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DISCLAIMER:
THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT.

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY

In re:	Chapter 11
MICROBILT CORPORATION, *et al.*[1]	Case No. 11-18143 (MBK)
Debtors.	Jointly Administered

DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE DESCRIBING FOURTH AMENDED CHAPTER 11 PLAN OF REORGANIZATION PROPOSED BY DEBTORS MICROBILT CORPORATION AND CL VERIFY, LLC

MicroBilt Corporation and CL Verify, LLC, the above-captioned debtors and debtors-in-possession (collectively, the "**Debtors**"), by their counsel, Lowenstein Sandler PC, submit this Disclosure Statement (the "**Disclosure Statement**") in support of their Fourth Amended Plan of Reorganization (the "**Plan**") pursuant to section 1125 of title 11 of the United States Code (the "**Bankruptcy Code**") for consideration by creditors and interest holders.

PLEASE READ THIS DISCLOSURE STATEMENT CAREFULLY. THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE ORIGINAL PLAN OF REORGANIZATION. THE PLAN PROPONENT BELIEVES THAT THE PLAN OF REORGANIZATION IS IN THE BEST INTERESTS OF THE CREDITORS AND THAT THE PLAN IS FAIR AND EQUITABLE. THE PROPONENT URGES THAT THE VOTER ACCEPT THE PLAN.

Dated: August 14, 2012

MICROBILT CORPORATION and CL VERIFY, LLC, DEBTORS

By: */s/ Walter Wojciechowski*
Walter Wojciechowski
President and CEO

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtors' federal tax identification number, are: MicroBilt Corporation (7436) and CL Verify, LLC (7151).

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PRIVILEGED AND CONFIDENTIAL

Summary of Claims and Interests

Description and Amount of Claims or Interests	Summary of Treatment
Class 1 (Non-Tax Priority Claims) A Claim (other than an Administrative Claim or a Priority Tax Claim) that is entitled to priority in payment pursuant to Bankruptcy Code § 507(a). Estimated Amount of Allowed Non-Tax Priority Claims: $10,000.00	Class 1 is unimpaired by the Plan and, therefore, each Holder of an Allowed Non-Tax Priority Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan. The legal and equitable rights of the Holders of Allowed Non-Tax Priority Claims are unaltered by the Plan. As soon as reasonably practicable after the later of (i) the Distribution Date, (ii) the date on which such Non-Tax Priority Claim becomes an Allowed Non-Tax Priority Claim, or (iii) the date on which such Non-Tax Priority Claim becomes due and owing in the ordinary course of the Debtors' business, each Holder of an Allowed Non-Tax Priority Claim shall receive in full satisfaction, settlement and release of and in exchange for such Allowed Non-Tax Priority Claim at the election, of the Debtors or Reorganized Debtor, (A) Cash equal to the amount of such Allowed Non-Tax Priority Claim; (B) such other treatment which the Reorganized Debtor and the Holder of such Allowed Non-Tax Priority Claim have agreed upon in writing; or (C) such other treatment as may be permitted so as to render the Holder of such Allowed Non-Tax Priority Claim unimpaired pursuant to Bankruptcy Code § 1121. Any default with respect to any Non-Tax Priority Claim that existed immediately prior to the Petition Date will be deemed cured on the Effective Date. Estimated Percentage Recovery: 100%

Description and Amount of Claims or Interests	Summary of Treatment
Class 2 (General Unsecured Claims) Class 2 consists of all Allowed General Unsecured Claims. Estimated Amount of Allowed Class 2 Claims: $4,295,767.80	Class 2 is unimpaired by the Plan and, therefore, each Holder of an Allowed General Unsecured Claim is conclusively presumed to have accepted the Plan. While the Debtors submit that the Holders of Claims in Class 2 are unimpaired, in an abundance of caution, the Debtors have determined to solicit votes from such Holders with respect to the Plan. The legal and equitable rights of the Holders of Allowed General Unsecured Claims are unaltered by the Plan. As soon as reasonably practicable after the later of (i) the Distribution Date, (ii) the date on which such General Unsecured Claim becomes an Allowed General Unsecured Claim or (iii) such other time as may be agreed to by the Reorganized Debtor and the Holder of such Allowed General Unsecured Claim, each Holder of an Allowed General Unsecured Claim shall receive in full satisfaction, settlement and release of and in exchange for such Allowed General Unsecured Claim (A) Cash equal to the amount of such Allowed General Unsecured Claim plus interest at the Post-Petition Interest Rate from the Petition Date through the date such Claim is paid, (B) payment in full of such Holder's Allowed General Unsecured Claim in accordance with the terms of a pre-petition agreement between the Debtors and a Holder of an Allowed General Unsecured Claim or (C) such other less favorable treatment as may be agreed to by the Reorganized Debtor and the Holder of such Allowed General Unsecured Claim. Estimated Percentage Recovery: 100% plus Post-Petition Interest as defined in the Plan

Description and Amount of Claims or Interests	Summary of Treatment
Class 3 (MicroBilt Equity Interests) Class 3 consists of Equity Interests in Debtor MicroBilt. Common Shares Outstanding: 124,590,023	Class 3 is unimpaired by the Plan and, therefore, each Holder of an Equity Interest is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan. On the Effective Date, the interests each Holder of Equity Interests prior to the Effective Date shall be retained by such Holders and shall remain unaffected and unchanged by this Plan. For the avoidance of doubt, no new shares of MicroBilt Common Stock will be issued to holders of MicroBilt Common Stock. Estimated Percentage Recovery: 100%

Description and Amount of Claims or Interests	**Summary of Treatment**
Class 4 (Secured Claims) Class 4 consists of all Allowed Secured Claims. Estimated Amount of Allowed Class 4 Claims: $10,426.39	Class 4 is unimpaired by the Plan and, therefore, each Holder of an Allowed Secured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan. The legal and equitable rights of the Holders of Allowed Secured Claims are unaltered by the Plan. As soon as reasonably practicable after the later of (i) the Distribution Date, (ii) the date on which such Secured Claim becomes an Allowed Secured Claim, (iii) the date on which such Secured Claim becomes due and owing in the ordinary course of the Debtors' business, or (iv) the date or dates as may be agreed to by the Reorganized Debtor and the Holder of such Allowed Secured Claim, each Holder of an Allowed Secured Claim shall receive in full satisfaction, settlement and release of and in exchange for such Allowed Secured Claim at the election, of the Debtors or Reorganized Debtor, (A) Cash equal to the amount of such Allowed Secured Claim, including any interest on such Allowed Secured Claim required to be paid pursuant to the Bankruptcy Code or (B) such other treatment which the Reorganized Debtor and the Holder of such Allowed Secured Claim shall have agreed upon in writing. Any default with respect to any Secured Claim that existed immediately prior to the Petition Date will be deemed cured on the Effective Date. Estimated Percentage Recovery: 100% plus any interest required to be paid pursuant to the Bankruptcy Code

Description and Amount of Claims or Interests	Summary of Treatment
Class 5 (CL Verify Equity Interests) Class 5 consists of Equity Interests in Debtor CL Verify. Membership Units Outstanding: 100	Class 5 is impaired by the Plan and receiving no distribution thereunder. Therefore, each Holder of a CL Verify Equity Interest is conclusively presumed to have rejected the Plan and is not entitled to vote to accept or reject the Plan. Debtor MicroBilt is the sole Holder of CL Verify Equity Interests, Estimated Percentage Recovery: 0%

I. INTRODUCTION

A. General

The Debtors hereby submit this Disclosure Statement to Holders[2] of Claims and Interests in order to provide such parties with adequate information with respect to the Plan and to enable such parties to make an informed judgment with respect to whether to accept or reject the Plan. This Disclosure Statement describes, among other subjects, procedures for voting to accept or reject the Plan, the history of the Debtors' businesses and financial structure, classification of Claims and Interests, and provides a summary and analysis of the Plan.

This Disclosure Statement is intended to aid and supplement your review of the Plan. Every effort has been made to fully explain various aspects of the Plan as it affects parties in interest. However, this Disclosure Statement is not intended to replace a careful review and analysis of the Plan.

Holders of Claims and Interests should read this Disclosure Statement in their entirety prior to voting on the Plan. No solicitation of votes on the Plan may be made except pursuant to the Disclosure Statement. No Person has been authorized to utilize any information concerning the Debtors or their businesses other than the information contained in this Disclosure Statement or other information approved by the Bankruptcy Court for dissemination to Holders of Claims and Interests. Holders of Claims and Interests should not rely on information relating to the Debtors and their businesses other than that contained in this Disclosure Statement, except as otherwise approved by the Bankruptcy Court.

[2] Capitalized terms used in this Disclosure Statement that are not defined herein shall be defined as set forth in Article I of the Plan or in the Bankruptcy Code.

Except as set forth in this Disclosure Statement, no representations concerning the Plan, the Debtors, their Assets, or the operations of the Debtors are authorized. Any representations made to secure acceptance or rejection of the Plan other than contained in this Disclosure Statement should be reported to the undersigned counsel for the Debtors.

There has been no independent audit of the financial information contained in this Disclosure Statement. The Debtors are not able to warrant or represent that the financial and other information contained herein is not without inaccuracies; however, the Debtors believe that all information contained in this Disclosure Statement is accurate and complete. The factual information in this Disclosure Statement regarding the Debtors, their Assets, and the Debtors' history and business has been derived in part from the schedules, pleadings, orders and reports on file with the Bankruptcy Court, other publicly filed or publicly available documents and information, current and former employees of the Debtors, and other documents and sources available to the Debtors.

This Disclosure Statement has been approved by Order of the Bankruptcy Court dated _____ _____, 2012 as containing adequate information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtors and the condition of the Debtors' books and records, that would enable a hypothetical reasonable investor typical of Holders of Claims or Interests of the relevant Class to make an informed judgment about the Plan. However, approval of this Disclosure Statement by the Bankruptcy Court does not constitute an endorsement of the Plan by the Bankruptcy Court.

The order and notice fixing the time for voting upon the Plan, filing any objections to confirmation of the Plan and the hearing on confirmation of the Plan accompanies this Disclosure Statement.

B. **Voting Instructions**

In accordance with Bankruptcy Code § 1126(f), only Classes of Claims and Interests that are impaired under a plan may vote to accept or reject a plan. Unimpaired classes are conclusively presumed to have accepted the Plan. A class is impaired if the legal, equitable or contractual rights attaching to Claims or Interests in that class are modified other than by curing defaults and reinstating maturity of obligations or payment in full in cash.

Ballots for acceptance or rejection of the Plan are being provided only to members of the voting Class. Each Holder of a Claim or Interest in the voting Class should read this Disclosure Statement and the Plan. After carefully considering this Disclosure Statement and the Plan, please indicate your vote with respect to the Plan on the enclosed ballot and return such ballot to Debtors' counsel at Lowenstein Sandler PC, 65 Livingston Ave., Roseland, New Jersey 07068, Attn: Jeffrey A. Kramer, Esq. If you are asserting more than one claim, please copy this ballot and return one completed ballot for each claim. No ballots are being sent to the Holders of Administrative Expense Claims, Priority Tax Claims, Class 1 Non-Tax Priority Claims or Class 4 Secured Claims, inasmuch as such Classes are not impaired and are conclusively presumed to have accepted the Plan. While the Debtors submit that the Holders of Claims in Class 2 are unimpaired, in an abundance of caution, the Debtors have determined to solicit votes from such Holders with respect to the Plan and Ballots are being sent to Holders of

Class 2 General Unsecured Claims. Additionally, ballots are not being sent to the Holders of Class 3 (MicroBilt Equity Interests) inasmuch as Holders of Class 3 Interests will not be impaired under the Plan and are therefore deemed to have accepted the Plan. Ballots are not being sent to the Holders of Class 5 (CL Verify Equity Interests) inasmuch as Holders of Class 5 Interests will receive any distribution under the Plan and are therefore deemed to have rejected the Plan. The Debtors are soliciting acceptances from the Holders in Class 2 (General Unsecured Claims).

C. Acceptance or Rejection of the Plan

Your vote on the Plan is important. In order for the Plan to be accepted, of those Holders of Claims who cast ballots, the affirmative vote of at least two-thirds (2/3) in amount and more than one-half (1/2) in number of Allowed Claims in each voting Class is required.

D. Recommendations with Respect to the Plan

The Debtors recommend that you accept the Plan by voting your Ballot accordingly and timely returning your completed ballot in the pre-printed envelope provided.

E. Confirmation Hearing

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan commencing on **November 15, 2012 at ____ __.m.** at the United States Bankruptcy Court for the District of New Jersey, Clarkson S. Fisher U.S. Courthouse, 402 East State Street, Trenton, New Jersey 07012. Any party in interest may object to confirmation of the Plan. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan, be served upon: (i) counsel to the Debtors, Lowenstein Sandler, P.C., 65 Livingston Avenue, Roseland, New Jersey 07068, Attn: Jeffrey D. Prol, Esq.; and (ii) the Office of the United States Trustee, One Newark Center, Suite 2100, Newark, New Jersey 07102, Attn: Jeffrey M. Sponder, Esq. Objections should be filed with the clerk of the Bankruptcy Court on or before **_____, 2012 at 5:00 p.m.**, in the manner described in the order scheduling hearing on confirmation accompanying the Disclosure Statement. The Confirmation Hearing may be adjourned from time to time without further notice other than by announcement in open court.

F. Disclosure Statement Enclosures

Accompanying this Disclosure Statement are copies of: (i) the Plan (**Exhibit A**); (ii) the Debtors' financial projections (**Exhibit B**); (iii) the Debtors' liquidation analysis (**Exhibit C**); and (iii) a copy of the Bankruptcy Court's order approving this Disclosure Statement (**Exhibit D**).

II. BACKGROUND

A. Companies Organization and Structure

Debtor MicroBilt is a closely-held Delaware corporation and Debtor CL Verify is a Florida limited liability company. The Debtors' principal executive offices located in

Princeton, New Jersey. The Debtors operate, with their non-Debtor wholly-owned subsidiaries and divisions set forth on the attached **Exhibit E**, (collectively the "**Non-Debtors Subsidiaries**"), a business that generally provides financial, risk, verification, background screening and consumer reporting-related services to their customers.

As of the Petition Date, the Debtors employed 77 individuals in their offices located in Georgia, South Carolina, Florida, Texas, Washington and New Jersey.

The Debtors are leaders in risk management information for small and medium-sized businesses and leading providers of alternative data for non-traditional lenders. MicroBilt provides online access to consumer and commercial credit bureau data with automated decisioning and collection services primarily to small and medium sized enterprises. Such enterprises use MicroBilt data and tools to facilitate credit originations, collect receivables, make lending decisions, screen employees, select tenants and manage business risk. The Debtors provides these services (a) directly to the business, (b) by private label and (c) by co-branded relationships. With its PRBC Consumer Report and as the exclusive provider of the FICO Expansion Score, the Debtors are the leading providers of alternative credit data to businesses that want to offer credit and financial services to the approximately 110 million underserved and underbanked individuals in the United States.

The Debtors are also leaders in proprietary comparative private-company financial information with its "Integra Data" on more than 4.5 million privately held companies collected from 32 governmental and non-governmental sources along with analytic tools. Integra users are lenders, CPAs, investment firms, valuation professionals and venture capitalists who use the data to value and benchmark the financial performance of non-public firms.

The MicroBilt business began in 1978 as Equipment Resources Incorporated, a provider of communications devices ("**Equipment Resources**"). In 1982, Equipment Resources introduced communications terminals into the credit industry. Equipment Resources changed its name to MicroBilt in 1984 as it began to develop value added software programs for its communications devices in addition to its proprietary hardware platforms. MicroBilt went public in 1985, but was purchased by First Financial Management Corporation in 1990, which, in turn, was acquired by First Data Corporation ("**First Data**") in 1995. Under First Data's control, MicroBilt developed Windows-based desktop software solutions for customers as well as enterprise solutions for local area networks, wide area networks, credit communications engines and browser-based applications. These developments were focused on enhancing the leasing of its proprietary hardware platforms that allowed customers to communicate directly with the consumer and commercial credit bureaus.

In April 2000, First Data transferred its MicroBilt assets to MicroBilt, LLC and sold that entity to Bristol Investments, Ltd., a Princeton-based business incubator ("**Bristol**"), in June 2000. Bristol later merged MicroBilt, LLC into a new Delaware "C" corporation, MicroBilt Corporation. With Bristol as majority shareholder, MicroBilt implemented a process to move away from providing access to credit bureau data through the leasing of proprietary hardware to delivering all types of risk management information through an on-line, transactions-based platform.

MicroBilt's non-debtor subsidiary, Pay Rent, Build Credit, Inc. ("**PRBC**") and CL Verify are wholly owned subsidiaries of MicroBilt. PRBC is a separate corporation organized under the laws of the State of Maryland and maintains separate bank accounts, business operations and financial operating records including tangible and intangible assets such as databases, patents.

MicroBilt acquired CL Verify in August 2010, a leading supplier of credit related information to on-line payday loan companies. CL Verify contains some legacy assets and liabilities from previous acquisitions. The majority of CL Verify's operating assets and liabilities have been absorbed by MicroBilt. Pursuant to the Plan, CL Verify will be merged and consolidated into Reorganized Debtor MicroBilt.

Substantially all of the sales of the Debtors and the Non-Debtors Subsidiaries are derived from their domestic operations; however the Debtors, through MicroBilt UK, Ltd., are actively marketing their international services in the United Kingdom.

For the eleven month period ended November 30, 2010, MicroBilt and CL Verify recognized revenues of $24,754,731.00 on a combined basis.

B. **Debtors' Current Assets**

The current assets of the Debtors include Cash, Trade and other Receivables and Prepaid expenses. Cash is held in the Debtors' commercial bank operating accounts. Trade Receivables are customers receivables recognized on the sale of products and services, net of appropriate allowance for doubtful accounts. Prepaid expenses are associated with services to be provided within the next twelve months or less, such as prepaid commercial insurance. As of the close of business on August 10, 2012, the Debtors had cash on hand in the amount of $6,435,475.64, including a sum in the amount of $4,590,145.34 held in the Plan Distribution Escrow.

C. **The Bankruptcy Filing**

On March 18, 2011 (the "**Petition Date**"), MicroBilt filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code, and on March 23, 2011, CL Verify also filed a voluntary petition for relief under chapter 11 (collectively, the "**Reorganization Case**"). In commencing the Reorganization Case, the Debtors' objectives were (1) to thoroughly explore all restructuring opportunities, (2) to improve cost effectiveness and profitability through continuing to implement their cost reduction programs, and (3) to resolve its contractual disputes with Fidelity National Information Services, Inc., d/b/a Chex Systems, Inc. ("**Chex**").

The Debtors' bankruptcy filing stems from a dispute with Chex, one of their data suppliers. The Debtors provide consumer-specific information and service offerings consisting of closure and inquiry files related to consumer transaction accounts with financial institutions, records of returned checks reported by retail merchants, and consumer identity data to lenders such as credit unions and car dealerships, among others, which the lenders use to make decisions about lending money to their customers. In this industry, the Debtors are often referred to as a "reseller" as they obtain information from third parties for sale to their customers, referred to as "end users." MicroBilt and Chex have a long-standing contractual relationship whereby Chex

sells information (the "**Information**") to MicroBilt. MicroBilt resells the Information to end users who included lenders such as credit unions and auto dealerships. MicroBilt also resells the Information through sales agents to their end users.

A dispute arose under that long-standing contractual relationship which resulted in litigation after Chex unilaterally terminated its contract with MicroBilt effective October 8, 2008. The termination left MicroBilt without the ability to buy and resell Chex' Information for a period of eleven months. During that time, MicroBilt lost $2.0 million in revenue and the company value decreased by $12 million. That problem was resolved only after MicroBilt brought a lawsuit against Chex and the parties resolved the matter through mediation before the Honorable John J. Hughes (retired) and entering into a Memorandum of Understanding (the "**MOU**") on June 18, 2009, which led to a definitive Resale Agreement between the parties dated August 26, 2009, as amended in January of 2010 (the "**Amended Resale Agreement**").

Subsequently, through a series of corporate transactions, including a merger, CL Verify became a wholly owned subsidiary of MicroBilt on August 31, 2010. CL Verify was also a reseller of information that it purchased from Chex. Because MicroBilt's contract with Chex provided more favorable pricing and contractual terms, CL Verify and MicroBilt notified Chex of their intent to merge prior to the transaction and to use the more favorable terms in MicroBilt's contract. CL Verify terminated its relationship with Chex after the merger and the termination was accepted by Chex.

Thereafter, on November 4, 2010, Chex sued CL Verify and DP Bureau, LLC (a former owner of CL Verify) in the United States District Court for the Middle District of Florida (the "**Florida Federal Court**") for breach of contract and failure to pay outstanding invoices. CL Verify brought a counterclaim against Chex for violation of Florida's Uniform Trade Secret Act because Chex attached invoices to its complaint, containing highly confidential and proprietary information, including customer names and price and transaction volume of reports. Chex disputed the factual basis for the asserted counterclaim and moved to dismiss the asserted counterclaim. Thereafter, the action pending in the Florida Federal Court was subsequently transferred to the Bankruptcy Court.

Additionally, after the merger, rather than perform in good faith under the Amended Resale Agreement, Chex sought to wrongfully terminate the Amended Resale Agreement and suffer the minimal consequences of MicroBilt's limited damage remedy. Accordingly, Chex began creating illegitimate reasons for claiming that MicroBilt failed certain end user audits, unilaterally increased its pricing despite having no contractual basis to do so, and refused to provide MicroBilt with "sub codes"[3] for fifty of its end users (the former CL Verify customers, previously known by, approved by and provided with Chex Information).

As a result of Chex' actions, MicroBilt sought a temporary restraining order on November 29, 2010, in the Superior Court of New Jersey, Mercer County. Chex removed the

[3] When MicroBilt wants to provide Information to a new end user, either directly or through a sales agent, MicroBilt initiates a request for a sub code for that end user by sending an email to Chex. Under the Amended Resale Agreement, the only information that MicroBilt is required to provide to Chex is the full known business name of the end user. In turn, Chex issues a sub code to MicroBilt for that end user. The end user is then able to access the Information on computers at its place of business.

matter to United States District Court for the District of New Jersey (the "**New Jersey Federal Court**"). In the New Jersey Federal Court, MicroBilt's request for a temporary restraining order was denied and the matter was transferred *sua sponte* to the Florida Federal Court. On November 29, 2010, MicroBilt also filed a demand for arbitration with Judge Hughes, pursuant to the terms of the MOU and the Amended Resale Agreement. Chex contested the Arbitration Demand and refused to arbitrate before Judge Hughes. The Debtors assert that pursuant to the MOU, the Amended Resale Agreement and a later executed Settlement Agreement and Release of November 9, 2009, the Debtors and Chex were required to arbitrate their dispute before Judge Hughes. Chex disputes that the Amended Resale Agreement requires arbitration before Judge Hughes.

On February 18, 2011, Chex advised counsel for MicroBilt that it intended to terminate the Amended Resale Agreement in thirty (30) days. In subsequent correspondence dated February 23, 2011, Chex alleged that MicroBilt had failed to pay all Chex invoices in full. The Chex correspondence did not meet the requirements set forth in the Amended Resale Agreement for a termination notice and did not purport to terminate the Amended Resale Agreement, but only indicated a future intent to do so. Chex' termination letters allege that MicroBilt had breached the Amended Resale Agreement by: (1) failure to pay invoices in full; (2) failure to properly credential end users; (3) failure to comply with the audit process; and (4) failure to share information with Chex. All of these allegations are disputed by MicroBilt. The Debtors are contractually entitled to resell Chex' Information to the former end users of CL Verify that existed on the date of the merger and are in compliance with the requirements of the Fair Credit Reporting Act ("**FCRA**"). The Debtors are not in breach of the Amended Resale Agreement.

On March 11, 2011, MicroBilt filed for emergency relief with the American Arbitration Association ("**AAA**") in accordance with the Amended Resale Agreement. Chex did not consent to an emergency hearing and the AAA application was subsequently withdrawn by MicroBilt.

On March 18, 2011, Chex informed the Debtors that it would discontinue service to the Debtors at midnight on Sunday, March 20, 2011, if the Debtors failed to pay Chex certain amounts that were in dispute between the parties. As a result, the Debtors commenced the Reorganization Case in an effort to reorganize and preserve their business for the benefit of all creditors and other stakeholders.

III. SIGNIFICANT EVENTS DURING THE REORGANIZATION CASE

This section of the Disclosure Statement describes important developments that occurred in the Debtors' Reorganization Case.

A. Retention of Professionals

On April 18, 2011, the Debtors filed an application with the Bankruptcy Court seeking approval of the Debtors' retention of Lowenstein Sandler PC ("**Lowenstein**") as bankruptcy counsel in the Reorganization Case [Docket No. 59]. The Bankruptcy Court entered an order authorizing the retention of Lowenstein on April 26, 2011 [Docket No. 78].

On April 20, 2011, the Debtors filed an application with the Bankruptcy Court seeking approval of the Debtors' retention of Maselli Warren, PC ("**Maselli**") as special litigation counsel in the Reorganization Case [Docket No. 64]. The Bankruptcy Court entered an order authorizing the retention of Maselli on April 28, 2011 [Docket No. 79].

On May 20, 2011, the Debtors filed an application with the Bankruptcy Court seeking approval of the Debtors' retention of Kwall, Showers & Barack, P.A. ("**Kwall**") as special Florida litigation counsel in the Reorganization Case [Docket No. 107]. The Bankruptcy Court entered an order authorizing the retention of Kwall on May 31, 2011 [Docket No. 109].

On June 19, 2011, the Debtors filed an application with the Bankruptcy Court seeking approval the Debtors' retention of RBSM, LLP ("**RBSM**") and Oscar Marquis & Associates ("**OMA**") as ordinary course tax advisors and compliance counsel, respectively, and approval of certain procedures for the retention of other ordinary course professionals (the "**Ordinary Course Professionals Application**") [Docket No. 133]. The Ordinary Course Professionals Application was denied on October 12, 2011 [Docket No. 243]. Thereafter, the Debtors filed separate retention applications for both RBSM and OMA, as more fully set forth below.

On August 8, 2011, the Debtors filed an application with the Bankruptcy Court seeking approval of the Debtors' retention of Sherman, Silverstein, Kohl, Rose & Podolsky, P.A. ("**Sherman**") as special litigation counsel to replace Maselli in the Reorganization Case [Docket No. 195]. The Bankruptcy Court entered an order authorizing the retention of Sherman on August 18, 2011 [Docket No. 212].

On October 25 2011, the Debtors filed an application with the Bankruptcy Court seeking approval of the Debtors' retention of RBSM as financial advisors, auditors and tax service providers in the Reorganization Case [Docket No. 256]. The Bankruptcy Court entered an order authorizing the retention of RBSM by order entered November 16, 2011 [Docket No. 280].

On November 3, 2011, the Debtors filed an application with the Bankruptcy Court seeking approval of the Debtors' retention of OMA as special compliance counsel in the Reorganization Case [Docket No. 274]. The Bankruptcy Court entered an order authorizing the retention of Marquis by order entered January 17, 2012 [Docket No. 334].

On December 20, 2011, the Debtors filed an application with the Bankruptcy Court seeking approval of the Debtors' retention of Nagel Rice, LLP ("**Nagel**") as special litigation counsel in the Reorganization Case [Docket No. 308]. The Bankruptcy Court entered an order authorizing the retention of Nagel by order entered February 15, 2012 [Docket No. 358].

B. **Official Committee of Unsecured Creditors**

On April 12, 2011, the Office of the United States Trustee for the District of New Jersey (the "**U.S. Trustee**") held an organizational meeting of creditors to consider the appointment of an official committee of unsecured creditors. Because an insufficient number of

unsecured creditors attended the formation meeting, the U.S. Trustee declined to appoint an official committee of unsecured creditors for of lack of interest.

C. The Transition to Post-Petition Business Operations

On March 24, 2011, the Debtors filed a motion seeking Bankruptcy Court authorization to pay prepetition wages, salaries, commissions, withholding taxes, certain designated payments, employee benefits, and to reimburse prepetition employee expenses [Docket No. 34]. In the Debtors' business judgment, preserving the confidence of their employees was essential to their reorganization efforts. On March 30, 2011, the Bankruptcy Court granted the requested relief [Docket No. 34].

The Debtors also took steps to smooth and otherwise defray certain unnecessary costs associated with the transition to chapter 11 by seeking entry of an order permitting the Debtors to continue utilizing their existing cash management system and to continue using their corporate forms and checks. The Debtors also took steps to ensure the continuation of services from various utilities without the risk of interruption and to pay certain prepetition taxes. All of this relief was granted by the Bankruptcy Court pursuant to assorted orders entered between March 30, 2011 and May 3, 2011.

D. Adversary Proceedings, Settlements and Other Litigation

This section describes adversary proceedings initiated by the Debtors and initiated by certain Persons against the Debtors and settlements approved by the Court during the course of the Reorganization Case. With regard to litigation initiated prior to the Petition Date, parties are referred to the Debtors' Statement of Financial Affairs and Schedules, which are on file with the Bankruptcy Court.

On July 20, 2011, the Florida litigation instituted by MicroBilt against Chex regarding arbitration and Chex' breach of contract was transferred to the New Jersey Federal Court and was subsequently referred to the Bankruptcy Court on July 29, 2011 [Adversary Proceeding No. 11-2160]. This adversary proceeding was consolidated with the disposition of the Debtors' Motion For An Order Pursuant To 11 U.S.C. §§ 105(A) And 365(A) And (B) Authorizing The Debtor To Assume Executory Contract And Cure Pre-Petition Defaults [Bankr. Docket No. 67] and Chex Systems, Inc.'s Motion For An Order (I)(A) Compelling Assumption Or Rejection Of Executory Contract With The Debtor And (B) Directing Performance And Payment Of Post-Petition Amounts Due Thereunder; Or, In The Alternative, (II) Granting Relief From The Automatic Stay [Bankr. Docket No. 46].

On October 18, 2011, MicroBilt commenced an adversary proceeding in the Bankruptcy Court against Chex for its tortious interference with existing contractual relations, tortious interference with prospective contractual relations, trade libel and commercial disparagement [Adversary Proceeding No. 11-2488]. Chex filed a Motion to Dismiss, which MicroBilt opposed. The Court denied Chex' Motion in part and granted Chex' Motion in part, allowing the adversary proceeding to continue as to certain of the counts and permitting MicroBilt to revise other counts. MicroBilt filed its First Amended Complaint against Chex on April 10, 2012. As of the date of this Disclosure Statement, these proceedings are ongoing and

Chex' motion to withdraw the reference to the United States District Court for the District of New Jersey is pending *sub judice*. Chex and all related affiliates dispute the factual basis for any asserted claims in this adversary proceeding.

On November 11, 2011, the Florida litigation instituted by Chex against DP Bureau, LLC and CL Verify for breach of contract and failure to pay invoices, as well as CL Verify's counterclaim against Chex for its violation of Florida's Uniform Trade Secret Act and Chex' Motion to Dismiss the counterclaims was transferred to the New Jersey Federal Court and was subsequently referred to the Bankruptcy Court on December 1, 2011 [Adversary Proceeding No. 11-2634]. On February 16, 2012, CL Verify voluntarily dismissed its counterclaims against Chex without prejudice. On March 1, 2012, after hearing arguments from the parties, the Bankruptcy Court concluded that Chex' monetary claims against CL Verify were to proceed under its Proof of Claim in the Bankruptcy proceeding and the court dismissed Chex' claims against CL Verify. The Court then remanded Chex' claims against DP Bureau back to the United States District Court, Middle District of Florida. The Debtors are required contractually to indemnify DP Bureau in this litigation. The parties attended a status conference on July 26, 2012 in the Middle District of Florida and established a scheduling order. On August 13, 2012, Chex filed a motion to amend its complaint in this matter to drop certain breach of contract claims. The remaining count seeks recovery of the same amounts that Chex claims are due pursuant to its proof of claim filed against CL Verify. As of the date of this Disclosure Statement, these proceedings are ongoing. DP Bureau disputes the factual basis for any asserted claims in this adversary proceeding.

On October 17, 2011, the Bankruptcy Court entered an order approving the settlement of certain pre-petition claims between MicroBilt and CIT Communications Finance, Inc. ("**CIT**") [Docket No. 247].

On February 16, 2012, the Debtors commenced an adversary proceeding in the Bankruptcy Court against FIS, Chex and Certegy, Ltd for their tortious interference with existing contractual relations, tortious interference with prospective contractual relations, and violations of the automatic stay [Adversary Proceeding No. 12-1167]. At a hearing on April 23, 2012, the Bankruptcy Court denied Chex' Motion to Dismiss on all counts except for one and granted the Debtors thirty days to amend the complaint to replead the dismissed count. MicroBilt filed its First Amended Complaint against Chex on April 9, 2012. The Debtors have filed a motion for leave to file a second amended complaint in this adversary proceeding alleging additional violations of the automatic stay provisions of the Bankruptcy Code subsequent to the Bankruptcy Court's order on the Chex Assumption Motion. As of the date of this Disclosure Statement, these proceedings are ongoing and Chex' motion to withdraw the reference to the United States District Court for the District of New Jersey is pending *sub judice*. Chex and all related affiliates dispute the factual basis for any asserted claims in this adversary proceeding.

On February 21, 2012, MicroBilt commenced an adversary proceeding in the Bankruptcy Court against Chex, Gunster, Yoakley & Stewart, P.A. and David M. Wells, for their breach of contract, amendment and confidentiality, tortious interference with contract, tortious interference with a prospective economic advantage, violations of the Uniform Trade Secrets Act, willful and malicious violations of the Uniform Trade Secrets Act and Respondeat Superior [Adversary Proceeding No. 12-1177]. On May 14, 2012, Gunster and Wells filed a Motion to

remove the matter to the New Jersey District Court or to the Middle District of Florida. Chex joined in this motion. MicroBilt opposed the motion. The motion was returnable on July 2, 2012. As of the date of this Disclosure Statement, these proceedings are ongoing. Chex and all related affiliates dispute the factual basis for any asserted claims in this adversary proceeding.

On March 2, 2012, the Debtors commenced a complaint in the Circuit Court for the Thirteen Judicial Circuit in and for Hillsborough County, State of Florida against the former CEO of CL Verify, Kim Anderson and his competing business, Clearpoint Analytics, LLC, for injunctive relieve and damages related to violations of contract and post-employment covenants of non-disclosure of confidential information, non-solicitation of employees and customers and non-competition of business and tortious interference with existing and potential business and contractual relationships [Complaint No. 12-03539]. A hearing on the Debtors' motion for a temporary injunction is scheduled for October 9, 2012 and the court has ordered mediation between the parties prior to the hearing. As of the date of this Disclosure Statement, these proceedings are ongoing.

On July 10, 2012, the Bankruptcy Court entered an order approving the settlement of certain pre-petition claims between the Debtors and DP Bureau LLC and Timothy Ranney, Lorraine Roach, Jennifer Haney, Janet O'Shields, Jeffrey Reid, Alice Singer and Clarity Services, Inc. [Docket No. 519].

E. **Assumption and Rejection of Executory Contracts and Unexpired Leases**

The Debtors are parties to numerous executory contracts and unexpired leases including, but not limited to, equipment leases, data contracts and non-residential real property leases. During the pendency of the Reorganization Case, the Debtors have assumed or rejected certain executory contracts and unexpired leases.

1. Assumption of Executory Contracts

On July 1, 2011, Early Warning Services ("**EWS**") filed a motion seeking an order granting relief from the automatic stay, or, in the alternative, compelling MicroBilt to reject its executory contract, and directing payment of postpetition expenses [Docket No. 150]. On November 22, 2011, the Bankruptcy Court entered an order approving a settlement agreement between EWS and the Debtors whereby the Debtors assumed the EWS contract as modified [Docket No. 292]

On April 5, 2011, Chex filed a motion seeking an order compelling MicroBilt to assume or reject certain contracts and/or relief from the automatic stay with respect to such contracts [Docket No. 46]. On April 21, 2011, MicroBilt filed a motion seeking entry of an order authorizing the assumption of the Debtors' executory contract with Chex [Docket No. 67]. These motions have been consolidated and a hearing in the matter was held January 26-27 and February 2-3, 2012. On April 18, 2012, the Bankruptcy Court rendered a decision under seal determining the appropriate pricing structure under the contract and authorizing the assumption of the Debtors' executory contract with Chex upon the cure of certain defaults. The Court also found that some of Chex's allegations did not constitute defaults under the contract. The Debtors view the Bankruptcy Court's decision as favorable to the Debtors and the financial projections

set forth in this Disclosure Statement are calculated in accordance with the Bankruptcy Court's decision.

On May 1, 2102, Chex filed its Motion For Clarification And/Or To Reconsider, Alter, And Amend The Findings Of Fact And Conclusions Of Law with respect to the Court's April 18, 2012 decision (the "**Chex Reconsideration Motion**") [Docket No. 419]. On May 16, 2012, the Bankruptcy Court entered its Order memorializing its April 18, 2012 decision under seal (the "**Chex Assumption Order**") [Docket No. 431]. After a hearing held on March 21, 2012, the Bankruptcy Court denied the Chex Reconsideration Motion. *See* Order dated July 3, 2012, Docket No. 503.

On May 31, 2012, Chex appealed the Chex Assumption Order (the "**Chex Appeal**" [Docket No. 454]. On July 27, 2012, the Chex Appeal was assigned to the Honorable Michal A. Shipp of the United States District Court for the District of New Jersey, Docket No. 12-cv-04132. In the Chex Appeal, Chex seeks, *inter alia,* reversal of the Chex Assumption Order.

Additionally, in connection with, the Debtors and Chex have filed submissions with the Bankruptcy Court under seal regarding pricing and invoicing issues under the Chex Assumption Order [Docket Nos. 523, 531, 551]. Each party also filed requests for the payment of attorneys fees as a prevailing party pursuant to the Chex Assumption Order and objections to the opposing party's fee request [Docket Nos. 486, 488, 536, 537, 560, 562]. As of the date of this Disclosure Statement, such issues are pending *sub judice*.

2. Assumption/Rejection of Non-Residential Real Property Leases.

During the course of these proceedings, all of the Debtors' prepetition leases expired and the Debtors have continued to retain such properties on a month-to-month basis or entered into new leases in the ordinary course of their businesses.

F. **Avoidance Actions**

The Plan provides that, except as otherwise provided in the Plan, the Confirmation Order, or in any document, instrument, release or other agreement entered into in connection with the Plan, in accordance with Section 1123(b) of the Bankruptcy Code, the Debtors shall transfer and assign their interests in the Avoidance Actions not released under any section of the Plan to the Reorganized Debtor. The Reorganized Debtor, as the successor in interest to the Avoidance Actions of the Debtors and their estates, may enforce, sue on, settle or compromise any or all of the Avoidance Actions or, in the exercise of their discretion, may determine not to pursue any or all Avoidance Actions. The Reorganized Debtor shall retain and may enforce all defenses, counterclaims and rights asserted against the Debtors or their estates and shall retain the proceeds of Avoidance Actions in accordance with the terms of the Plan.

A list of each payment made by the Debtors (a) within 90 days prior to the Petition Date and (b) to insiders within one year prior to the Petition Date is included in the Debtors' Statements of Financial Affairs and Schedules on file with the Bankruptcy Court. The Debtors expressly reserves the right to pursue avoidance of any and all of such payments under chapter 5 of the Bankruptcy Code or other applicable law. Within ninety (90) days after the

Effective Date, the Reorganized Debtor shall undertake a more thorough analysis of the Avoidance Actions as reasonably necessary to prosecute the Avoidance Actions.

G. Claim Objections

To date, seventy seven (77) claims asserting an aggregate total of approximately $8,669,844.26 have been filed in the Reorganization Case. This includes four (4) duplicative proof of claims, which were filed against both MicroBilt and CL Verify, totaling $1,455,536.00.

On June 22, 2012, the Debtors filed their First Omnibus Objection to Claims Pursuant to 11 U.S.C. § 502 and Fed. R. Bankr. P. 3007 (the "**First Omnibus Claims Objection**") [Docket No. 485]. In the First Omnibus Claims Objection, the Debtors objected to 49 claims filed by 44 claimants. At a hearing on August 7, 2012, the Debtors advised the Court that (i) one claim had been withdrawn; (ii) the Debtors had withdrawn their objections to three claims; (iii) the Debtors would withdraw its objection to one claim as modified by the Claimant; and (iv) the Debtors requested an adjournment of the hearing on seven claims pending further proceedings.

The Debtors reserve the right to object to any of the filed proofs of claim before and after the Confirmation Hearing. **No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Equity Interest is, or is not, identified in this Disclosure Statement. The Debtors or the Reorganized Debtor may seek to investigate, File and prosecute Claims and Interests and may object to Claims after the Confirmation or Effective Date of the Plan irrespective of whether the Disclosure Statement identifies such Claims or objections to Claims.**

As discussed below, the Debtors intend to assume certain executory contracts and pay cure amounts with respect thereto.

IV. SUMMARY OF THE PLAN

The following is a summary of the significant elements of the Plan. This Disclosure Statement is qualified in its entirety by reference to the Plan. This summary does not describe every element of the Plan. This summary is not a substitute for a complete review of the Plan.

A. General

In general, a chapter 11 plan divides claims and equity interests into separate classes, specifies the treatment of such classes under the plan and contains other provisions necessary to the reorganization, or in some cases case, liquidation, of the debtor. The Debtors are proposing a plan of reorganization and not a plan of liquidation. Under the Bankruptcy Code, creditors (including equity interest holders) may hold claims or interests in more than one class.

The Plan segregates the various Claims and Interests into different classes taking into account the different nature and priority of such respective Claims and Interests.

A chapter 11 plan may specify that certain classes of claims or interests are either to be paid in full upon the effectiveness of the plan or that the plan does not alter the legal, equitable and contractual rights of such classes. Such classes are referred to as unimpaired and, because of such favorable treatment, are deemed to have accepted the plan. Accordingly, the Bankruptcy Code conclusively presumes the acceptance of a plan by unimpaired classes and it is not necessary to solicit votes from the holders of claims or interests in unimpaired classes.

The Plan is predicated upon the reorganization of the Debtors. After the Confirmation Order is entered, the Debtors shall merge and be consolidated and shall continue in business as Reorganized Debtor MicroBilt.

B. **Property to be Distributed under the Plan**

Except as otherwise provided in the Plan or the Confirmation Order, all Cash necessary for the Reorganized Debtor to make payments pursuant to the Plan, shall be funded by the Debtors' and the Reorganized Debtor's existing cash on hand and/or Cash generated from the Reorganized Debtor's operations in the ordinary course of business. As of August 10, 2012, the Debtors' cash on hand is $6,435,475.64, including segregated escrow for Plan Distribution Funds in the amount of $4,590,145.34 (the **"Plan Distribution Escrow"**). The Debtors reserve the right to supplement the amount held in the Plan Distribution Escrow at least ten days prior to the Confirmation Hearing. Any additional amount that the Debtors intend to deposit in the Plan Distribution Escrow will be disclosed in the Plan Supplement. The Plan Supplement shall be filed with the Bankruptcy Court at least fifteen days prior to the scheduled date for the Confirmation Hearing.

On the Distribution Date or on such other date as provided for herein, payments on account of Allowed Claims shall be made from the Plan Distribution Funds or transferred from the Plan Distribution Escrow to the Disbursing Agent for such payments.

C. **Classification of Claims and Interests**

The Plan provides for the division of Holders of Claims and Interests as follows:

(a) Unclassified Claims. Except for Priority Tax Claims, which are impaired only to the extent permitted by the Bankruptcy Code, unclassified Claims are not impaired by the Plan. Each Holder of an Unclassified Claim is conclusively presumed to have accepted the Plan and, therefore, is not entitled to vote to accept or reject the Plan. Priority Tax Claims and Administrative Expense Claims are the only types of Claims that are unclassified in the Plan.

(b) Unimpaired Classes of Claims. Each Holder of an unimpaired Claim is deemed to have accepted the Plan and, therefore, is not entitled to vote to accept or reject the Plan.

- Class 1 Claims (Non-Tax Priority Claims). Class 1 consists of all Allowed Non-tax Priority Claims.

- Class 2 (General Unsecured Claims). Class 2 consists of all Allowed General Unsecured Claims.

- Class 4 (Secured Claims). Class 4 consists of all Allowed Secured Claims.

(c) Unimpaired Classes of Interests. Each Holder of an Interest placed in an unimpaired Class is deemed to have accepted the Plan and, therefore, is not entitled to vote to accept or reject the Plan.

- Class 3 (MicroBilt Equity Interests). Class 3 consists of the Holders of Equity Interests in Debtor MicroBilt.

(d) Impaired Classes of Interests. Each Holder of an Interest placed in the following impaired Class is deemed to have rejected the Plan and, therefore, is not entitled to vote to accept or reject the Plan.

- Class 5 (CL Verify Equity Interests). Class 5 consists of the Holders of Equity Interests in Debtor CL Verify.

D. **Treatment of Claims and Interests**

The Plan provides for the division of Holders of Claims and Interests as follows:

(a) Unclassified Claims.

Administrative Expense Claims. The legal and equitable rights of the Holders of Administrative Expense Claims are unaltered by the Plan. As soon as reasonably practicable after the later of (i) the Distribution Date, or (ii) the date on which such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, each Holder of an Allowed Administrative Expense Claim will receive in full satisfaction, settlement and release of and in exchange for such Allowed Administrative Expense Claim (A) Cash equal to the amount of such Allowed Administrative Expense Claim, or (B) such other treatment as to which the Debtors or Reorganized Debtor and the Holder of such Allowed Administrative Expense Claim shall have agreed upon in writing.

Bar Dates for Administrative Claims. The Confirmation Order will establish an Administrative Expense Claims Bar Date for filing Administrative Expense Claims, except for Claims of the kind specified in Article 3.1.2 of the Plan, which date will be sixty (60) days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Holders of Administrative Expense Claims that are subject to the Administrative Expense Claims Bar Date shall submit requests for payment on or before such Administrative Expense Claims Bar Date or forever be barred from submitting any request on account of such Administrative Expense Claim.

Applications for Professional Fees. All applications for professional fees for services rendered and reimbursement of expenses in connection with the Reorganization Case prior to the Confirmation Date are Administrative Expense Claims and shall be filed with the Bankruptcy Court within ninety (90) days after the Effective Date. Any application not filed within ninety (90) days after the Effective Date shall bar the Holder of such Claim from receiving payment on account thereof. The Debtors estimate professional fees in this case to

total approximately $1,901,000.00 to $2,100,000.00. To date, the Debtors have paid professional fees of approximately $1,079,537.31 in their bankruptcy cases.

The Debtors estimates administrative expenses, including expenses for professionals, to total approximately $2,001,000.00 to $2,200,000.00.

Priority Tax Claims. Except as provided for in the Bankruptcy Code, the legal and equitable rights of the holders of Priority Tax Claims are unaltered by the Plan. As soon as reasonably practicable after the later of (i) the Distribution Date, or (ii) the date on which such Priority Tax Claim becomes an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim will receive in full satisfaction, settlement and release of and in exchange for such Allowed Priority Tax Claim, at the election of the Debtors, (A) Cash equal to the amount of such Allowed Priority Tax Claim, (B) Cash equal to the amount of such Allowed Priority Tax Claim, payable in equal monthly installments commencing on the Distribution Date over the latter of (y) six years, or (z) such other time as the Debtors or Reorganized Debtor and the Holder of such Allowed Priority Tax Claim shall have agreed upon in writing, or (c) such other treatment as to which the Debtors or Reorganized Debtor and the Holder of such Allowed Priority Tax Claim shall have agreed upon in writing.

(b) Classified Claims and Interests.

Class 1 (Non-Tax Priority Claims). The legal and equitable rights of the Holders of Allowed Non-Tax Priority Claims are unaltered by the Plan. As soon as reasonably practicable after the later of (i) the Distribution Date, (ii) the date on which such Non-Tax Priority Claim becomes an Allowed Non-Tax Priority Claim, or (iii) the date on which such Non-Tax Priority Claim becomes due and owing in the ordinary course of the Debtors' business, each Holder of an Allowed Non-Tax Priority Claim shall receive in full satisfaction, settlement and release of and in exchange for such Allowed Non-Tax Priority Claim at the election, of the Debtors or Reorganized Debtor, (A) Cash equal to the amount of such Allowed Non-Tax Priority Claim; (B) such other treatment which the Reorganized Debtor and the Holder of such Allowed Non-Tax Priority Claim have agreed upon in writing; or (C) such other treatment as may be permitted so as to render the Holder of such Allowed Non-Tax Priority Claim unimpaired pursuant to Bankruptcy Code § 1121. Any default with respect to any Non-Tax Priority Claim that existed immediately prior to the Petition Date will be deemed cured on the Effective Date.

Class 2 (General Unsecured Claims). As soon as reasonably practicable after the later of (i) the Distribution Date, (ii) the date on which such General Unsecured Claim becomes an Allowed General Unsecured Claim or (iii) such other time as may be agreed to by the Reorganized Debtor and the Holder of such Allowed General Unsecured Claim, each Holder of an Allowed General Unsecured Claim shall receive in full satisfaction, settlement and release of and in exchange for such Allowed General Unsecured Claim (A) Cash equal to the amount of such Allowed General Unsecured Claim plus interest at the Post-Petition Interest Rate from the Petition Date through the date such Claim is paid, (B) payment in full of such Holder's Allowed General Unsecured Claim in accordance with the terms of a pre-petition agreement between the Debtors and a Holder of an Allowed General Unsecured Claim or (C) such other less favorable treatment as may be agreed to by the Reorganized Debtor and the Holder of such Allowed General Unsecured Claim.

The post-petition interest payable to Holders of Allowed General Unsecured Claim shall be calculated at the Post-Petition Interest Rate provided for in the Plan, compounded annually. Under the Plan, the "Post-Petition Interest Rate" means (i) the Federal Post-Judgment Interest Rate in effect as of the Petition Date, which is equal to 0.25 percent, compounded annually or (ii) at such other interest rate as is determined by the Bankruptcy Court at the Confirmation Hearing, that will cause the Plan to conform to and meet the requirements of applicable law.

Class 3 (MicroBilt Equity Interests). On the Effective Date, the interests each Holder of Equity Interests in the Debtor MicroBilt prior to the Effective Date shall be retained by such Holders and shall remain unaffected and unchanged by this Plan. For the avoidance of doubt, no new shares of MicroBilt Common Stock will be issued to holders of MicroBilt Common Stock.

Class 4 (Secured Claims). As soon as reasonably practicable after the later of (i) the Distribution Date, (ii) the date on which such Secured Claim becomes an Allowed Secured Claim, (iii) the date on which such Secured Claim becomes due and owing in the ordinary course of the Debtors' business, or (iv) the date or dates as may be agreed to by the Reorganized Debtor and the Holder of such Allowed Secured Claim, each Holder of an Allowed Secured Claim shall receive in full satisfaction, settlement and release of and in exchange for such Allowed Secured Claim at the election, of the Debtors or Reorganized Debtor, (A) Cash equal to the amount of such Allowed Secured Claim, including any interest on such Allowed Secured Claim required to be paid pursuant to the Bankruptcy Code or (B) such other treatment which the Reorganized Debtor and the Holder of such Allowed Secured Claim have agreed upon in writing. Any default with respect to any Secured Claim that existed immediately prior to the Petition Date will be deemed cured on the Effective Date.

Class 5 (CL Verify Equity Interests). On the Effective Date, Debtor CL Verify shall be merged and consolidated into Reorganized Debtor MicroBilt and the Membership Units shall be deemed canceled and of no force or effect.

E. Satisfaction of Claims and Equity Interests

The Plan provides that the treatment of, and consideration to be received by, Holders of Allowed Claims shall be in full satisfaction, settlement of, and in exchange for such Allowed Claim.

V. IMPLEMENTATION OF THE PLAN

This article discusses the means by which the Plan will be implemented.

A. The Estate and the Reorganized Debtor

After the Effective Date, Reorganized Debtor MicroBilt shall continue to exist as a legal entity in accordance with the laws of the State of Delaware. In accordance with the prepetition economic realities of the Debtors, Debtor CL Verify shall be merged and consolidated into Reorganized Debtor MicroBilt. Except as otherwise provided in the Plan, on

and after the Effective Date, all property of the Debtors' Estates, including any property acquired by the Debtors or Reorganized Debtor under or in connection with the Plan, shall vest in the Reorganized Debtor free and clear of all Claims, liens, charges, other encumbrances and interests.

Additionally, on and after the Effective Date, the Reorganized Debtor may operate its businesses and may use, acquire and dispose of property and, subject to the Plan, compromise or settle any Claims, without supervision of or approval by the Bankruptcy Court and free and clear of any restriction of the Bankruptcy Code or the Bankruptcy Rules, other than restrictions expressly imposed by the Plan or the Confirmation Order. Without limiting any of the foregoing, the Reorganized Debtor may pay the charges that they incur on or after the Effective Date for Professionals' fees, disbursements, expenses or related support services without application to the Bankruptcy Court.

B. **Management of the Reorganized Debtor**

On the Effective Date, except as otherwise provided for in the Plan, the board of directors of Reorganized Debtor MicroBilt shall be as follows:

(i) Oscar Marquis

(ii) Walt Wojciechowski

(iii) Barry Connelly

(iv) Grady Reynolds

(v) Joe Bartholomew

The officers of Reorganized Debtor MicroBilt shall be as follows:

(i) Walter Wojciechowski, (President and Chief Executive Officer)

(ii) Franklin Levin (Senior Vice President, General Counsel and Secretary)

Each of the above parties served in their respective positions prior to the Petition Date and shall be compensated in the same manner as compensated prior to the Petition Date. The foregoing shall be deemed to satisfy the Debtors' obligation, as the Plan proponent, under Bankruptcy Code § 1129(a)(5), to disclose the identity and affiliations of all individuals proposed to serve, after the Confirmation Date, as a director or officer of the Reorganized Debtor. Each such director shall serve from and after the Effective Date pursuant to the terms of MicroBilt's Certificate of Incorporation and By-Laws, the other constituent documents of the Reorganized Debtor, and applicable law.

C. **No Cancellation of Instruments and Stock**

On the Effective Date, except as otherwise provided for by the Plan, (i) the Common Stock; (ii) all stock options (including, but not limited to, all stock options granted to the Debtors' employees); (iii) all warrants (if any); and (iv) any instrument evidencing or creating any indebtedness or obligation of the Debtors, shall continue in full force and effect in the same manner as such had existed prior to the Effective Date. Additionally, as of the Effective Date, the Common Stock and all warrants, options, rights or interests with respect to the Common Stock that have been authorized to be issued but that have not been issued shall continue in full force and effect in the same manner as such had existed prior to the Effective Date.

D. **Disbursing Agent**

The Plan provides for the Reorganized Debtor to serve as the Disbursing Agent for all Plan purposes.

E. **Plan Distribution Escrow and Distributions Therefrom.**

As of August 14, 2012, the Debtors hold Plan Distribution Funds in the amount of $4,590,145.34 in a segregated escrow account (the **"Plan Distribution Escrow"**). The Debtors reserve the right to supplement the amount held in the Plan Distribution Escrow at least ten days prior to the Confirmation Hearing. Any additional amount that the Debtors intend to deposit in the Plan Distribution Escrow will be disclosed in the Plan Supplement.

On the Distribution Date or on such other date as provided for in the Plan, payments on account of Allowed Claims shall be made from the Plan Distribution Funds or transferred from the Plan Distribution Escrow to the Disbursing Agent for such payments.

Escrowed funds that are released to the Reorganized Debtor or Disbursing Agent after the Effective Date shall be released in accordance with the provisions set forth in the Plan without the need for consent or approval of any party or any further order of the Bankruptcy Court and free and clear of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary.

On or after the Distribution Date, the Disbursing Agent shall maintain the amount of Cash in the Plan Distribution Escrow, estimated in the Debtors' sole discretion, to be sufficient to pay the amount that will ultimately be allowed on account of the Disputed Claims to which the distributions are to be made. If at any time or from time to time after the Distribution Date, there shall be Cash in the Plan Distribution Escrow in an amount in excess of the Debtors' maximum remaining payment obligations to the then existing Holders of Claims against the Debtors under the Plan, such excess funds shall be transferred to and become the property of the Reorganized Debtor without the need for consent or approval of any party or any further order of the Bankruptcy Court and free and clear of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary.

Upon the making of any Distribution to the Holder of an Allowed Claim, the Debtors shall have no further obligations or liability to any party with respect to such Distribution.

Except as provided in the Plan, the Reorganized Debtor or the Disbursing Agent shall make all distributions required to be distributed under the Plan in accordance with the terms and conditions hereof. Distributions on account of Claims that first become Allowed Claims after the Effective Date shall be made pursuant to Articles III, IV and VII of the Plan.

The Plan also provides that the Disbursing Agent will not be required to distribute Cash to the Holder of an Allowed Claim if the amount of Cash to be distributed on any distribution date under the Plan on account of such Claim is less than $25. Any holder of an Allowed Claim on account of which the amount of Cash to be distributed is less than $25 will have its Claim for such distribution discharged and will be barred from asserting any such Claim against the Debtors or their respective property. Any Cash not distributed for such reason shall become the property of the Reorganized Debtor free and clear of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary.

F. **Interest on Claims.**

Except as otherwise provided for in the Plan or the Confirmation Order, or required by applicable bankruptcy law, post-petition interest shall not accrue or be paid on any Claims, and no Holder of any other Claim shall be entitled to interest accruing on or after the Petition Date on any such Claim. Post-petition interest with respect to Holders of Allowed General Unsecured Claims is discussed above.

G. **Disputed Claims**

No later than the Claims Objection Deadline (unless extended by an order of the Bankruptcy Court), the Debtors or the Reorganized Debtor, as the case may be, shall file objections to Claims with the Bankruptcy Court and serve such objections upon the Holders of the Claims to which objections are made. Nothing contained in the Plan or this Disclosure Statement shall limit the Reorganized Debtor' right to object to Claims, if any, filed or amended after the Claims Objection Deadline. The Debtors and the Reorganized Debtor shall be authorized to, and shall, resolve all Disputed Claims by withdrawing or settling such objections thereto, or by litigating to judgment (in the Bankruptcy Court or such other court having jurisdiction) the validity, nature and/or amount thereof.

No payments or distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order, and the Disputed Claim, or some portion thereof, has become an Allowed Claim; provided however, that the Debtors may in their discretion pay any undisputed portion of a Disputed Administrative, Priority Tax and Priority Non-Tax Claim.

H. **Discharge, Injunction and Releases**

Discharge of Claims and Termination of Interests. Except as otherwise provided in the Plan or in the Confirmation Order, all consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge and release of, all Claims of any nature whatsoever against the Debtors or any of its Assets or properties, and regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims. Upon the Effective Date, the Debtors shall be deemed discharged and released under Bankruptcy Code § 1141(d)(1)(A) from any and all Claims, including, but not limited to, demands and liabilities that arose before the Confirmation Date. Further, upon the Effective Date all debts of the kind specified in Bankruptcy Code §§ 502(g), 502(h) or 502(i), and all Interests relating to any of the foregoing, shall be terminated, extinguished and cancelled.

Injunction. The Plan provides that, except as otherwise provided in the Plan, in consideration of the distributions made or contemplated hereunder, the Confirmation Order shall provide, among other things, that from and after the Confirmation Date all Persons who have held, hold or may hold Claims against, or Interests in, the Debtors are permanently enjoined from taking any of the following actions against the Debtors or their Estates, or any of its property, or the Reorganized Debtor or its property, on account of any such Claims or Interests: (i) commencing or continuing, in any manner or in any place, any action or other proceeding; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (iii) creating, perfecting or enforcing any lien or encumbrance; (iv) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtors; and (v) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan; provided, however, that nothing contained herein shall preclude such persons from exercising their rights pursuant to and consistent with the terms of this Plan and the Plan documents. By accepting distributions pursuant to the Plan, each Holder of an Allowed Claim will be deemed to have specifically consented to the injunctions set forth herein. Nothing herein shall be deemed or construed to abrogate the Debtors' obligations pursuant to any stipulation agreed to, or consent order entered, during the pendency of the Reorganization Case.

Exculpation. Notwithstanding anything herein to the contrary in the Plan or Confirmation Order other than as provided for in Section 7.10 of the Plan, as of the Effective Date, none of the Debtors, and their respective officers, employees, accountants, financial advisors, investment bankers, restructuring advisors and attorneys (but, in each case, solely in their capacities as such) shall have or incur any liability for any Claim, cause of action or other assertion of liability for any act taken or omitted to be taken in connection with, or arising out of, the Debtors' Reorganization Case, the formulation, negotiation, dissemination, confirmation, consummation or administration of the Plan, property to be distributed under the Plan or any other act or omission in connection with the Debtors' Reorganization Case, the Plan, the Disclosure Statement or any contract, instrument, document or other agreement entered into pursuant thereto, arising from the Petition Date through and including the Effective Date; provided, however, that the foregoing shall not affect the liability of any person that otherwise would result from any such act or omission to the extent such act or omission is determined by a Final Order to have constituted willful misconduct or gross negligence. Nothing in Section 7.4 of the Plan

shall limit the liability of the professionals of the Debtors to their respective clients pursuant to any statutes, rules or regulations dealing with professional conduct to which such professionals are subject.

Releases by Holders of Claims and Interests. Except as otherwise expressly provided by the Plan, on the Effective Date, all Entities who directly or indirectly, have held, hold, or may hold Claims or Interests shall be deemed, by virtue of their receipt of Distributions and/or other treatment contemplated under the Plan and all those claiming by or through any of the foregoing, shall release unconditionally and forever discharge (a) the Debtors, (b) each present or former officer, employee, financial advisor, restructuring advisor and attorney (and their respective affiliates) of the Debtors who acted in such capacity after the Petition Date, and each of their respective officers, financial advisors, attorneys, employees, parent corporations, subsidiaries, partners and affiliates (but, in each case, solely in their capacities as such) from any and all Claims, suits, judgments, demands, debts, rights, causes of action and liabilities whatsoever (other than the rights to enforce the Plan and the contracts, instruments, releases, or other agreements or documents assumed, passed through or delivered in connection with the Plan), whether liquidated or unliquidated, fixed or contingent, known or unknown, matured or unmatured, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise, based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date (including prior to the Petition Date), relating to the Debtors' Reorganization Case, including the commencement of the Debtors' Reorganization Case, the preparation therefor, prepetition negotiations relating thereto and any prepetition restructuring work relating thereto, the development and negotiation of the Plan, potential alternatives to the Plan, the events giving rise to the commencement of the Debtors' Reorganization Case (to the extent the claims relating thereto could give rise to an indemnification obligation by the Debtors), pursuit of confirmation of the Plan, consummation thereof, administration of the Plan, or property to be distributed or transactions to be consummated as contemplated by the Plan; provided, however, that the foregoing shall not affect the liability of any Person that otherwise would result from any such act or omission to the extent such act or omission is determined by a Final Order to have constituted willful misconduct or gross negligence. Nothing in Section 8.5.1 of the Plan shall limit the liability of the professionals of the Debtors to their respective clients pursuant to any statutes, rules or regulations dealing with professional conduct to which such professionals are subject.

Injunction Related to Releases. The Confirmation Order will permanently enjoin the commencement or prosecution by any entity, whether directly, derivatively or otherwise, of any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities released pursuant to the Plan, including but not limited to the claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities released in Section 7.5 of the Plan.

Terms of Injunctions or Stays. Unless otherwise provided, all injunctions or stays arising under or entered during the Reorganization Case under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

I. **Preservation of Causes of Action/Reservation of Rights.**

Maintenance of Causes of Action. Except as otherwise provided in the Plan or Confirmation Order, after the Effective Date, the Reorganized Debtor shall retain all rights to and shall have standing to commence, pursue, litigate or settle, as appropriate, any and all Causes of Action including, but not limited to, any Avoidance Actions, whether existing as of the Petition Date or thereafter arising, in any court or other tribunal including in an adversary proceeding Filed in one or more of the Reorganization Case.

The Reorganized Debtor may in its sole discretion elect not to pursue any Causes of Action that the Reorganized Debtor otherwise have authority to pursue hereunder (including Avoidance Actions) the pursuit of which the Reorganized Debtor deem not to be in the best interest of the Estates or the Reorganized Debtor.

Except as specifically provided in the Plan or in the Confirmation Order, nothing contained herein or in the Confirmation Order shall be deemed to be a waiver or relinquishment of any claim, Cause of Action (including Avoidance Actions), right of setoff, or other legal or equitable defense that the Debtors had immediately prior to the Petition Date, against or with respect to any Claim whether impaired or left unimpaired by the Plan. The Reorganized Debtor shall have, retain, reserve, and be entitled to assert all such claims, Causes of Action (including Avoidance Actions), rights of setoff, or other legal or equitable defenses which they or any of them had immediately prior to the Petition Date fully as if the Reorganization Case had not been commenced, and all legal and equitable rights of the Debtors respecting any Claim whether impaired or left unimpaired by the Plan may be asserted after the Confirmation Date to the same extent as if the Reorganization Case had not been commenced.

Except as otherwise provided in the Plan or Confirmation Order, any claims, rights or Causes of Action that the Debtors may hold against any Entity shall vest in the Reorganized Debtor on the Effective Date and the Reorganized Debtor shall have the exclusive right and authority to institute, prosecute, abandon, settle or compromise any and all such claims, rights and Causes of Action, and the Reorganized Debtor shall not require the consent or approval of any party or any further order of the Bankruptcy Court to settle or resolve any claims, rights and Causes of Action.

Preservation of All Causes of Action Not Expressly Sold, Settled or Released. Unless a claim or Cause of Action against a Holder of a Claim or an Equity Interest or other Entity is expressly waived, abandoned, relinquished, released, compromised or settled in the Plan or any Final Order (including the Confirmation Order), the Debtors expressly reserve such claim or Cause of Action for later action by the Debtors or the Reorganized Debtor (including claims and Causes of Action of which the Debtors may presently be unaware or which may arise or exist by reason of additional facts or circumstances unknown to the Debtors at this time or facts or circumstances that may change or be different from those the Debtors now believe to exist) and, therefore, no preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches shall apply to such claims or Causes of Action upon or after the confirmation or consummation of the Plan based on the Disclosure Statement, the Plan or the Confirmation Order, except where such claims or Causes of Action have been expressly released in the Plan (including, and for the

avoidance of doubt, the Debtor Release contained in Article VIII hereof) or any other Final Order (including the Confirmation Order). In addition, the Debtors and the Reorganized Debtor, as the case may be, reserve the right to pursue or adopt any claims alleged in any lawsuit in which the Debtors are a plaintiff, defendant or an interested party, against any Entity, including the plaintiffs or co-defendants in such lawsuits except where such claims or Causes of Action have been released in the Plan or any other Final Order (including the Confirmation Order).

ALL ESTATE CAUSES OF ACTION SHALL SURVIVE CONFIRMATION AND THE COMMENCEMENT OR PROSECUTION OF CAUSES OF ACTION SHALL NOT BE BARRED OR LIMITED BY ANY ESTOPPEL, WHETHER JUDICIAL, EQUITABLE, OR OTHERWISE. The Reorganized Debtor's rights to commence and prosecute Causes of Action (including Avoidance Actions) shall not be abridged or materially altered in any manner by reason of confirmation of the Plan. No defendant party to any Cause of Action (including an Avoidance Action) shall be entitled to assert any defense based, in whole or in part, upon confirmation of the Plan, and confirmation of the Plan shall not have any *res judicata* or collateral estoppel effect upon the commencement and prosecution of Causes of Action (including Avoidance Actions).

Causes of Action are defined in the Plan as all rights, claims, torts, liens, liabilities, obligations, actions, causes of action, suits, proceedings, debts, contracts, judgments, damages and demands whatsoever in law or in equity, whether known or unknown, contingent or otherwise, that the Debtors now have, including, but not limited to (i) any and all claims against any person or entity, to the extent such person or entity asserts a crossclaim, counterclaim, and/or Claim for setoff which seeks affirmative relief against the Debtors, the Reorganized Debtor, their officers, directors, or representatives, (ii) the avoidance of any transfer by or obligation of the Estates or the Debtors under chapter 5 of the Bankruptcy Code or the recovery of value of such transfer, (iii) the turnover of any property of the Estates, and (iv) any Avoidance Actions.

Preservation of Insurance. Nothing in the Plan shall diminish or impair the enforceability of any policies of insurance that may cover claims or causes of action against any Debtor or any other Entity.

Preservation of Prior Settlements Approved by the Bankruptcy Court. Notwithstanding anything contained in the Plan or the Confirmation Order, nothing in the Plan or the Confirmation Order shall affect, modify, or alter any settlements previously approved by the Bankruptcy Court and such approved settlements are, and will continue to be, binding on the Debtors, Reorganized Debtor, and other settling parties. The settlement documents approved by the Bankruptcy Court (the "Settlement Documents") shall control to the extent there is any inconsistency among the Plan or Confirmation Order and the Settlement Documents.

J. **Exceptions to Injunctions, Releases and Exculpations.**

Notwithstanding anything to the contrary set forth in the Plan, the injunctions, releases and exculpations contained in Article VII of the Plan shall not apply to or otherwise affect any of the Debtors' or Reorganized Debtor's Causes of Action against, relating to or with respect to Hill Wallack, LLP, Maselli Warren, P.C. or such parties' applicable insurances and

insurers. The Reorganized Debtor's rights to commence and prosecute such Causes of Action shall not be abridged or materially altered in any manner by reason of confirmation of the Plan.

VI. EXECUTORY CONTRACTS AND LEASES

The Plan provides, that with certain exceptions described in the Plan and herein, all executory contracts or unexpired leases of the Reorganized Debtor shall be deemed assumed pursuant to Bankruptcy Code §§ 365 and 1123, except those executory contracts or unexpired leases that (i) have previously been rejected by order of the Bankruptcy Court, (ii) are the subject of a motion to reject pending before the Bankruptcy Court on the Effective Date; or (iii) are identified on a list to be filed with the Bankruptcy Court on or prior to the Confirmation Date as to be rejected. Except as provided in the Plan or any order of the Bankruptcy Court, each executory contract or unexpired lease assumed as provided herein shall re-vest in and be fully enforceable by the Reorganized Debtor in accordance with their terms. Any and all orders of the Bankruptcy Court authorizing the Debtors to assume or reject an executory contract or unexpired lease or deeming that an executory contract or unexpired lease has been assumed or rejected are specifically incorporated herein.

The Plan provides for the Debtors' cure of any monetary amounts by which any executory contract or unexpired lease to be assumed pursuant to the Plan is in arrears by payment of the arrears in Cash as reasonably practical and within ninety (90) days after the Effective Date or on such other terms as the parties to such executory contracts or unexpired leases may otherwise agree. The Plan also provides that the Bankruptcy Court shall resolve any disputes concerning (i) the amount of any arrears, (ii) the ability of the Reorganized Debtor to provide adequate assurance (as defined and provided for in Bankruptcy Code § 365) under the executory contract or unexpired lease to be assumed, or (iii) any other matter regarding the assumption. Pursuant to the Plan, the Debtors or Reorganized Debtor shall make all cure payments required by Bankruptcy Code § 365(b)(1) after the entry of a Final Order resolving the dispute and approving the assumption. As of the date of this Disclosure Statement, the Debtors estimate the aggregate cure amounts will total approximately $2,204,632.23.

The Plan also provides that any party to a rejected executory contract or lease who alleges any claim for damages arising by reason of the rejection of such executory contract or lease shall be entitled to file, not later than thirty (30) days after the Confirmation Date, a proof of claim for such damages. The Plan further provides that the Debtors shall file objections to any proof of claims by not later than sixty (60) days after such proof of claim is filed. If an objection is filed, the Plan provides that the Bankruptcy Court shall determine the amount due and owing to the Person that filed the Proof of Claim. A distribution and payment on account of such Claim shall be made on the later of (i) ten (10) Business Days after the expiration of the sixty (60) day period for filing an objection in respect of such proof of claim, or (ii) ten (10) Business Days after the Claim has been Allowed by a Final Order provided that no such payment shall be made before the Distribution Date.

VII. CONDITIONS TO EFFECTIVE DATE AND CONSUMMATION OF THE PLAN

A. Conditions Precedent to the Effective Date.

The Plan provides that each of the following are conditions precedent to the occurrence of the Effective Date:

(a) the Confirmation Order, in a form and substance reasonably acceptable to the Debtors, shall have been entered by the Bankruptcy Court and shall have become a Final Order;

(b) the Chex Assumption Order, in a form and substance reasonably acceptable to the Debtors, shall have been entered by the Bankruptcy Court and shall have become a Final Order; and

(c) all documents, instruments, and agreements provided under, or necessary to implement, this Plan shall have been executed and delivered by the applicable parties.

B. Notice of Effective Date.

On or before five (5) Business Days after the Effective Date, the Debtors will mail or cause to be mailed to all Holders of Claims in Classes 2 and 4 that are not Disallowed Claims a notice that informs such Persons of (a) the entry of the Confirmation Order, (b) the occurrence of the Effective Date, and (c) such other matters as the Debtors deem appropriate or as may be ordered by the Bankruptcy Court.

C. Waiver of Conditions Precedent to the Effective Date.

The Debtors may at any time, without notice or authorization of the Bankruptcy Court, waive in writing any or all of the conditions precedent to the Effective Date set forth in Section 8.1 of the Plan, whereupon the Effective Date shall occur without further action by any Person. The Debtors reserve the right to assert that any appeal from the Confirmation Order shall be moot after the Effective Date of this Plan.

D. Non-Consummation of the Plan.

If one or more of the conditions to the occurrence of the Effective Date that has not been waived by the Debtors is not satisfied, and the time within which such condition must be satisfied has expired, the Plan shall be deemed null and void, and, in such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors, or be deemed an admission by the Debtors.

VIII. RETENTION OF JURISDICTION

The Plan provides that following the Confirmation Date, the Bankruptcy Court will retain jurisdiction of the chapter 11 case for the following purposes:

(a) To allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any objections to the allowance or priority of Claims or Interests;

(b) To resolve any matter related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which either of the Debtors is a party, or with respect to which any of the Debtors or the Reorganized Debtor may be liable and to hear, determine and, if necessary, liquidate any Claims arising there from, or otherwise enforce any dispute relating to any executory contract or lease assumed, rejected or assigned by the Debtors during the Reorganization Case;

(c) To ensure that the distributions to Holders of Claims and Interests are accomplished as provided herein;

(d) To resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving the Debtors that may be pending on the Effective Date;

(e) To enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents created in connection with the Plan, the Disclosure Statement or the Confirmation Order;

(f) To resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan or any contract, instrument, release or other agreement or document that is executed or created pursuant to the Plan, or any Person's rights arising from or obligations incurred in connection with the Plan or such documents;

(g) To modify the Plan before or after the Effective Date pursuant to Bankruptcy Code § 1127 of the Bankruptcy Code or modify the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan. After Confirmation, the Reorganized Debtor may also, so long as it does not adversely affect the interest of creditors, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan or the Confirmation Order, in such manner as may be necessary to carry out the purposes and effects of the Plan;

(h) 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, including all applications for compensation and reimbursement of expenses of Professionals under the Plan or under Bankruptcy Code §§ 330, 331 503(b), 1103 and 1129(a); provided, however, that from and after the Effective Date the payment of fees and expenses of the Reorganized Debtor, including counsel and other professional fees, shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

(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, implementation or enforcement of the Plan or the Confirmation Order;

(j) To resolve matters related to state, local and federal taxes in accordance with Bankruptcy Code §§ 346, 505 and 1146;

(k) To enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked or vacated or distributions pursuant to the Plan are enjoined or stayed;

(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 or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order;

(m) To enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Reorganization Case;

(n) To resolve all matters related to the property of the Debtors' Estates from and after the Confirmation Date;

(o) To resolve such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code; and

(p) To enter an order terminating the Reorganization Case.

IX. MISCELLANEOUS PROVISIONS OF THE PLAN

The Plan provides miscellaneous other provisions that are necessary or appropriate to, or which will assist in confirmation, implementation and execution of, the Plan, including the following:

A. Amendment

The Plan reserves the Debtors' rights, subject to Bankruptcy Code § 1127, to alter, amend or modify the Plan at any time prior to or after the Confirmation Date but prior to the substantial consummation of the Plan. The Plan also provides that a Holder of a Claim that

has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified; provided that the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such Holder.

B. **Undeliverable and Unclaimed Distributions**

Distributions to Holders of Allowed Claims shall be made at the addresses set forth in the Debtors' records unless such addresses are superseded by proofs of claim, or transfers of claim filed pursuant to the Bankruptcy Rules prior to the Distribution Record Date.

The Plan provides that if the distribution to any Holder of an Allowed Claim is returned to the Reorganized Debtor or the Disbursing Agent as undeliverable or is otherwise unclaimed, no further distributions shall be made to such Holder unless and until the Disbursing Agent is notified in writing of such Holder's then current address. Thereafter, the Reorganized Debtor or Disbursing Agent shall make all distributions that have become deliverable or have been claimed since the Distribution Date as soon as practicable after such distribution has become deliverable.

The Plan also provides that the Holder of an Allowed Claim who fails to claim a distribution for a period of ninety (90) days after the date it is distributed in accordance with the Plan shall be deemed to have forfeited their Claim and shall be forever barred and enjoined from asserting any such Claim for a distribution against the Debtors, the Reorganized Debtor or their Estate and property. Under the Plan, any Cash for distribution on account of undeliverable or unclaimed distributions shall become the property of the Reorganized Debtor free and clear of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary.

The Plan does not require the Debtors, the Reorganized Debtor or the Disbursing Agent to attempt to locate any Holder of an Allowed Claim.

Checks issued by the Disbursing Agent in respect of Allowed Claims shall be null and void if not negotiated within sixty (60) days after the date of issuance thereof. Requests for reissuance of any check shall be made to the Disbursing Agent by the Holder of the Allowed Claim to whom such check originally was issued. Any Claim in respect of such a voided check shall be made on or before thirty (30) days after the expiration of the sixty (60) day period following the date of issuance of such check. After such date, all funds held on account of such voided check shall become the property of the Reorganized Debtor free and clear of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary and the Holder of any such Allowed Claim shall not be entitled to any other or further distribution under the Plan on account of such Allowed Claim.

C. **Avoidance Actions**

The Plan sets forth that except as otherwise provided in the Plan, the Confirmation Order, or in any document, instrument, release or other agreement entered into in connection with the Plan, in accordance with Section 1123(b) of the Bankruptcy Code, the Debtors shall transfer and assign their interests in the Avoidance Actions not released under any section of the Plan to the Reorganized Debtor. The Confirmation Order shall provide for the appointment of the Reorganized Debtor as the representative of the Debtors' estates for the

purpose of pursuing the Avoidance Actions. The Plan further provides that the Reorganized Debtor, as the representative of the Debtors' estates for the purpose of pursuing Avoidance Actions, may enforce, sue on, settle or compromise any or all of the Avoidance Actions or, in the exercise of their discretion, may determine not to pursue any or all Avoidance Actions. The Reorganized Debtor shall retain and may enforce all defenses, counterclaims and rights asserted against the Debtors or their estate.

X. RISK FACTORS

Holders of Claims and Interests should read and consider carefully the risk factors set forth below, as well as the other information set forth in this Disclosure Statement and the documents delivered together herewith, referred to or incorporated by reference herein, before voting to accept or reject the Plan. Although these risk factors are many, these factors should not be regarded as constituting the only risks present in connection with the Debtors' business or the Plan and their implementation.

A. Bankruptcy Considerations

1. Failure to Receive Requisite Accepting Votes

In order for the Plan to be accepted, of those Holders of Claims who cast ballots, the affirmative vote of at least two-thirds (2/3) in amount and more than one-half (1/2) in number of Allowed Claims in each voting class is required. If the requisite votes are not received to accept the Plan, the Debtors may seek to liquidate the Estate in accordance with chapter 7 of the Bankruptcy Code. There can be no assurance that the terms of a liquidation under chapter 7 of the Bankruptcy Code would be similar to or as favorable to Holders of Claims and Interests as those proposed in the Plan. The Debtors believe that the financial results would not be as favorable to such Holders in a proceeding under chapter 7 of the Bankruptcy Code. Significantly, the projected dividend payable to the Holders of Allowed Claims in Class 2 under the Plan would be substantially diminished by virtue of the increased fees in a liquidation under chapter 7.

2. Risk of Non-Confirmation of the Plan

Although the Debtors believe that the Plan satisfies all legal requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will confirm the Plan. There can also be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate a solicitation of votes to accept or reject the Plan.

3. Historical Financial Information of the Debtors may not be comparable to the Financial Information of the Reorganized Debtor.

As a result of the consummation of the Plan and the transactions contemplated thereby, the financial condition and results of operations of the Reorganized Debtor from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements.

4. The Debtors may object to the amount or classification of a Claim.

Except as otherwise provided in the Plan, the Debtors reserves the right to object to the amount or classification of any Claim under the Plan. The estimates set forth in this Disclosure Statement cannot be relied on by any Holder of a Claim where such Claim is subject to an objection. Any Holder of a Claim that is subject to an objection thus may not receive their expected share of the estimated distributions described in this Disclosure Statement.

5. Risk of Chex Litigation.

As set forth above, litigation relating to the assumption of the Debtors' executory contract with Chex is on-going as of the date of this Disclosure Statement. In the litigation, the parties have disputed the cure amount for the contact between the Debtor and Chex as well as what the pricing under the contract should be. The Debtors believed that the cure cost for assuming the contract with Chex was $133,308.85 while Chex contends that the cure amount was $2,283,302.40 as claimed in its proof of claim plus alleged post-petition invoices in excess of $3,000,000.00. The Debtors maintained that they were current on their post-petition obligations to Chex and that Chex had failed to credit the Debtors for certain pre-petition payments and improperly included certain fees in its proof of claim. On April 18, 2012, the Bankruptcy Court rendered a decision under seal determining the appropriate pricing structure under the contract and authorizing the assumption of the Debtors' executory contract with Chex upon the cure of certain defaults. The Court also found that some of Chex's allegations did not constitute defaults under the contract. The Debtors view the Bankruptcy Court's decision as favorable to the Debtors and the financial projections set forth in this Disclosure Statement are calculated in accordance with the Bankruptcy Court's decision.

As of the date of this Disclosure Statement, the parties' requests for the payment of attorneys fees and submissions regarding pricing and invoicing under the Agreement are pending before the Court. Additionally, Chex has filed the Chex Appeal seeking reversal of the Chex Assumption Order. Although highly unlikely in the Debtors' business judgment, a court could determine pursuant either to the submissions to the Bankruptcy Court or the appeal that the cure costs, contract pricing and/or attorneys fees owed to Chex are greater than the amounts set forth in the Debtors' projections. The Debtors reasonably believe in their business judgment that they have sufficient cash on hand and from on-going operations to cure any deficiencies and to operate profitably on a going forward basis. However, there is a limited potential that such rulings could jeopardize the Debtors' ability to make the payments set forth in the Plan. The Debtors reserve the right to amend or withdraw the Plan to take any potential ruling into account.

Additionally, as set forth above, the Debtors are required contractually to indemnify DP Bureau with respect to Chex' claims against DP Bureau pending in the United States District Court, Middle District of Florida. DP Bureau and the Debtors dispute Chex' allegations and believe that they are without merit and will not result in any indemnification liability for the Debtors. In the litigation, Chex asserts claims in the amount of $924,837.34 exclusive of interest and costs. If the Debtors are required to indemnify DP Bureau, the Debtors project that they will have sufficient cash on hand and from on-going operations to do so with no impact on the Plan or creditor recoveries.

B. **Business Considerations**

1. Seasonality

The Debtors have experienced, and in the future may experience, fluctuations in their operating results due to the seasonal nature of the industry around which their business revolves.

2. Importance of Continued Development of New Business

The Debtors believe that their future success depends upon their ability to maintain existing customer accounts and obtain new customer accounts. The failure of the Debtors to maintain existing business, and develop new business, may have a material adverse impact on their operating results.

3. Variances from Projections

The fundamental premise of the Plan is the implementation and realization of the Debtors' business plan, as reflected in the projections and described herein and in the Plan. The projections reflect assumptions concerning, among other thing, the general economy and the Debtors' ability to control expenses and maintain existing customer accounts. The Debtors believe the assumptions underlying the projections are reasonable; however, unanticipated events occurring subsequent to the preparation of the projections may affect the actual financial results of the Debtors.

C. **Risks Related to Financial Information**

The financial information is based on the Debtors' books and records and, unless otherwise stated, no audit was performed. This Disclosure Statement contains various projections concerning the financial results of the Reorganized Debtor's operations, including the Projections, that are, by their nature, forward looking, and which projections are necessarily based on certain assumptions and estimates. Should any or all of these assumptions or estimates ultimately prove to be incorrect, the actual future experiences of the Reorganized Debtor may turn out to be different from the financial projections. Specifically, the projected financial results contained in this Disclosure Statement reflect numerous assumptions concerning the anticipated future performance of the Reorganized Debtor, some of which may not materialize, including, without limitation, assumptions concerning: (a) the timing of Confirmation and Consummation of the Plan in accordance with their terms; (b) the Reorganized Debtor's ability to maintain or increase revenues and gross margins, control future operating expenses or make necessary capital expenditures; (c) general business and economic conditions; (d) overall industry performance and trends; and (e) the Debtors' ability to maintain the loyalty of their current patrons and prospective patrons.

The liquidation analysis, distribution projections and other information contained herein and attached hereto are estimates only, and the timing and amount of actual distributions to Holders of Allowed Claims may be affected by many factors that cannot be predicted. Therefore, any analyses, estimates or recovery projections may or may not turn out to be accurate.

No legal or tax advice is provided by this Disclosure Statement. This Disclosure Statement is not legal advice to any person. The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each Holder of a Claim or an Equity Interest should consult his or her own legal counsel and accountant with regard to any legal, tax and other matters concerning his or her Claim or Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any Entity (including, without limitation, the Debtor) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, the Reorganized Debtor, Holders of Allowed Claims, Interests or any other parties in interest.

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Equity Interest is, or is not, identified in this Disclosure Statement. The Debtors or the Reorganized Debtor may seek to investigate, File and prosecute Claims and Interests and may object to Claims after the Confirmation or Effective Date of the Plan irrespective of whether the Disclosure Statement identifies such Claims or objections to Claims.

Counsel to and other advisors retained by the Debtors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although counsel and other advisors retained by the Debtors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not verified independently the information contained herein.

No representations concerning or relating to the Debtors, the Chapter 11 Case or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to counsel to the Debtors and the Office of the United States Trustee for the District of New Jersey.

XI. PROJECTED FINANCIAL INFORMATION

The Debtors believes that the Plan meets the feasibility requirement set forth in section 1129(a)(11) of the Bankruptcy Code, as confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Debtors or any successors under the Plan. In connection with the development of the Plan and for the purposes of determining whether the Plan satisfies this feasibility standard, the Debtors analyzed their ability to satisfy their financial obligations while maintaining sufficient liquidity and capital resources. Management prepared financial projections (the "**Projections**") for the period from 2012 through 2014 (the "**Projection Period**"). For avoidance of doubt, the Projections relate solely to

the Debtors and do not include any amounts or projections with respect to the Debtors' non-debtor subsidiaries or affiliates.

The Debtors do not publish their business plans or strategies, projections or anticipated financial position. Accordingly, the Debtors do not anticipate that it will, and disclaims any obligation to, furnish updated business plans or projections to Holders of Claims or other parties in interest after the Confirmation Date or otherwise make such information public.

In connection with the planning and development of the Plan, the Projections were prepared by the Debtors and their management to present the anticipated impact of the Plan. The Projections assume that the Plan will be implemented in accordance with their stated terms. The Projections are based on forecasts of key economic variables and may be significantly impacted by, among other factors, changes in the competitive environment, regulatory changes and/or a variety of other factors, including those factors listed in the Plan and the Disclosure Statement. Accordingly, the estimates and assumptions underlying the Projections are inherently uncertain and are subject to significant business, economic and competitive uncertainties. Therefore, such Projections, estimates and assumptions are not necessarily indicative of current values or future performance, which may be significantly less or more favorable than set forth herein. The Projections included herein were prepared as of August 10, 2012. The Debtors are unaware of any circumstances as of the date of this Disclosure Statement that would require the re-forecasting of the Projections due to a material change in the Debtors' prospects.

The Debtors' management did not prepare such projections to comply with the guidelines for prospective financial statements published by the American Institute of Certified Public Accountants and the rules and regulations of the United States Securities and Exchange Commission. The Debtors' accountants have neither examined nor compiled the projections that accompany the disclosure statement and, accordingly, do not express an opinion or any other form of assurance with respect to the projections. Except for purposes of the Disclosure Statement, the Debtors do not publish projections of their anticipated financial position or results of operations.

Moreover, the projections contain certain statements that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to a number of assumptions, risks, and uncertainties, many of which are beyond the control of the debtor. Actual results or developments may differ from the expectations expressed or implied in the forward-looking statements, and the Debtors undertake no obligation to update any such statements. The projections may not be relied upon as a guaranty or other assurance of the actual results that will occur. In deciding whether to object to confirmation of the plan, Holders of Claims must make their own determinations as to the reasonableness of such assumptions and the reliability of the projections and should consult with their own advisors.

The Projections should be read in conjunction with the assumptions, qualifications, and explanations set forth in this Disclosure Statement and the Plan.

Creditors and other interested parties should see the section entitled "Risk Factors" of this Disclosure Statement for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtor.

XII. BEST INTERESTS TEST

Notwithstanding acceptance of a chapter 11 plan by each impaired class, to confirm a plan the Bankruptcy Court must determine that the plan is in the best interests of each Holder of an impaired Claim or Interest that has not voted to accept the plan. Accordingly, if an impaired class does not unanimously accept the Plan, the best interests test of Bankruptcy Code § 1129(a)(7) requires that the Bankruptcy Court find that the plan provides to each Holder of such Claim or Interest a recovery on account thereof that has a value at least equal to the amount that such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

To estimate the recovery of an impaired holder of a claim or interest under a chapter 7 liquidation, the Bankruptcy Court first determines the aggregate dollar amount that would be available if the chapter 11 case were converted to a chapter 7 case and the assets of the Debtors liquidated by a chapter 7 trustee. The liquidation value would consist of the net proceeds of the disposition of the Debtors' assets and cash held by the Debtors, reduced by the additional increased costs of liquidation and the administrative claims that would arise in a chapter 7 liquidation case but that do not arise in a chapter 11 case.

The additional costs and expenses of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a chapter 7 trustee and compensation for services rendered and reimbursement of disbursements incurred on behalf of such trustee's counsel and other professionals, disposition expenses, litigation costs, and claims arising during the pendency of the chapter 7 liquidation case. The liquidation itself may trigger certain priority claims, which must be paid out of liquidation proceeds before the balance is made available to pay other claims.

The Debtors submit that because there are no unimpaired Claims or Interests under the Plan, the best interests test of Bankruptcy Code § 1129(a)(7) is inapplicable. However, in the interests of disclosure, the Debtors have conducted an analysis and Debtors believe that the financial results for Holders of Unsecured Claims would not be as favorable to such Holders in a proceeding under chapter 7 of the Bankruptcy Code. Significantly, the projected dividend payable to the Holders of Allowed Claims in Class 2 under the Plan would be substantially diminished by the increased administrative costs in a liquidation under chapter 7. Accordingly, because the Plan calls for the payment of a greater distribution to Holders of Claims than would be paid in a chapter 7 liquidation, the Debtors believe that the Plan is the more favorable alternative. Therefore, the Debtors submit that the Plan satisfies the best interests test set forth in section 1129(a)(7) of the Bankruptcy Code.

As described in greater detail herein, the Debtors' business consists primarily of providing financial, risk, verification, background screening and consumer reporting-related services to their customers. Therefore, the Debtors' most valuable assets are their customer

accounts. These customer accounts would have little or no value within the context of a liquidation as customer relationships cannot be sold or assigned for value. In a liquidation, MicroBilt's only marketable assets would be (i) accounts receivable, which would be severely diminished by offsets and damage claims; (ii) office equipment, furniture, computers and fixtures, with *de minimis* value; and (iv) equity interests in the Non-Debtor Subsidiaries.

A liquidation analysis with respect to the Debtors is attached hereto as Exhibit C to assist interested parties in ascertaining whether the Plan satisfies the requirements of section 1129(a)(7) of the Bankruptcy Code.

XIII. TAX CONSEQUENCES OF THE PLAN

The following discussion is a summary of certain material United States federal income tax aspects of the Plan to holders of certain Claims and to the Debtors, is for general information purposes only, and should not be relied upon for purposes of determining the specific tax consequences of the Plan with respect to a particular holder of a Claim or Interest. This discussion does not purport to be a complete analysis or listing of all potential tax considerations.

This discussion is based on existing provisions of the Internal Revenue Code of 1986, as amended (the "IRC"), existing and proposed Treasury Regulations promulgated thereunder, and current administrative rulings and court decisions. Legislative, judicial, or administrative changes or interpretations enacted or promulgated after the date hereof could alter or modify the analyses set forth below with respect to the United States federal income tax consequences of the Plan. Any such changes or interpretations may be retroactive and could significantly affect the United States federal income tax consequences of the Plan. To the extent that the following discussion relates to the consequences to holders of certain Claims, it is limited to holders that are United States persons within the meaning of the IRC.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. No ruling has been requested or obtained from the Internal Revenue Service (the "IRS") with respect to any tax aspects of the Plan and no opinion of counsel has been sought or obtained with respect thereto. Thus, no assurance can be given as to whether the IRS will agree with the assertions and conditions discussed herein. No representations or assurances are being made to the holders of Claims or with respect to the United States federal income tax consequences described herein.

This summary is limited to those holders of Claims who have held such Claims as capital assets. Certain holders (including, among others, insurance companies, banks, tax exempt organizations, financial institutions, broker-dealers, small business investment companies, regulated business companies, investors in pass-through entities, foreign companies and persons who are not citizens or residents of the United States) may be subject to special rules and are not discussed below. In addition, this summary does not address the foreign, state or local tax consequences of the Plan.

Circular 230 Disclosure: This tax discussion was written to support the promotion or marketing of the Plan. To ensure compliance with requirements imposed by

the IRS, we are informing you that this discussion was not intended or written to be used, and cannot be used, by any person for the purpose of avoiding tax-related penalties that may be imposed on the taxpayer under the IRC. This discussion is not intended or written to be legal or tax advice to any person and Taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

A. **Certain U.S. Federal Income Tax Consequences to the Debtors.**

Under the IRC, a taxpayer generally must include in gross income the amount of any cancellation of indebtedness income ("COD income") realized during the taxable year. Section 108 of the IRC provides an exception to this general rule, however, if the cancellation occurs in a case under the Bankruptcy Code, but only if the taxpayer is under the jurisdiction of the bankruptcy court and the cancellation is granted by the court or is pursuant to a plan approved by the court.

Section 108 of the IRC requires the amount of COD income so excluded from gross income to be applied to reduce certain tax attributes of the taxpayer. The tax attributes that may be subject to reduction include the taxpayer's net operating losses and net operating loss carryovers (collectively, "**NOLs**"), certain tax credits and most tax credit carryovers, capital losses and capital loss carryovers, tax bases in assets, and foreign tax credit carryovers. Attribute reduction is calculated only after the tax for the year of the discharge has been determined. Section 108 of the IRC further provides that a taxpayer does not realize COD income from cancellation of indebtedness to the extent that payment of such indebtedness would have given rise to a deduction.

Under the Plan, Holders of Allowed Claims may receive less than full payment on their Claims. The Debtors' liability to the Holders of Claims in excess of the amount satisfied by distributions under the Plan will be canceled and therefore will result in COD income to the Debtors. The Debtors should not realize any COD income, however, to the extent that payment of such Claims would have given rise to a deduction to the Debtors had such amounts been paid. In addition, any COD income that the Debtors realize should be excluded from the Debtors' gross income pursuant to the bankruptcy exception to Section 108 of the IRC described in the immediately preceding paragraph.

The exclusion of COD income, however, will result in a reduction of certain tax attributes of the Debtors. Because attribute reduction is calculated only after the tax for the year of discharge has been determined, the COD income realized by the Debtors under the Plan should not diminish the NOLs and other tax attributes that may be available to offset any income and gains recognized by the Debtors in the taxable year that includes the Effective Date.

B. **Certain U.S. Federal Income Tax Consequences to Holders of Certain Claims.**

A Holder of an Allowed Claim will generally recognize gain or loss upon consummation of the Plan measured by the difference between (i) the aggregate fair market value of the Cash and/or property received, including the fair market value of a Holder's undivided beneficial interest in the assets transferred to the Liquidating Trust (other than the

portion attributable to accrued but unpaid interest on the Claim) and (ii) such Holder's adjusted tax basis in the Claim (other than basis attributable to accrued but unpaid interest on the Claim).

To the extent that the Cash and/or property received (or to be received) by a Holder of an Allowed Claim is attributable to accrued interest on such Claim, the Holder generally will recognize ordinary income to the extent the interest was not previously included in income by the Holder. Conversely, a Holder of an Allowed Claim generally will recognize a deductible loss to the extent any accrued interest previously included in its gross income is not paid in full. The allocation for federal income tax purposes between principal and interest of amounts received in exchange for the discharge of a Claim at a discount is unclear. The Debtors intend to treat any amount received as first allocated to principal. However, there can be no assurance that the IRS will respect such allocation for federal income tax purposes.

The character of any gain or loss (i.e., long-term or short-term capital, or ordinary) that is recognized will depend upon a number of factors, including (a) the tax status of the creditor; (b) the nature of the Claim in its hands; (c) whether the Claim was purchased at a discount; (d) whether and to what extent the creditor has previously claimed a bad debt deduction with respect to the Claim; and (e) the creditor's holding period of the Claim. If the Claim in the creditor's hands is a capital asset, the gain or loss realized generally will be characterized as a capital gain or loss. Such gain or loss will constitute long-term capital gain or loss if the creditor is a non-corporate taxpayer and held such Claim for longer than one year or short-term capital gain or loss if the creditor held such Claim for one year or less.

A Holder that purchased its Claim from a prior Holder at a market discount may be subject to the market discount rules of the IRC. Under those rules, assuming that the Holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of such Claim (subject to a *de minimis* rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

Any Cash and/or property received by a Holder of a Claim after the Effective Date may be subject to the imputed interest provisions of the IRC.

The Holders of Class 2 General Unsecured Claims are may receive only a partial distribution of their Allowed Claims. Whether the Holder of such Claims will recognize a loss, a deduction for worthless securities or any other tax treatment will depend upon facts and circumstances that are specific to the nature of the holder and its Claims. Accordingly, the Holders of Class 2 General Unsecured Claims should consult their own tax advisors.

C. **Reservation of Rights.**

This tax section is subject to change (possibly substantially) based on subsequent changes to other provisions of the Plan. The Debtors and their advisors reserve the right to further modify, revise or supplement this Article XIII and the other tax related sections of the Plan up to ten (10) days prior to the date by which objections to Confirmation of the Plan must be filed and served.

D. **Information Reporting and Backup Withholding.**

All distributions to Holders of Claims under the Plan are subject to any applicable tax information reporting and 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 a non-exempt holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails to properly report interest or dividends, or (d) fails to provide certain certifications signed under penalty of perjury. 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. Certain persons are exempt from backup withholding, including, generally, corporations and financial institutions.

E. **Importance of Obtaining Professional Tax Assistance.**

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

XIV. CONCLUSION

The Debtors recommend acceptance of the Plan, and urges Holders of Claims who are entitled to vote upon the Plan, to accept the Plan by returning the ballot(s) enclosed herewith indicating such acceptance in a timely manner.

Dated: August 14, 2012

MICROBILT CORPORATION
CL VERIFY, LLC, DEBTORS

By: */s/ Walter Wojciechowski*
Walter Wojciechowski
President and CEO