can be implemented whereby a threshold investment banker fee for dispositions of the Operating Companies can set at no greater than \$500,000 (*i.e.*, Process \$150,000; Profit Key \$100,000; David \$175,000; and Kenosia \$75,000), with an additional success fee of 25% of the aggregate sales proceeds in excess of \$10,000,000.

Overall, the Plan provides that holders of Allowed Administrative Claims will be paid in full from the available cash on the Effective Date, unless otherwise agreed. The Committee anticipates that no less than \$1,000,000 may be needed to make all required Administrative Claim and Priority Claim payments on the Effective Date, subject to final fee applications filed by professionals, but that most if not all Administrative Claim and Priority Claim holders will agree to defer payment on some portion or all of their claims in order to facilitate the implementation of this Plan. Holders of Allowed Priority Non-Tax Claims will be paid in full from the Available Cash on the Effective Date, unless that class has elected to accept the Plan, in which case such claims will be paid deferred cash payments of a value, as of the Effective

Date of the plan, equal to the allowed amount of their claim. The Committee anticipates that all Allowed Priority Tax Claims will total approximately \$25,000.

B. Impaired Classes.

Classes 1 through 5 are Impaired under the Plan and are entitled to vote to accept or reject the Plan. Pursuant to Section 1126(g) of the Code, holders of Allowed Interests in Classes 6 and 7 are deemed to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

C. Classification of Claims and Equity Interests under the Plan.

1. Class 1. The Allowed Secured Claim of Fortress. As of the filing date, the principal amount of the allowed secured claim of Fortress was \$ 7,893,038.72 (exclusive of unpaid interest, fees and costs).

2. Class 2. Non-Tax Priority Unsecured Claims. The Allowed Priority Unsecured Claims other than priority claims of the type specified in Section 507 (a) (8) of the Code. Priority claims of this type were scheduled in the approximate amount of \$440,000; however, a significant portion of these claims were pre-petition wages claims which Debtors obtained authority to pay, and Plan Proponents believe were paid, during the course of these bankruptcy cases.

3. Class 3. General Unsecured Claims Not Subordinated to Fortress. The Allowed Claims of creditors holding pre-petition general unsecured claims against the Debtors, and which claims are not contractually subordinated to payment of the Fortress claim. Such claims filed or scheduled in these case, and which claims are subject to allowance or disallowance, total approximately \$4,000,000.

4. Class 4. General Unsecured Claims Subordinated to Fortress. The Allowed Claims of creditors holding pre-petition general unsecured claims against the Debtors, and which claims are contractually subordinated to payment of the Fortress claim. Such claims may also have stock warrants associated with them, or permit the conversion of debt into equity. Such claims filed or scheduled in these cases, and which claims are subject to allowance or disallowance, total approximately \$11,000,000.

5. Class 5. Convenience Claims. The Allowed Claims of creditors holding pre-petition general unsecured claims against the Debtors of \$10,000 or less, or otherwise electing treatment as Convenience Class creditors. Claims against Debtors of \$10,000 or less total approximately \$400,000.

6. Class 6. The Equity Interests held by Halo in the Halo Subsidiaries as of the Effective Date of this Plan.

7. Class 7. The Equity Interests of shareholders in Halo as of the Effective Date of this Plan.

D. Treatment of Claims and Equity Interests under the Plan.

1. Class 1 - Fortress. In full, complete and final satisfaction of its Class 1 claims, Fortress shall receive an amended and restated promissory note on the following terms: Principal = allowed amount of Fortress claim; Maturity = 5 years; Rate = then-current rate applicable to 5 year U.S. Treasury Note, plus 350 basis points; Payments: quarterly, interest only; Reduction of Principal prior to maturity: (I) from excess proceeds from sale(s) of Operating Companies (*i.e.*, proceeds remaining after deduction for: (a) expenses of sale, including fees payable to investment bankers; (b) payment of any as-then unpaid Allowed

Administrative or Priority Claims; (c) replenishment of the Reorganized Halo's Working Capital Reserve; (d) repayment of exit financing, if any; and (e) any guaranteed payment to the Convenience Class), and/or (II) upon refinance; Collateral: lien on assets of Debtors to the extent Fortress possessed such at the time of confirmation of this Plan, subordinate to: (a) expenses of sale of any Qualified Operating Company Sale, including fees payable to investment bankers; (b) payment of administrative and priority claims from the proceeds of any Qualified Operating Company Sale; (c) funding of Working Capital Reserve and Administrative / Priority Claims Reserve Account; (d) payment of exit financing, if any; and (e) any guaranteed payment to Convenience Creditors.

2. Class 2 - Priority Non-Tax Unsecured Claims. Allowed priority claims other than claims of the kind specified in § 507(a)(8) of the Code shall be paid from excess cash generated by operations of the post-confirmation Halo. Until paid, such claims shall bear interest at the rate ascribed at the time of confirmation to the three (3) year U.S. Treasury Note.

3. Class 3 - General Unsecured Creditors Not Contractually Subordinated to Fortress. In full, complete and final satisfaction of all claims of Class 3 creditors, each Class 3 creditor will receive shares of common stock in the reorganized Halo in a percentage expressed by a fraction the numerator of which is the dollar amount of the Class 3 General Unsecured Creditor's Allowed Claim and the denominator of which is of the dollar amount of all Allowed Claims of Classes 3 and 4. Upon post-confirmation disposition of the Operating Companies and other remaining assets of the Debtors, Class 3 claimants are to receive their proportionate share (as determined by percentage of equity ownership in the reorganized Halo) of the net

proceeds of such dispositions.

4. Class 4 - General Unsecured Creditors Contractually Subordinated to Fortress.

In full, complete and final satisfaction of all claims of Class 4 creditors, each Class 4 creditor will receive shares of common stock in the reorganized Halo in a percentage expressed by a fraction the numerator of which is the dollar amount of the Class 4 General Unsecured Creditor's Allowed Claim and the denominator of which is the dollar amount of all Allowed Claims of Classes 3 and 4. Upon post-confirmation disposition of the Operating Companies and other remaining assets of the Debtors, Class 4 claimants are to receive their proportionate share (as determined by percentage of equity ownership in the reorganized Halo) of the net proceeds of such dispositions.

5. Class 5 - Convenience Class. In full, complete and final satisfaction of each Class 5 Convenience claim, the holder shall receive an amount of cash equal to fifteen percent (15%) of the amount of such Allowed Claim on the later of the date that is six (6) months after the Effective Date or the date that is ten (10) days after the date such claim is allowed.

6. Class 6 - Equity Interests in Halo Subsidiaries. In full, complete and final satisfaction of Class 6 equity interests, the reorganized Halo shall retain Halo's 100% equity interest in each of the Halo subsidiaries until such time as they are cancelled in accordance with the substantive consolidation contemplated by this Plan.

7. Class 7 - Equity Interests in Halo. In full, complete and final satisfaction of Class 7 equity interests, the interests of holders of equity interests (including stock and warrants) in Halo shall be cancelled and expunged and holders of such interest shall receive no distribution.

E. Means of Implementation.

1. Substantive Consolidation of the Debtors. This Plan contemplates and is predicated upon the entry of an order substantively consolidating the estates and cases of the respective debtors for the purposes of all actions associated with confirmation and consummation of the Plan, including voting, confirmation, and distribution. Accordingly, with respect to all the debtors and estates that are substantively consolidated pursuant to the terms of the confirmation order, on and subject to the occurrence of the Effective Date, all remaining assets and liabilities of the consolidated Debtors shall be treated as if they were aggregated together, all guarantees of any consolidated Debtor of the payment, performance, or collection of obligations any other Debtor shall be eliminated and canceled, all claims between or among the consolidated Debtors shall be canceled, all joint obligations of two or more consolidated Debtors and all multiple claims against such entities on account of such allegedly joint obligations shall be treated and allowed only as a single claim against the consolidated Debtors, and each claim filed as scheduled in the case of any debtor shall be deemed filed and scheduled against the consolidated debtors and a single obligation to consolidated debtors on or after the effective date. The foregoing shall not affect the rights of any holder of any outstanding secured claim with respect any specific collateral securing its claim, or the terms and implementation of any settlement, and the rights and obligations of the parties thereto, entered into in conjunction with confirmation of the plan, and shall not be deemed to prejudice the avoidance actions and all other causes of action, which shall survive entry of the confirmation order for the benefit of the Debtors, and their estates as if there had been no substantive consolidation.

The Plan shall serve as, and shall be deemed to be, a motion for entry of an order substantively consolidating the cases, although nothing herein or in the disclosure statement shall, or shall be deemed to, prejudice or otherwise affect the plan proponents right to file a separate motion seeking substantive consolidation of daylight can do so in its sole discretion. The basis for such requested substantive consolidation is set forth in the disclosure statement (and as may be set forth in any other motion or pleadings the plan proponents may file support of such request). If no objection to substantive consolidation provided for in this Plan is timely filed prior to a deadline established therefor by the bankruptcy court, an order approving such substantive consolidation (which may be the confirmation order or any other order) may be entered by the bankruptcy court. If any such objections are timely filed and served a hearing with respect to the proposed substantive consolidation of the cases and the objections to it may be scheduled by the bankruptcy court, which hearing may, but is not required to, coincide with confirmation hearing. In the event the bankruptcy court rules that any debtor or estate shall not be substantively consolidated, this Plan shall nonetheless be binding and in full force and effect with respect to all of the consolidated debtors and estates, and the consolidated debtors are authorized and directed to take all such actions during the period prior to the Effective Date as may be necessary and consistent with the plan to prepare to effectuate and/or implement the Plan upon the Effective Date.

On and subject to the Effective Date, all directors and officers of each Debtor shall be deemed to have resigned, and the current management of Halo (*i.e.*, Messrs. Bienvenu and Mysogland) shall also be deemed to have resigned; the Post-Confirmation CRO/CEO shall be appointed the sole officer and director of each Debtor until certificates of cancellation,

dissolution, or merger for such debtors have been filed; the cases of all the operating companies and non-operating companies shall be closed, following which any and all proceedings that could have been brought or otherwise commenced in the case of any such debtor other than Halo shall be brought or otherwise commenced in Halo case, in each instance without any further or other action by the stockholders, members, or directors or any governing body of any of the debtors.

2. Reorganized Halo. Upon confirmation, all property of the Debtors, including but not limited to the Cooper Group/Primus Suit, the Empagio Sale Notes, the Empagio Contingent Compensation, and the Empagio Sale Working Capital Escrow, the right to pursue avoidance actions, and other claims of any of the Debtors, shall vest in the reorganized Halo, to be dealt with in accordance with the terms of this Plan. Reorganized Halo shall be authorized to issue, in addition to the shares of common stock to be issued to Class 3 and 4 claimants pursuant to this Plan, additional common stock in an amount up to twenty-five percent (25%) percent of the number of shares to be issued to Class 3 and Class 4 claimants, for purposes of providing incentives, if appropriate, to Operating Company employees. Provided, however, that nothing contained herein is intended to prohibit or limit the reorganized Halo from issuing new stock in exchange for new equity capital.

3. Establishment of Reserve Account for Unpaid Administrative Claims; Quarterly Distributions. Upon confirmation, the reorganized Halo shall establish the Administrative / Priority Claims Reserve Account for payment of allowed administrative and priority claims not paid at confirmation. This account shall be funded at the rate of not less than \$25,000 per month from cash generated by the reorganized Debtor's operations. Distributions from the

Administrative / Priority Claims Reserve Account shall be made quarterly to the holders of Allowed Administrative and Priority Claims on a *pari-passu* basis.

4. Establishment of Working Capital Reserve. The Reorganized Debtor shall, from its cash holdings at confirmation, retain \$500,000 as a Working Capital Reserve, which shall be periodically replenished from operating funds.

5. Appointment of Brian Sagi as Post-Confirmation CRO/CEO. The businesses conducted by the Operating Companies will remain active as potential dispositions of such businesses are evaluated and, if appropriate, implemented. At confirmation, Mr. Brian Sagi, or such other qualified person as the Plan Proponent may designate, shall be engaged as Post-Confirmation Chief Restructuring and Executive Officer. The Post-Confirmation CRO/CEO shall be compensated in accordance with the terms of a written engagement agreement and shall report to the Board of Directors of the reorganized Halo. Duties of the Post-Confirmation CRO/CEO shall include: managing reorganized Halo; overseeing management of businesses of the Operating Companies (including but not limited to authority to hire and fire management at the Operating Company level); arranging for the discharge of the accounting function; reviewing contract renewals and new contracts for the Operating Companies; evaluation, coordination and implementation (alone or in conjunction with an investment banker to retained by the reorganized Halo) of potential disposition(s) of the Operating Companies. If and when it is beneficial to do so, the Operating Companies will be disposed of on a controlled basis intended to retain as much of their respective going concern value as is reasonably possible; however, where it appears unpropitious to dispose of an Operating Company, the reorganized Halo shall retain the discretion, in the exercise of sound

business judgment, to continue operations or otherwise avail itself of opportunities to maximize value and/or minimize loss.

While negotiations have yet to be finalized, the Plan Proponent believes that the compensation required to be paid to the Post Confirmation CRO/CEO will be not more than \$60,000 per month for 100 hours of service, to be reduced ratably as the Operating Companies are disposed of. Salary and benefit savings achieved from the resignation of Halo's current management team are expected to provide sufficient operational savings to fund this position in full or in large part; a shortfall, if any, will be made up cash generated from post-confirmation operations.

Further, although these negotiations have yet to be finalized, the Plan Proponent also believes, based on prior discussions with Cerian Technology Ventures, that a satisfactory fee structure can be implemented whereby a minimum investment banker's fee for dispositions of the Operating Companies can set at no greater than \$500,000 (*i.e.*, Process \$150,000; Profit Key \$100,000; David \$175,000; and Kenosia \$75,000), with an additional success fee of 25% of the aggregate sales proceeds in excess of \$10,000,000.

6. Continuity of Management of Operating Companies. The reorganized Halo will retain on existing terms the current day-to-day management and staff of the Operating Companies so as to preserve continuity of operations and the goodwill associated with such businesses. Existing management at the Halo level shall be terminated; provided, however, that at the discretion of the Post Confirmation CRO/CEO, and on such terms as may be negotiated, one or more persons constituting Halo's existing management may be retained on a consulting basis.

7. Post-Confirmation Evaluation, Marketing and Sale of Operating Companies.

The Post-Confirmation CRO/CEO, shall, together with Cerian Technology Ventures LLC, an investment banking firm to be retained by the reorganized Halo, evaluate and, if and when appropriate, implement a marketing process by which one or more of the businesses conducted by the Operating Companies is sold after reasonable exposure to the marketplace. The proceeds of any such dispositions shall be paid out in the following order: (1) to the expenses of sale, including fees payable to investment bankers; (2) to replenishment of the Reorganized Debtor's Working Capital Reserve; (3) to the payment of Allowed Administrative and Priority Claims, to the extent not already paid or reserved for; (4) to the holders of Convenience Claims, to the extent not already paid for; (5) to reduction of principal on the Fortress note; (6) to the reorganized Debtor. To the extent that the cumulative cash proceeds from the sales of Operating Companies sufficient to pay categories (1)–(6) in full, then cash dividends may be made to Class 3 and 4 claimants on a *pari-passu* basis. To the extent that the businesses conducted by the Operating Companies have been disposed of, then any proceeds of dispositions of the Operating Companies or other assets of the reorganized Halo remaining after payment of post-confirmation obligations of the reorganized Halo shall be distributed to Class 3 and 4 claimants on a *pari passu* basis either directly or through the Claims Liquidating Trust, as the reorganized Halo may direct.

8. Post-Confirmation Corporate Governance. Upon confirmation, the Post-Confirmation CEO/CRO shall serve, with the advice of the Committee acting as a Board of Advisors, as the sole director of the reorganized Halo, until such time as a reconstituted Board of Directors can be formed. Such reconstituted Board of Directors shall consist of (i) the Post

Confirmation CEO/CRO, (ii) a representative chosen by shareholders comprising Class 3; (iii) a representative chosen by shareholders comprising Class 4; (iv) a representative chosen by Fortress; and (v) an independent representative approved by the all shareholders. The chief executive officers of each of the business units corresponding to the pre-confirmation Operating Companies may serve as *ex-officio* members of the Board of Directors. Halo's charter and by-laws shall be amended to conform to this structure, with sufficient latitude provided therein for creation of a revised governing structure designed to meet the evolving needs of the reorganized Halo.

9. Establishment of Claims Liquidating Trust. The reorganized Halo shall establish and fund the operation of a Claims Liquidating Trust for the purpose of (I) prosecuting (i) avoidance claims of the Debtors; (ii) the Cooper Group/Primus Suit; (iii) claims arising from or relating to the Empagio Sale Notes, the Empagio Contingent Compensation, or the Empagio Sale Working Capital Escrow, and (iv) such other claims as the reorganized Halo decide to assign to the Claims Liquidating Trust; and (II) collecting and distributing in accordance with the distributive scheme contemplated by this Plan proceeds generated from (I), above, and such other claims or assets as the reorganized Halo may, with the consent of the Claims Litigating Agent, assign to the Claims Liquidating Trust. The reorganized Halo shall have authority to make post-confirmation transfers of claims, assets and other property to the Claims Liquidating Trust for the benefit of Debtors' pre-confirmation creditors.

10. Transfer of Records. After confirmation, and before the Effective Date, Halo's pre-confirmation management shall identify all of the Debtors' books and records and arrange for them to be readily available to the Post Confirmation CEO/CRO so as to allow him

thereafter to have such access to Debtors' books and records as the Post Confirmation CEO/CRO in his discretion deems reasonable to discharge his duties and responsibilities. Such actions shall not result in the destruction or waiver of any applicable privilege pertaining to such books and records.

F. Treatment of Executory Contracts and Unexpired Leases.

1. General Assumption and Assignment. The Plan constitutes and incorporates a motion by the Debtors to assume all executory contracts and unexpired leases to which Halo or Halo Subsidiaries are a party, except for such contracts and leases that (a) have already been assumed or have been rejected pursuant to a final order of the Bankruptcy Court in accordance with § 11 U.S.C. § 365, (b) are specifically treated otherwise in this Plan, or (c) are the subject of a motion to reject that is pending before the Bankruptcy Court on the Effective Date. The Confirmation Order shall represent and reflect an order of the Bankruptcy Court approving such assumptions and assignments as of the Effective Date.

2. Damage Claims. If the rejection of an executory contract or unexpired lease by the Debtors results in damages to the other party or parties to such contract or lease, a claim for such damages, if not heretofore evidenced by a filed proof of claim, shall be forever barred and shall not be enforceable against the Debtor or its properties unless a proof of claim is filed with the Bankruptcy Court and served upon counsel for the Debtors by the later of thirty (30) days after the Effective Date or thirty (30) days after entry of an Order allowing rejection of such contract or lease.

G. Litigation and Avoidance Actions.

The Plan provides for the Post-Confirmation CRO/CEO and/or a Claims Liquidating Agent, as the case may be, to investigate and analyze all causes of action available to the Debtors. The causes of action include, but are not limited to, all preference actions under 11 U.S.C. §547, all fraudulent transfer actions under 11 U.S.C. §544 and 548, and any and all actions against the Debtor's insiders. In addition, the Post-Confirmation CRO/CEO and/or a Claims Liquidating Agent, as the case may be, shall assume the prosecution of the Cooper Group/Primus Suit and the matters relating to Empagio.

In the event that the Post-Confirmation CRO/CEO and/or a Claims Liquidating Agent, as the case may be, concludes that the Debtor has viable causes of action that should be prosecuted, he will prosecute those claims on behalf of and in the name of the Debtor. All recoveries achieved by the Post-Confirmation CRO/CEO and/or a Claims Liquidating Agent, as the case may be, shall be distributed in accordance with the provisions of the Plan.

H. Conditions Precedent.

Entry of a Confirmation Order by the Court is a condition precedent to this Plan becoming effective.

I. Other Provisions.

The Plan provides for the Court to retain jurisdiction as to certain matters as stated in the Plan, including, without limitation, prosecution of all Causes of Action and objections to Claims.

VI. ACCEPTANCE AND CONFIRMATION OF THE PLAN.

A. Confirmation Hearing.

Section 1128 of the Code requires the Court, after notice, to hold a Confirmation Hearing on the Plan at which time any party in interest may be heard in support of or in opposition to Confirmation. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement to be made at the Confirmation Hearing. Any objection to Confirmation must be made in writing, filed with the Clerk and delivered to the following persons, at least seven days prior to the Confirmation Hearing:

Counsel for the Official Committee of Unsecured Creditors:

Kristin B. Mayhew, Esq.
James C. Graham, Esq.
Pepe & Hazard LLP
30 Jelliff Lane
Southport, CT 06890-1436

Counsel for Debtor:

James C. Berman, Esq.
Jed Horwitt, Esq.
Zeisler & Zeisler
558 Clinton Avenue
P. O. Box 3186
Bridgeport, CT 06605

United States Trustee:

Steven E. Mackey, Esq.
Office of the United States Trustee
150 Court Street, Room 302
New Haven, CT 06510

B. Financial Information Relevant to Confirmation.

Attached as **Exhibit B** is a copy of the Committee's Chapter 7 liquidation analysis ("Liquidation Analysis"). This Liquidation Analysis predicts an expected forced liquidation sale value of the Debtors' assets in the range of \$1,990,000 - \$3,665,000. The analysis establishes that Unsecured Creditors of the Debtor will receive no dividend in the event the Debtors are forced into Chapter 7. In contrast, the 'going concern' valuation previously prepared for the Committee reflected a total enterprise value of not less than \$19,105,000; an evaluation prepared by the Debtor reflected an even higher enterprise value. Accordingly, the Plan offers the potential of a meaningful return to creditors, and therefore in the best interest of creditors.

Also attached is **Exhibit C**, a statement of historical cash flows prepared by the Debtors during the course of these cases. Assuming that these cash flows can be maintained on a going-forward basis, these cash flows should, in the opinion of the Committee and its advisers, be sufficient to implement this Plan.

C. Confirmation Standards.

In order to confirm the Plan, the Bankruptcy Code requires the Court to make the following determinations concerning the Plan:

1. The Plan has classified creditor and shareholder interests in a permissible manner;
2. The Plan's contents comply with the technical requirements of Chapter 11 of the Code;
3. The Committee has proposed the Plan in good faith; and

4. The disclosures of the Committee concerning the Plan have been adequate and have included information concerning all payments made or promised in connection with the Plan.

The Committee believes that all of these conditions have been or will be met and will seek rulings of the Court to this effect at the Confirmation Hearing.

The Code also requires that:

1. The Plan will be accepted by the requisite votes of creditors and holders of equity interests;

2. The Plan is feasible (*i.e.*, the reorganized debtor can be reasonably expected to perform its obligations under the Plan); and

3. Confirmation of the Plan will be in the best interest of all creditors and holders of equity interests (*i.e.*, they will receive at least as much under the Plan as they would in a liquidation under Chapter 7 of the Bankruptcy Code).

The Committee believes that the Plan satisfies all of the requirements for Confirmation. However, if a Plan is not accepted and/or confirmed, an alternative Plan or Plans submitted by another party in interest or the Debtors may be accepted by the creditors and holders of equity interests and confirmed by the Court, or the Debtors may be liquidated pursuant to Chapter 7 of the Code and the net proceeds from the liquidation distributed to Creditors. In the event the Debtor is liquidated pursuant to Chapter 7 of the Code, it is anticipated that the Unsecured Creditors will not receive any dividend.

D. Confirmation Without Acceptance by All Impaired Classes: “Cramdown”.

The Code contains provisions that enable the Court to confirm the Plan, even though the Plan has not been accepted by all Impaired Classes, provided that the Plan has been accepted by at least one Impaired Class of Claims. Section 1129(b)(1) of the Code makes clear that the Plan may be confirmed, notwithstanding the failure of an Impaired Class to accept the Plan, so long as the Plan does not discriminate unfairly, and it is fair and equitable with respect to each non-consenting Class of Claims that is Impaired under the Plan.

**THE COMMITTEE BELIEVES THAT, IF NECESSARY, IT
WILL BE ABLE TO MEET THE STATUTORY STANDARDS
SET FORTH IN THE CODE WITH RESPECT TO THE
NONCONSENSUAL CONFIRMATION OF THE PLAN AND
WILL SEEK SUCH RELIEF.**

E. Consummation.

The Plan will be consummated and Payments made if the Plan is confirmed pursuant to a Final Order of the Court. It will not be necessary for the Committee to await any required regulatory approvals from agencies or departments of the United States to consummate the Plan. The Plan will be implemented pursuant to its provisions and the Code.

VII. OTHER PROVISIONS OF THE PLAN.

All payments required under the Plan shall be made by the reorganized Halo, or to a Disbursing Agent to whom such responsibility has been delegated by the reorganized Halo, or by the Claims Liquidating Agent (in the case of the proceeds of assets committed to the Claims Liquidating Trust established under the Plan.).

VIII. PROCEDURES FOR RESOLVING AND TREATING CONTESTED AND CONTINGENT CLAIMS AND EQUITY INTERESTS.

A. Objection Deadline. As soon as practicable, but in no event later than one hundred twenty (120) days after the Confirmation Date, objections to claims and equity interests shall be filed with the Bankruptcy Court and served upon the holders of each of the claims or equity interest to which objection are made.

B. No Distribution Pending Allowance. Notwithstanding any other provision of the Plan, no payments or distributions shall be made with respect to all or any portion of a contested claim or contested equity interest unless and until all objections to such contested claim or contested equity interest have been determined by a final Order of the Bankruptcy Court.

C. Escrow of Allocated Distributions. The Reorganized Debtor, Disbursing Agent, or Claims Liquidating Agent, as the case may be, shall withhold from the property to be distributed under the Plan, and shall place in escrow, an amount which shall be sufficient to be distributed on account of such contested claim. As to any contested claim or contested equity interest, upon a request for estimation by the Reorganized Debtor, Disbursing Agent, or Claims Liquidating Agent, as the case may be, the Bankruptcy Court shall determine what amount is sufficient to withhold and deposit into escrow. The escrow funds shall be kept in an interest bearing account.

D. Distributions after Allowance. Payments and distributions from the Reorganized Debtor, Disbursing Agent, or Claims Liquidating Agent, as the case may be, to each holder of a contested claim, to the extent such contested claim ultimately becomes an

allowed claim, shall be made in accordance with the provisions of the Plan governing the class of claims or equity interest to which the respective holder belongs.

E. Treatment of Contingent, Disputed and Unliquidated Claims. Until such time as a contingent, unliquidated or disputed claim becomes fixed, liquidated and absolute, such claim shall be treated as a contested claim for purposes related to estimations, allocations, and distributions under the Plan.

IX. ALTERNATIVES TO THE PLAN.

If the Plan is not confirmed and consummated, the Committee believes that the most likely alternative is liquidation of the Debtors under Chapter 7 of the Code. The Committee believes that liquidation of all real and personal property in a Chapter 7 scenario would dramatically reduce the total amount available to Creditors. In a case under Chapter 7 of the Code, a trustee would be elected or appointed to liquidate the assets of Debtor for distribution to Creditors in accordance with the priorities established by the Code. The Committee's analysis of the probable recovery to Creditors and holders of Equity Interests is set forth in the Liquidation Analysis.

As previously stated herein, liquidation of the Debtors under Chapter 7 of the Code is not in the best interest of the Creditors because, as shown on the Liquidation Analysis attached as Exhibit B, the Creditors will receive more under the Plan than they would if the Debtor was liquidated under Chapter 7.

X. DISCLAIMERS, RISK FACTORS AND CAUTIONS.

The purpose of this Disclosure Statement is to enable you, as a creditor or equity holder whose claim or equity interest is an impaired class under the Plan, to make an informed

decision in exercising your right to accept or reject the Plan. This Disclosure Statement contains only a summary of the Plan. The full Plan and its exhibits are attached as Exhibit A for your review. Other materials, identified throughout this Disclosure Statement, are contained in exhibits following the Disclosure Statement.

THERE HAS BEEN NO INDEPENDENT AUDIT OF THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. THIS DISCLOSURE STATEMENT WAS COMPILED FROM INFORMATION GENERALLY AVAILABLE TO THE COMMITTEE.

The statements contained within this Disclosure Statement are made as of the date of the Disclosure Statement unless another time is specified herein. The delivery of this Disclosure Statement will not, under any circumstances, create any implication that the information contained herein is correct at any time subsequent to the date hereof.

This Disclosure Statement does not provide any legal, business, financial, or tax advice. If you want such advice, please consult your own legal, business, financial and tax advisors. In particular, the consequences of the Plan on your income taxes will depend upon your own tax situation. Please consult your own tax advisor on whether you may record a deduction on your income tax, or if you must record a gain as a result of this Plan.

XI. CONCLUSION.

The acceptances of the Plan by and from the holders of all Classes of Impaired Claims are hereby solicited. The Committee believes that Confirmation of the Plan is in the best interests of all creditors and equity security holders and strongly urges all creditors and equity security holders to vote to accept the Plan.

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS

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