

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEBRASKA

IN RE:)	
)	BK 16-81243
)	
PLANET MERCHANT PROCESSING,)	Chapter 11
INC.,)	
)	
Debtor.)	

**DISCLOSURE STATEMENT WITH RESPECT TO DEBTOR'S PLAN UNDER
CHAPTER 11, TITLE 11, UNITED STATES CODE OF
PLANET MERCHANT PROCESSING, INC., DEBTOR**

Planet Merchant Processing, Inc. (the "Debtor" or "PMP"), debtor and debtor in possession, provides the following Disclosure Statement in the above-captioned chapter 11 case.

1. INTRODUCTION

The Debtor is providing Disclosure Statement (the "Disclosure Statement") to all of the Debtor's known Creditors and Interest holders in connection with the Debtor's Chapter 11 Plan (the "Plan"), a copy of which accompanies the Disclosure Statement.

The Debtor has concluded that the Plan provides fair and equitable treatment of all classes of Creditors and Interest Holders and the greatest feasible recovery to Creditors and Interest Holders. Accordingly, the Debtor requests all Creditors and Interest Holders vote to accept the Plan.

2. PURPOSE OF DISCLOSURE STATEMENT AND PROCEDURE FOR PLAN CONFIRMATION

a. Purpose and General Information

Pursuant to section 1125 of the Bankruptcy Code (11 U.S.C. § 1125), the Debtor submits this Disclosure Statement to provide Creditors and Interest Holders with adequate information to allow them to make an informed judgment about the acceptability of the Plan. Specifically, the

purpose of this Disclosure Statement is to give Creditors and Interest Holders sufficient information, as far as it is reasonably practicable for the Debtor to provide, that would allow a hypothetical reasonable investor typical of the holders of Claims and Interests in the classes Impaired under the Plan to make an informed judgment about whether to accept or reject the Plan. A copy of the Plan accompanies this Disclosure Statement. Terms defined in the Plan shall have the same meaning in this Disclosure Statement. The first letter of words defined in the Plan are capitalized in this Disclosure Statement. Please refer to the Plan for the treatment of Claims and Interests. The provisions of the Plan are binding on all Creditors and Interest Holders, therefore, please read the Plan carefully.

NO REPRESENTATIONS ABOUT THE DEBTOR, PARTICULARLY ABOUT THE DEBTOR'S FUTURE BUSINESS OPERATIONS OR THE VALUE OF ITS PROPERTY, ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY ANY CREDITOR OR INTEREST HOLDER. ANY ADDITIONAL REPRESENTATION OR INDUCEMENT SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR OR TO THE UNITED STATES TRUSTEE WHO, IN TURN, SHALL DELIVER THE INFORMATION TO THE BANKRUPTCY COURT OR TAKE OTHER APPROPRIATE ACTION.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. FOR THE FOREGOING REASON, AS WELL

AS BECAUSE OF THE IMPOSSIBILITY OF MAKING ASSUMPTIONS, ESTIMATES AND PROJECTIONS INTO THE FUTURE WITH ABSOLUTE ACCURACY, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS COMPLETE AND ACCURATE, ALTHOUGH EVERY REASONABLE EFFORT HAS BEEN MADE TO PRESENT COMPLETE AND ACCURATE INFORMATION. THE RECORDS KEPT BY THE DEBTOR RELY FOR THEIR ACCURACY ON INTERNAL BOOKKEEPING. THE RECORDS KEPT BY THE DEBTOR ARE NOT WARRANTED OR REPRESENTED TO BE FREE OF ANY INACCURACY. HOWEVER, EVERY REASONABLE EFFORT HAS BEEN MADE TO PRESENT ACCURATE INFORMATION. COUNSEL TO THE DEBTOR HAS NOT INDEPENDENTLY VERIFIED ANY OF THE INFORMATION PROVIDED BY THE DEBTOR AND DOES NOT MAKE ANY REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE TRUTH OR ACCURACY OF ANY OF THE INFORMATION PRESENTED.

ALL PARTIES ENTITLED TO VOTE ON THE PLAN ARE URGED TO REVIEW IN FULL THE PLAN AND THIS DISCLOSURE STATEMENT TOGETHER WITH ALL EXHIBITS ATTACHED THERETO, PRIOR TO VOTING ON THE PLAN, AND MAY DESIRE TO CONSULT LEGAL COUNSEL PRIOR TO VOTING TO ENSURE COMPLETE UNDERSTANDING OF THEIR TREATMENT UNDER THE PLAN. THIS DISCLOSURE STATEMENT IS INTENDED FOR THE SOLE USE OF CREDITORS AND INTEREST HOLDERS OF THE DEBTOR TO ENABLE THEM TO MAKE AN INFORMED DECISION ABOUT THE PLAN.

EACH CREDITOR AND INTEREST HOLDER IS URGED TO CONSULT ITS OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE PLAN TO IT UNDER FEDERAL AND APPLICABLE STATE, LOCAL AND FOREIGN TAX LAWS. THE DEBTOR MAKES NO WARRANTIES OR REPRESENTATIONS REGARDING THE TAX IMPACT OF THE PLAN ON ANY CREDITOR OR INTEREST HOLDER.

THE DEBTOR BELIEVES THAT THE PLAN IS FEASIBLE, FAIR AND EQUITABLE AND THAT CONFIRMATION OF THE PLAN IS IN THE BEST OF INTERESTS OF CREDITORS AND INTEREST HOLDERS.

b. Manner of Voting

Classes Entitled to Vote. The Plan divides the Claims of Creditors and Interest Holders into 6 classes. Only classes of Creditors and Interest Holders with claims or interests impaired under a plan of reorganization are entitled to vote on a plan. Generally, and subject to the specific provisions of the Bankruptcy Code, this includes creditors and interest holders whose claims or interests, under a plan, will be modified in terms of principal, interest, length of time for payment, or a combination of the above. Each holder of a Claim in a Class that is not Impaired under the Plan is conclusively presumed to have accepted the Plan, and solicitation of acceptances from the holders of such Claims is not required and will not be undertaken.

The Classes which are Impaired under the Plan and the members of each of the Impaired Classes are entitled to vote to accept or reject the Plan.

3. THE DEBTOR

a. In General

Planet Merchant Processing, Inc., the Debtor, is a Nebraska corporation that was formed in 2005. Its offices are at 407 North 117th Street, Omaha, Nebraska. The Debtor is a software company with a single suite of products, with the A360 software as the primary software product and other ancillary products which are referenced herein. A360 facilitates the back-end processing of debit and credit transactions in accordance with rules established by Visa, Master Card, Discover, and American Express (collectively, the "Associations").

Since the inception of its business, the Debtor has entered contracts with certain customers wherein it provided a license to each customer to use the software in perpetuity, and it also agreed to provide a variety of maintenance and support services to the customers over designated periods of time. Planet Group, Inc., the parent company of the Debtor, agreed to allow the Debtor to use its employees to provide these services and the Debtor agreed to pay Planet Group, Inc. for the cost of these employees.

b. Factors Precipitating Chapter 11 Filing

By 2011, the Debtor had contracts with the following customers relating to the use of the Debtor's software and services related thereto: EVO Merchant Services, First American Payment Systems and WorldPay. During 2011, the Debtor acquired two customers, one of which was TransFirst, L.L.C., granting them licenses to use Debtor's software, and as a result, Debtor generated positive cash flow. However, one of the two customers subsequently breached its agreement and never migrated its processing to the A360 product. The Debtor gained a small settlement amount, but lost a lucrative long term cash flow stream. The next year, the Debtor generated a minimal profit on its contracts with TransFirst, L.L.C., EVO Merchant Services,

First American Payment Systems and WorldPay (hereinafter the "Customers"). The Debtor has since been unsuccessful in licensing A360 to any new clients. During the last four years, the Debtor generated negative cash flows of \$1 million to \$2 million each year. The Debtor has been unable to generate a profit on any of its Customer contracts over the past four years. Attached hereto as Exhibit A are the 2012 through 2015 Audited Financial Statements of the Debtor.

Since January of 2016, the Debtor has been actively attempting to sell its business, which would include its customer contracts, without success. In November of 2015, the Debtor, along with Planet Group, Inc. and the majority shareholder of Planet Group, Inc. engaged investment banker Raymond James & Associates, Inc. ("Raymond James") to assist them in selling the business of the Debtor. In the first quarter of 2016, Raymond James approached all four customers of the Debtor about this, but none of them have pursued a transaction. As of this date, the Debtor has not received an acceptable offer.

During the past four (4) years when the Debtor has operated at a net loss, Planet Group, Inc. has financed the Debtor's operations. Due to the continuing losses, representatives of Planet Group, Inc. advised the Debtor that it did not wish to continue to provide such financing. Since the Debtor was unable to make a profit on its four contracts with the Customers in the past four years, the Debtor decided to file this Chapter 11 Petition in bankruptcy and to reject these executory contracts.

e. Debtor's Recent Financial Results

After the Debtor filed its Chapter 11 Petition in bankruptcy, it immediately moved to reject the executory contracts with the Customers. The Customers each initially objected to the Motion to Reject Executory Contract, but later withdrew these objections. Accordingly, on

September 23, 2016, the Bankruptcy Court sustained all four of the Debtor's Motions to Reject Executory Contracts (See Filing No. 131). At the time the Debtor filed its Chapter 11 Petition in bankruptcy, its sole source of income was from these executory contracts with these Customers. Since these contracts were rejected, the Debtor no longer has this income. It was anticipated that the rejection of the Customer contracts would cause i) one or more of the Customers, or ii) competitors of the Customers to attempt to enter into a contract with the Debtor which would allow the Debtor to make a profit, or to even consider purchasing the Debtor's assets or business. This has not happened.

Since the filing of this case, the Debtor has paid Planet Group, Inc. for the use of its employees as it did in the regular course of business prior to filing for bankruptcy. After the rejection of the Customer contracts, the Debtor reduced the employees of Planet Group, Inc. which is used from twenty-six (26) to 8 (eight). These employees are working on improving the Debtor's software capabilities.

The Debtor has filed monthly operating reports in this bankruptcy which show the financial results of its operations in bankruptcy. These reports will be provided to any creditor or party in interest upon request.

f. Actions Taken to Improve Operations

The first thing the Debtor did to improve its operations was to reject its contracts with the Customers which caused the Debtor to sustain millions of dollars in losses in the past four years. Further, as noted above, since rejecting the contracts with the Customer, the Debtor has reduced the number of employees of Planet Group which it uses from twenty-six (26) to eight (8).

g. Debtor's Continuing Viability

The Debtor currently has no contracts at this time and therefore it has no income. The Debtor wishes to sell its assets and has filed a motion to do so in this bankruptcy. In the event, the Debtor is unable to sell its assets, the Debtor may have opportunities to enter into new contracts with other parties. The Debtor may be able to continue its operations depending on whether it is able to enter into these new contracts with other customers, and depending on the terms of any such contracts.

4. MAJOR EVENTS IN CHAPTER 11 CASE

a. General Case Information

As noted above, immediately upon the filing of this bankruptcy case, the Debtor moved to reject its executory contracts with the four Customers. These motions were approved by the Court on September 23, 2016 after each of the Customers withdrew their objections to these motions. Pursuant to 11 U.S.C. §365(n)(1)(B), all of the Customers elected to retain their rights in the Debtor's intellectual property under their contracts with the Debtor as of the day prior to the filing of the bankruptcy.

After the Court sustained the Debtor's motions to reject executory contracts, the Debtor shortly thereafter reduced its workforce. While the Debtor engaged in efforts to restructure its contracts with the Customers, these efforts were ignored or rejected by the Customers. In fact, in a recent pleading filed by EVO Merchant Services, EVO stated that it "intends to have no further relationship with the Debtor."

On November 15, 2016, Planet Group, Inc. filed a Proof of Claim wherein it asserted an unsecured, non-priority claim in the amount of \$12,370,928.30 against the Debtor. As of the date of this Motion, no other claims have been filed against the Debtor.

The Debtor maintains its position that a combination of the Debtor's software along with the employees of Planet Group, Inc. who know how to operate and maintain the software, would have significant value. However, the Debtor has received no offers to purchase only its software and it is unaware of any other party which may be interested in purchasing the Debtor's software other than Planet Group, Inc. Further, the Debtor previously tried to market itself and its assets with the help of a national marketing firm for several months, without success, and therefore believes it is unlikely it will receive any benefit from additional marketing efforts, which may be costly and result in further delays. Based upon the foregoing, the Debtor believed it was in the best interest of the estate to sell its assets for the highest and most valuable offer.

On or about November 15, 2016, Planet Group, Inc. submitted an offer to the Debtor wherein it proposed to purchase all of the Debtor's software, including software upgrades and intellectual property relating thereto, and the Debtor's equipment and furniture, for a total purchase price of \$12,420,928.40. This purchase price consists of a release of Planet Group, Inc.'s claim against the Debtor in the amount of \$12,370,928.40 along with fifty thousand dollars (\$50,000.00) in cash. Planet Group, Inc. has agreed that the sale of these assets is on an "as is" basis with all faults, and subject to any interests which the Customers may have in the Debtor's software. Planet Group, Inc. has further agreed to be the Stalking Horse Bidder for the sale of these assets on the terms set forth in the Debtor's Motion to Sell Substantially All of Its Assets Free and Clear of Liens, Interests and Encumbrances, and to Approve Bidding Procedures (the "Motion to Sell"). Accordingly, the Debtor filed the Motion to Sell on November 23, 2016 (Filing No. 147). The objection deadline for this Motion to Sell has been continued by the Court to December 27, 2016. The objection deadline to this motion is December 27, 2016.

5. SUMMARY OF DEBTOR'S ASSETS AND LIABILITIES

The Debtor's primary and most valuable asset is the Debtor's software. Based in part on this allocation, the Debtor submits the following summary of its assets and liabilities:

a. Assets

- (a) Cash
- (b) Accounts Receivable
- (c) Software including software updates, improvements and documentation which includes A360 software, E360 software, Transaction Rejection and Repair software, Balance Reconciliation software, and copyright interests therein.
- (e) All furniture and equipment

b. Liabilities

Secured Claims: None

Unsecured Priority Claims:

The Debtor does not have any unsecured priority claims except for professional fees. The Debtor has ongoing expenses for attorney fees and expenses for bankruptcy related services which have been incurred since the commencement of this case.

Unsecured, Non-priority Claims:

Planet Group, Inc. filed a Proof of Claim in this case wherein it claims that the Debtor owed it \$12,370,928.30 as of the date this bankruptcy was filed.

Based upon information and belief, the four Customers with whom the Debtor had an executory contract at the outset of this bankruptcy case may assert a claim against the Debtor due to the rejection of these contracts by the Debtor. The amount of these claims has not been disclosed. However, any such claims would be unsecured, non-priority claims.

6. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

While the Debtor believes that a sale of substantially all of its assets through a bidding procedure as proposed by the Debtor in its Motion to Sell is the best way to pay off any and all claims against the estate, it is possible that through this sales process, the Debtor may become aware of opportunities for the Debtor to license its software to other customers and to provide services to those customers in a manner in which the Debtor could operate at a profit and use the profits to pay off claims over a period of time. In the event the Debtor is unable to obtain court approval to sell its assets, the Debtor may pursue opportunities to enter into other contracts.

7. LIQUIDATION ANALYSIS

When evaluating the terms of the Plan, each Creditor and Interest holder belonging to an Impaired Class should compare their treatment under the Plan with how they would be treated if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. Presently in this case, there is only one creditor which is Planet Group, Inc. Pursuant to the Proof of Claim filed by Planet Group, Inc. on November 15, 2016, Planet Group, Inc. holds an unsecured claim against the Debtor in the amount of \$12,370,928.30. Thus, in a Chapter 7 liquidation, Planet Group, Inc. would receive all proceeds from the liquidation of the Debtor's assets after the payment of administrative expenses. If and to the extent the claims of the Customers are allowed as unsecured, non-priority claims, these claims will share in the proceeds distributed to the unsecured, non-priority class of claims on a pro-rate basis.

Presently, the Debtor has \$120,327.16 in cash, and \$166,000.00 in receivables. The Debtor's financial records indicate that the book value of its furniture and equipment as of the date of the Debtor's bankruptcy filing was \$62,615.08. The Debtor believes, however, that the fair market value of this property is substantially less than this amount. The primary asset of the Debtor is its software and the Debtor's copyright interest in the software. The book value of the software is \$233,784.27. This software and the Debtor's copyright interest in it is very difficult to value as the software is very sophisticated and the professionals whom Planet Group, Inc. provides to the Debtor are believed to be the only people that have the knowledge and experience to maintain this software and any issues that might arise with it. Accordingly, without the services of these professionals from Planet Group, Inc., the Debtor believes that it is unlikely that any potential purchaser other than Planet Group, Inc. would be interested in purchasing just the Debtor's software for any significant amount. Nevertheless, the Debtor's Plan proposes to sell the Debtor's software through a bidding process which should establish the true fair market value of the Debtor's software.

8. SUMMARY OF THE DEBTOR'S PLAN

a. Introduction

This Disclosure Statement contains a summary of the Plan, and is qualified in its entirety by the full text of the Plan itself. All terms defined in the Plan have the same meaning in this Disclosure Statement. The Plan, if confirmed, will bind the Debtor, any entity acquiring property under the Plan or otherwise transferring property pursuant to the Plan, and all Creditors and Interest holders in the Debtor's Case. The Plan is intended to deal with all Claims against the Debtor and the Estate and all Interests in the Debtor of whatever character, whether or not contingent or liquidated and whether or not allowed

by the Bankruptcy Court pursuant to Bankruptcy Code section 502 (11 U.S.C. § 502). All Creditors, Interest holders, and other interested parties, are urged to carefully read the Plan.

The Plan designates six (6) Classes of Claims and Interests. A Claim or Interest shall be deemed classified in a particular class only to the extent that the Claim or Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of the Claim or Interest qualifies within the description of such different Class. A Claim is in a particular Class only to the extent that the Claim is an Allowed Claim or an Allowed Secured Claim in that Class.

b. The Plan

The Debtor proposes to sell all of its assets (excluding cash and accounts receivable) as soon as possible on the terms set forth in its Motion for Orders Pursuant to 11 U.S.C. §105 and 365 Authorizing and Approving the Sale of Substantially All of the Debtor's Assets Free and Clear of Liens, Claims and Interests, and Authorizing Bidding Procedures. The Debtor then proposes to pay the proceeds of any such sale along with proceeds from other assets such as accounts receivable, to its creditors in the manner and priority set forth in the Debtor's Plan. Attached hereto as Exhibit B is a copy of the Debtor's Chapter 11 Plan.

9. **APPLICABILITY OF FEDERAL AND OTHER SECURITIES LAWS**

The Debtor does not believe that its proposed Plan will implicate any federal securities laws or any other securities law.

10. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

a. Federal Income Tax Consequences to the Debtor

The Debtor does not believe that its proposed Plan will have any Federal Income Tax Consequences to the Debtor.

b. Federal Income Tax Consequences to Creditors and Interest Holders

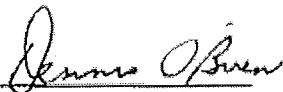
The Debtor does not believe that its proposed Plan will have any Federal Income Tax Consequences to Creditors. Equity Interest Holders may be taxed for any disbursements which are made to them from the proceeds of the sale of the Debtor's assets.

11. EFFECT OF CONFIRMATION

The provisions of the Debtor's Chapter 11 Plan, if confirmed, shall bind the Debtor, all Creditors, Interest holders, and any entity acquiring property under the Plan, whether or not the Claim or Interest of such Creditor, Interest holder, or entity is impaired under the Plan and whether or not such Creditor, Interest holder, or entity has accepted the Plan.

Dated this 15th day of December, 2016.

PLANET MERCHANT PROCESSING, INC.

By 
Dennis O'Brien, President