IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

In re:	:	**CHAPTER 11**
	:	
ENTERPRISE CLOUDWORKS, INCORPORATED	:	**BANKRUPTCY NO. 16-15198(SR)**
	:	
Debtor	:	
	:	

DISCLOSURE STATEMENT IN RESPECT OF PLAN OF REORGANIZATION PROPOSED BY DEBTOR-IN-POSSESSION

[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 UNITED STATES BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL, BUT HAS NOT BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT]

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Dated: September 1, 2016

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INTRODUCTION

Enterprise Cloudworks, Incorporated (the "Debtor") submits this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code to Holders of Claims in connection with the solicitation of acceptances of the *Plan of Reorganization of the Debtor Pursuant to Chapter 11 of the Bankruptcy Code,* dated September 1, 2016, (as amended, supplemented and modified from time to time, the "Plan") and to others for informational purposes. A copy of the Plan accompanies this Disclosure Statement. All capitalized terms not otherwise defined herein have the meanings ascribed to them in the Plan.

This Disclosure Statement summarizes what is in the Plan, and tells you certain information relating to the Plan and the process the Court follows in determining whether or not to confirm the Plan. This Disclosure Statement also describes certain alternatives to the Plan, and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims and Interests must follow for their votes to be counted.

As of July 22, 2016, the Debtor had outstanding secured debt in the principal amount of approximately $742,920 under the 2016 Credit Agreement. The Debtor also had, as of July 22, 2016, unsecured Insider loans in the amount of approximately $1,502,779 and unsecured trade payables in the amount of approximately $317,490.

The Plan embodies inter alia a settlement among the Debtor and R&F, its senior secured creditor, under the 2016 Credit Agreement on a consensual de-leveraging transaction that will reduce the Debtor's total debt by $742,920 as of the Petition Date. Specifically, after giving effect to the following transactions contemplated by Plan, the Debtor will emerge from chapter 11 appropriately capitalized and with access to favorable financing to support its emergence and go-forward business needs:

- Approximately $742,920 of the obligations outstanding under the 2016 Credit Agreement will be converted into 100% of new equity (subject to dilution by the Management Incentive Plan (as defined herein)) to be issued by the Reorganized Debtor (the "New Equity Interests") in full and final satisfaction of all claims, liens, and rights of the Holder of the 2016 Credit Agreement Claims arising under or in connection with the 2016 Credit Agreement.[1]

- After the Petition Date, R&F provided to the Debtor a $1,000,000 superpriority priming debtor-in-possession credit facility on the terms and conditions set forth in the DIP Facility Credit Agreement. The DIP Facility will support operations during chapter 11 and, on the Effective Date, will be repaid in full in Cash by the Exit Facility on the terms and conditions set forth in the Exit Facility Term Sheet attached hereto as **Exhibit "A".**

[1] A further description of the New Equity Interests is set forth in Article VI.D(iii) of this Disclosure Statement.

- The Exit Facility will also be provided by R&F and is comprised of a revolving credit facility in the amount of approximately $1,500,000 with availability as of the Effective Date sufficient to pay transaction expenses, to pay the initial distributions required under the Plan, provide the Reorganized Debtor with working capital necessary to run its business, and to repay the DIP Facility in full.

- Each General Unsecured Claim shall receive the lesser of (a) twenty (20%) percent of its Allowed Claim, or (b) a Pro-Rata share of Three Hundred and Seventy Five Thousand ($375,000.00) Dollars within thirty (30) days after the later of (A) the Effective Date, (B) the date on which such General Unsecured Claim against the Debtor becomes an Allowed General Unsecured Claim, or (C) such other date as may be ordered by the Bankruptcy Court. No interest will be paid on Allowed Class 3 Claims. No General Unsecured Claim shall be Allowed to the extent that is for post-petition interest, fees, or other similar post-petition charges.

- All existing Interests and existing Equity Holders will not receive or retain on account of such Interests any property under the Plan.

- 100% of the New Equity Interests of the Reorganized Debtor will be issued to and held by R&F subject to dilution by the Management Incentive Plan and subject to the terms of the New Stockholders Agreement Term Sheet set forth in **Exhibit "B"** attached hereto.

THE DEBTOR BELIEVES THAT THE COMPROMISE CONTEMPLATED UNDER THE PLAN IS FAIR AND EQUITABLE, WILL MAXIMIZE THE VALUE OF THE DEBTOR'S ESTATE, AND PROVIDES THE BEST RECOVERY TO CLAIM HOLDERS. AT THIS TIME, THE DEBTOR BELIEVES THIS IS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THIS CHAPTER 11 CASE. THE DEBTOR RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN.

I. IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT

This Disclosure Statement provides information regarding the Plan. The Debtor believes that the Plan is in the best interests of all creditors and urge all Holders of Claims entitled to vote to vote in favor of the Plan.

The confirmation of the Plan and effectiveness of the Plan are subject to certain material conditions precedent described herein and in the Plan. There is no assurance that the Plan will be confirmed, or if confirmed, that the conditions required to be satisfied will be satisfied (or waived).

You are encouraged to read this Disclosure Statement in its entirety, including

without limitation, the Plan, and the section entitled "Risk Factors," before submitting your ballot to vote on the Plan.

The summary of the Plan and statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan, this Disclosure Statement, and the Plan Supplement, as applicable, and the summaries of the financial information and the documents annexed to this Disclosure Statement or otherwise incorporated herein by reference, are qualified in their entirety by reference to those documents. The statements contained in this Disclosure Statement are made only as of the date of this Disclosure Statement, and there is no assurance that the statements contained herein will be correct at any time after such date. Except as otherwise provided in the Plan or in accordance with applicable law, the Debtor is under no duty to update or supplement this Disclosure Statement.

The information contained in this Disclosure Statement is included for purposes of soliciting acceptances to, and confirmation of, the Plan and may not be relied on for any other purpose. The Debtor believes that the summary of certain provisions of the Plan and certain other documents and financial information contained or referenced in this Disclosure Statement is fair and accurate. The summaries of the financial information and the documents annexed to this Disclosure Statement, including, but not limited to, the Plan, or otherwise incorporated herein by reference, are qualified in their entirety by reference to those documents.

The Debtor has sought to ensure the accuracy of the financial information provided in this Disclosure Statement, but the financial information contained in, or incorporated by reference into, this Disclosure Statement has not been, and will not be, audited or reviewed by any independent auditor.

The Debtor makes statements in this Disclosure Statement that are considered projections and estimates. Statements concerning these and other matters are not guarantees of the Debtor's future performance. Such projections represent the Debtor's estimates and assumptions only as of the date such statements were made and involve known and unknown risks, uncertainties, and other unknown factors that could impact the Debtor's restructuring plan or cause the actual results of the Debtor to be materially different from the historical results or from any future results expressed or implied by such projections. In addition to statements which explicitly describe such risks and uncertainties, readers are urged to consider statements labeled with the terms "believes," "belief," "expects," "intends," "anticipates," "plans," or similar terms to be uncertain and estimates. There can be no assurance that the restructuring transaction described herein will be consummated. 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.

II. INFORMATION ABOUT THE REORGANIZATION PROCESS

A. **Brief Explanation of Chapter 11**. Chapter 11 is the principal business reorganization section of the Bankruptcy Code. Pursuant to Chapter 11, normally a debtor is

permitted to reorganize its business affairs for its own benefit and that of its creditors and other interest holders. Unless a trustee is appointed, the debtor is authorized to continue to operate its business while all attempts to collect pre-petition claims from the debtor, or to foreclose upon property of the debtor, are stayed during the pendency of the case, unless otherwise ordered by the Bankruptcy Court.

The objective of a Chapter 11 case is the formulation of a plan of reorganization or liquidation of the debtor and its affairs. The Plan is a vehicle for resolving claims against the debtor, as well as providing for its future direction and operations. Impaired creditors are given an opportunity to vote on any proposed plan, and the plan must be confirmed by the Bankruptcy Court to be valid and binding on all parties. Once the plan is confirmed, all claims against the debtor which arose before the confirmation of the Plan are extinguished, unless specifically preserved in the Plan. However, if the proposed Plan provides for the liquidation of the debtor's assets then, no discharge is granted to the debtor from any debt and liability that arose prior to the Petition Date.

B. **Purpose of Disclosure Statement**. The purpose of a Disclosure Statement is to provide the creditors and equity holders with sufficient information about the Debtor and the proposed Plan of Reorganization so as to permit them to make an informed judgment when voting on the Plan. This Disclosure Statement therefore includes background information about the Debtor and also identifies the classes into which creditors have been placed by the Plan. The Disclosure Statement describes the proposed treatment of each of those classes if the Plan is confirmed. In addition, the Disclosure Statement contains information concerning the future prospects for the Debtor in the event of confirmation or, in the alternative, the prospects if confirmation is denied or the proposed Plan does not become effective.

This Disclosure Statement and the Exhibits described herein have been approved by Order of the Bankruptcy Court dated _____ 2016, as containing, in accordance with the provisions of the Bankruptcy Code, adequate information of a kind and in sufficient detail that would enable a reasonable, hypothetical investor, typical of a holder of impaired claims or interests that is entitled to vote on the Plan, to make an informed judgment with respect to the acceptance or rejection of the Plan. The Bankruptcy Court's approval of this Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy Court either for or against the Plan.

YOU ARE URGED TO STUDY THE PLAN IN FULL AND TO CONSULT WITH YOUR COUNSEL AND OTHER ADVISORS ABOUT THE PLAN AND ITS IMPACT, INCLUDING POSSIBLE TAX CONSEQUENCES, UPON YOUR LEGAL RIGHTS. PLEASE READ THIS DISCLOSURE STATEMENT CAREFULLY BEFORE VOTING ON THE PLAN.

C. **Notice to Holders of Claims and Interests**. This Disclosure Statement is being transmitted to certain holders of Claims for the purpose of soliciting votes on the Plan and to others for information purposes. The purpose of this Disclosure Statement is to provide adequate information to enable the Holder of a Claim against the Debtor to make a reasonably informed decision with respect to the Plan prior to exercising the right to vote to accept or reject the Plan.

D. **Solicitation Package**. Accompanying this Disclosure Statement are, among other things, copies of the (a) the Plan, (b) the order approving the Disclosure Statement, which inter alia, provides notice of the time for submitting Ballots to accept or reject the Plan, the date, time and place of the hearing to consider the confirmation of the Plan and related matters, and the time for filing objections to the confirmation of the Plan, and (c) one or more ballots (and a return envelope), to be used by you, if you are entitled to vote, in voting to accept or reject the Plan.

E. **Eligibility to Vote.** Pursuant to the provisions of the Bankruptcy Code, only classes of claims or interests that are "impaired" under a plan may vote to accept or reject such plan. Generally, a claim or interest is impaired under a plan if the holder's legal, equitable or contractual rights are changed under such plan. In addition, if the holders of claims or interests in an impaired class do not receive or retain any property under a plan on account of such claims or interests, such impaired class is deemed to have rejected the Plan under section 1126(g) of the Bankruptcy Code and therefore such holders do not need to vote on the Plan.

F. **Unimpaired Classes Deemed to Accept the Plan.** The Claims in the Classes listed in the below stated tables are unimpaired and conclusively presumed to have accepted the Plan.

Class	Description	Status
Class 2	Class 2 consists of Priority Non-Tax Claims	Unimpaired; not entitled to vote.

Pursuant to §1126(f) of the Bankruptcy Code, each of the above-referenced Classes of Claims are conclusively presumed to have accepted the Plan, and the votes of holders of Claims in such Classes therefore will not be solicited.

G. **Impaired Classes of Claims Entitled to Vote.** Under the Plan, holders of Claims in the Classes listed in the below stated table are Impaired and are entitled to vote to accept or reject the Plan.

Class	Description	Status
Class 1	Class 1 consists of the 2016 Credit Agreement Claims	Impaired; entitled to vote
Class 3	Class 3 consists of the General Unsecured Claims	Impaired; entitled to vote

Each of the above referenced Classes of Claims shall be considered a separate Class for purposes of voting to accept or reject the Plan.

H. **Classes Deemed Not to Have Accepted the Plan.** Under the Plan, holders of Claims in the Classes listed in the below stated tables are deemed not to have accepted the Plan and are not entitled to vote to accept or reject the Plan.

Class	Description	Status
Class 4	Class 4 consists of all Interests	Impaired; not entitled to vote.

Pursuant to § 1126(g) of the Bankruptcy Code, each of the above referenced Classes of Claims are Impaired and are deemed to not have accepted the Plan, and the votes of holders of Claims in such Classes therefore will not be solicited.

I. **Claims Subject to a Pending Objection are not Entitled to Vote.** Creditors whose claims are subject to a pending objection are not eligible to vote unless such objections are resolved in their favor or, after notice and a hearing pursuant to Bankruptcy Rule 3018(a), the Bankruptcy Court allows the Claim temporarily or estimates the amount of the Claim for the purpose of voting to accept or reject the Plan. Any creditor that wants its claim to be allowed temporarily or estimated for the purpose of voting must take the steps necessary to arrange for a hearing with the Bankruptcy Court under Bankruptcy Rule 3018(a) prior to the deadline established for voting for the Plan.

THE BANKRUPTCY COURT HAS FIXED NO LATER THAN 4:00 P.M. (PREVAILING EASTERN TIME) ON _____, 2016 AS THE LAST DATE BY WHICH ALL BALLOTS MUST BE RECEIVED. All parties eligible to vote on the Plan are urged to complete and return their Ballots promptly to avoid delay in confirmation of the Plan.

J. **General Voting Procedures and Voting Deadline**. After carefully reviewing the Plan, this Disclosure Statement, and (if you are entitled to vote) the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan by checking the appropriate box on the enclosed Ballot. Please complete and sign your original Ballot and return in the envelope provided. You must provide all of the information requested by the appropriate Ballot. Failure to do so may result in the disqualification of your vote on such Ballot.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND ACTUALLY RECEIVED NO LATER THAN _____ AT 4:00 P.M. (PREVAILING EASTERN TIME) BY

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BALLOTS RECEIVED AFTER SUCH TIME WILL NOT BE COUNTED UNLESS THE COURT SO ORDERS. THE DEBTORS RECOMMEND A VOTE "FOR ACCEPTANCE" OF THE PLAN.

K. **The Confirmation Hearing**. The Bankruptcy Court has scheduled a hearing on the confirmation of the Plan to commence on _____ **at _:__ _.m.,** or as soon thereafter as the parties can be heard. **The Confirmation Hearing will be held in the United States Bankruptcy Court, Robert N.C. Nix, Sr. Federal Courthouse, 900 Market Street, Second Floor, Courtroom No. 4, Philadelphia, PA 19107**. At the hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and whether it is in the best interest of holders of claims and interests. The Bankruptcy Court will also receive and consider a report of plan voting prepared by the Debtor concerning the votes for acceptance or rejection of the Plan cast by the parties entitled to vote. The hearing may be adjourned from time to time by the Court without further notice except for the announcement of the adjournment date made at the hearing or at any subsequently adjourned hearing. The Court has directed that objections, if any, to confirmation of the Plan be filed with the Clerk of the Court and served so that they are actually received on or before _____**, 2016 at 4:00 p.m.** (prevailing Eastern time) by the Debtor's counsel and the Office of the United States Trustee.

L. **Acceptances Necessary to Confirm Plan**. At the scheduled confirmation hearing, the Bankruptcy Court must determine, among other things, whether the Plan has been accepted by each impaired class. Under Section 1126 of the Bankruptcy Code, an impaired class is deemed to have accepted the Plan if at least 2/3 in amount and more than ½ in number of the Allowed Claims of class members who have voted to accept or reject the Plan have voted for acceptance of the Plan. Further, unless there is acceptance of the Plan by all members of an impaired class, the Bankruptcy Court must also determine that under the Plan class members will receive property of a value, as of the Effective Date of the Plan, that is not less than the amount that such class members would receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date of the Plan.

M. **Confirmation of The Plan Without The Necessary Acceptances**. If any Impaired Class fails to accept the Plan, the Plan Proponent intends to request that the Bankruptcy Court confirm the Plan as a "Cramdown" pursuant to § 1129(b) of the Bankruptcy Code with respect to such Class. Section 1129(b) of the Bankruptcy Code provides that the Plan can be confirmed even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. The Bankruptcy Court may confirm the Plan at the request of the Debtor if the Plan "does not discriminate unfairly" and is "fair and equitable" as to each impaired class that has not accepted the Plan. The Plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to the other classes of equal rank.

A Plan is fair and equitable as to a class of secured claims that rejects a Plan if the Plan provides (a) (i) that holders of claims included in the rejecting class retain the liens securing those claims whether the property subject to those liens is retained by the Debtor or transferred to another entity, to the extent of the allowed amount of such claims; and (ii) that each holder of a

claim of such class receives on account of that claim deferred cash payments totaling at least the allowed amount of that claim, of a value, as of the effective date of the plan, of at least the value of the holders' interest in the estate's interest in such property; (b) for the sale, subject to Section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing the claims included in the rejecting class, free and clear of liens, with the liens to attach to the proceeds of the sale, and the treatment of the liens on proceeds under clause (a) or (b) of this subparagraph; or (c) for the realization by such holders of the indubitable equivalent of such claims.

A plan is fair and equitable as to a class of unsecured claims that rejects a plan if the plan provides (a) for each holder of a claim included in the rejecting class to receive or retain on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim or (b) that the holder of any claim or interest that is junior to the claims of such class will not receive or retain an account of such junior claim or interest any property at all.

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides (a) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, and fixed redemption price to which such holder is entitled, or the value of such interest, or (b) that the holder of any interest that is junior to the interest of such class will not receive or retain under the plan on account of such junior interest any property at all.

III. THE DEBTOR'S CORPORATE HISTORY, STRUCTURE, AND BUSINESS OVERVIEW

A. **Summary of the Debtor's Corporate History.** The Debtor was formed with the intention to develop an innovative no-code software development platform that would be used to rapidly develop enterprise software. The no-code software development platform software is still in the development stage.

The Debtor was incorporated on November 3, 2011 in Delaware under the name White Unicorn Enterprise Inc. On February 22, 2012, White Unicorn Enterprise Inc. formally changed its name to Adminovate Inc. Thereafter, on May 9, 2014 Adminovate Inc. formally changed its name to Enterprise Cloudworks Inc.

In 2014, the Debtor formed a subsidiary, Casino Cloudworks LLC ("CC LLC"), a Delaware Corporation. CC LLC was created to focus on the gaming industry. The members of CC LLC are as follows: (a) the Debtor owns 30%, Israel Salazar-Pino owns 30%, Bradley Hayslip owns 30% and Christopher Gali owns 10%. CC LLC only had one employee and was unable to generate any sales. As of the Petition Date, CC LLC was dormant and had no employees.

Since March 2016, the Debtor's executive offices have been located at 1022 E. Lancaster Avenue, Suite 100, Bryn Mawr, PA 19010. Previously, the Debtor's offices were located at 1818 Market Street, Suite 3300, Philadelphia, PA 19103. Presently, the Debtor employs approximately 21 full time employees and one part-time employee.

B. **Summary of the Debtor's Prepetition Capital Structure.**

(i) 2016 Credit Agreement. As of the Petition Date, the Debtor's secured debt consisted of obligations under the 2016 Credit Agreement as follows:

a. 2016 Credit Agreement. On February 12, 2016, the Debtor entered into 2016 Credit Agreement with the R&F providing for a revolving credit facility of up to $75,000 which was revised and restated on March 14, 2016 to inter alia increase the credit facility up to $3.5 million.

b. Security. The 2016 Credit Agreement is secured by all present and future accounts, and other present and future receivables, any guarantee or collateral securing any of the foregoing, any other tangible and intangible personal property of the Debtor of whatsoever nature and kind and wheresoever situated, and the proceeds from any of the foregoing.

c. Financing Statement. Prior to the Petition Date, on February 26, 2016, the R&F filed a UCC-1 financing statement (the "Financing Statement") with the Delaware Department of State, UCC Initial Filing No. 2016 155876, naming Enterprise Cloudworks, Incorporated, as the debtor, and R&F International Holdings, LLC as the secured party, and describing the personal property.

d. Conversion Privilege. The 2016 Credit Agreement among other things, provides that R&F is entitled in its sole discretion to convert the loan balance into an equity interest equal to 35% of the Debtor's authorized and outstanding, on a fully diluted basis, common equity.

e. Management Agreement. Pursuant to the 2016 Credit Agreement, the Debtor also entered into a Management Agreement dated March 14, 2016 with ECW Operations, LLC ("Manager"), an affiliate of R&F, whereby the Manager provides the Borrower with management, financial, administrative and sales services for a monthly fee of $25,000.

f. The unpaid aggregate liability of the Debtor under the 2016 Credit Agreement excluding accrued interest and reasonable counsel fees as of the Petition Date is approximately $742,920.

ii. Insider Loans. As of the Petition Date, the Debtor has outstanding loans due to the below stated insiders in the approximate amount of $1,502,779 as follows:

a. The Debtor has an outstanding loan balance due to Christopher Gali of $764,279.23 of which $127,500 is memorialized by the following two promissory notes:

(i) On September 25, 2015, the Debtor executed and delivered to Christopher Gali a Promissory Note in the original principal amount of $120,000 (the "120,000 Demand Note"). As of the Petition Date, outstanding principal obligations under the $120,000 Demand Note were approximately $71,500; and

(ii) On June 1, 2016, the Debtor executed and delivered to Christopher Gali a Promissory Note in the original principal amount of $56,000 (the "56,000 Demand Note"). As of the Petition Date, outstanding principal obligations under the $56,000 Demand Note were approximately $56,000.

b. The Debtor also has outstanding loans not memorialized by promissory notes due to following shareholders (i) Derimi Ltd in the amount of $500,000, (ii) James Bambrick in the amount of $45,500, (iii) Pamela Doggett in the amount of $185,500, and (iv) Christopher Doggett in the amount of $7,500.

iii. Unsecured Trade Payables. As of the Petition Date, the Debtor had approximately $317,490 of unsecured trade payables.

IV. EVENTS LEADING TO CHAPTER 11

Shortly after incorporation, the Debtor put in place a highly compensated management team (the "Original Management Team") to handle all of the financial and operational responsibilities for the company. For several years, the Debtor was operating with no revenue while building a proprietary software development platform called Graphite GTC. During this time the full-time sales team attempted to close revenue-generating opportunities but was unsuccessful.

The Debtor's staff continued to grow in anticipation of winning large client projects but these projects were never won and operating losses were incurred. In 2014 the Debtor successfully won a few client contracts but it was not enough to cover the overhead at the time and the Debtor continued to operate "in the red". During this time loans and investments were received to cover operating expenses.

The Original Management Team continued to convey a very positive financial picture in the projections shared with those who invested based upon the promise of winning many large deals that were never realized. In hindsight, the Original Management Team terribly mismanaged the finances and operations of the Debtor. The Original Management Team failed to forecast and track the Debtor's spending versus the expected revenue, leaving the Debtor in an incredibly vulnerable position.

Additionally, the Original Management Team mismanaged personnel in several ways, including the premature ramp up of highly paid individuals and the lack of general oversight. At the same time, the sales team was not performing and did not produce a single sale over the course of four years. The contracts mentioned in the previous paragraph all came from friends and family of Christopher Gali, the current CEO and founder.

In May of 2015, Mr. Gali and a majority of the investors discovered that the financial picture was not as positive as it had been represented and asked for answers from the Original Management Team. This inquisition led to a large majority of the Original Management Team (financial and operational resources) leaving the Debtor by both resignation and/or termination. A new management team was put in place to oversee the operations of the Debtor.

The new management team began reviewing the Debtor's financials. It was quickly discovered that the Debtor had a lack of liquidity and upcoming payroll was in jeopardy of not being paid. The Debtor's two majority investors, Derimi Ltd. and Mr. Gali, stepped in and provided the funding needed at that time to cover payroll.

As the new management team worked diligently to reduce expenses, they continued to discover many inaccuracies in the Debtor's financials. The Debtor had no choice but to incur legal fees to try and straighten out the mess left behind by the Original Management Team. Simultaneously, the Debtor began receiving threats of meritless and frivolous lawsuits from former employees. Irrespective of merit, the Debtor had no choice but to expend financial resources to defend the lawsuits.

A letter was sent to shareholders on September 19, 2015 which explained the state of the Debtor, the details regarding the financial hardship and the expectation that the Debtor would run out of operating cash by the end of September 2015. Mr. Gali continued to loan monies to the Debtor to help the Debtor cover its expenses and continue operations.

On or about February 2016, the Debtor was able to obtain financing from R&F pursuant to the 2016 Credit Agreement without which the Debtor could not have continued operations. Mr. Gali has been involved in the business since its inception in 2011. However, while the Original Management Team was in place, Mr. Gali was not intimately involved in the daily decisions regarding finance and operations; his focus was product development. After the Original Management Team was replaced, Mr. Gali became the CEO of the Debtor.

The Debtor's reported annual revenues and results of operations have been as follows:

	2012	2013	2014	2015
Revenue:	$00	$352,705	$2,369,301	$1,432,885
Profit/Loss:	($2,689,751)	($5,332,733)	($4,713,476)	($2,930,346)

The reduction in revenues and substantial losses incurred over the last few years left the Debtor in a poor financial condition. Further, the Debtor was also defending two complaints filed by certain members of the Original Management Team for the collection of loans made to the Debtor in one instance, and for alleged breach of contract and related ancillary claims, in the second.

On June 16, 2016 R&F issued a notice of default under the 2016 Credit Agreement, subsequently made further advances to Debtor pursuant to a Forbearance Agreement dated June 17, 2016 and ultimately issued a notice of termination of the Commitment Period of the 2016 Credit Agreement dated July 22, 2016 terminating the Debtor's access to credit under the 2016 Credit Agreement.

As a result, the Debtor was placed in the untenable position of potentially seeing its business shutdown. The Debtor decided to file for Chapter 11 protection to preserve its

going concern value and to reorganize its affairs.

V. SUMMARY OF THE PLAN[2]

A. General Basis for the Plan. The Debtor has determined that a prolonged Chapter 11 case would damage its ongoing business operations and threaten its viability as a going concern. Under the Plan, the Debtor will equitize 100 percent of its obligations under the 2016 Credit Agreement and thereby de-lever the Debtor's balance sheet by approximately $742,920. After emergence from Chapter 11, the Debtor's only debt obligations with recourse to the Reorganized Debtor will be the Exit Facility comprised of a revolving credit facility in the amount of approximately $1,500,000 with availability as of the Effective Date sufficient to pay transaction expenses, to pay the initial distributions required under the Plan, provide the Reorganized Debtor with working capital necessary to run its business and to refinance the DIP Facility.

The Debtor's Plan provides that each Holder of an Allowed General Unsecured Claim (classified in Class 3) receive the lesser of (a) twenty (20%) percent of its Allowed Claim, or (b) a Pro-Rata share of Three Hundred and Seventy Five Thousand ($375,000.00) Dollars within thirty (30) days after the later of (A) the Effective Date, (B) the date on which such General Unsecured Claim against the Debtor becomes an Allowed General Unsecured Claim, or (C) such other date as may be ordered by the Bankruptcy Court. No interest will be paid on Allowed Class 3 Claims. No General Unsecured Claim shall be Allowed to the extent that is for post-petition interest, fees, or other similar post-petition charges.

The estimated range of distributions to holders of Allowed Class 3 Claims depending on the total amount of the Allowed Unsecured Claims is illustrated on Exhibit "C" attached to this Disclosure Statement and made a part hereof. Exhibit "C" illustrates that if the total amount of Allowed Unsecured Claims do not exceed $1,875,000, holders of Allowed Class 3 Claims will receive a 20% distribution on account of their Allowed Class 3 Claims. On the other hand, if the total Allowed Unsecured Claims total one of four alternative hypothetical amounts, $2,005,000, $2,130,000, $2,600,000 or $2,800,000 the distribution to holders of Allowed Class 3 Claims will be 19%, 18%, 14% or 13%, respectively. This table is for illustration purposes only and the actual distribution to holders of Allowed Class 3 Claims will be based on the actual amount of the Allowed Unsecured Claims.

The Debtor believes that the total amount of Allowed Unsecured Claims should not exceed $1,875,000. However, until the passage of the Bar Date, the total amount of Filed Unsecured Claims remains unknown.

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[2] This Section VI is intended only to provide a summary of the key terms, structure, classification, treatment, and implementation of the Plan, and is qualified in its entirety by reference to the entire plan and exhibits thereto. Although the statements contained in this Disclosure Statement include summaries of the provisions contained in the Plan and in documents referred to therein, this Disclosure Statement does not purport to be a precise or complete statement of all such terms and provisions, and should not be relied on for a comprehensive discussion of the Plan. Instead, reference is made to the Plan and all such documents for the full and complete statements of such terms and provisions. The Plan itself (including attachments) will control the treatment of creditors and equity holders under the Plan. To the extent there are any inconsistencies between this Section VI and the Plan (including attachments) the latter shall govern.

The Debtor's Plan proposes that all Holders of Interests shall not receive any distribution on account of such Interests. On the Effective Date, all existing Interests shall be cancelled and discharged.

B. **Treatment of Unclassified Claims.** In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Priority Tax Claims, and DIP Facility Claim, have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article II of the Plan.

i. Administrative Claims.

a. Time for Filing Administrative Claims. The holder of an Administrative Claim other than (i) a Fee Claim or (ii) a liability incurred and paid in the ordinary course of business by the Debtor, must file with the Bankruptcy Court and serve on the Debtor and its counsel, a motion or request for the payment of such Administrative Claim within thirty (30) days after the Effective Date. Such motion or request must include, at minimum, (i) the name of the holder of the claim, (ii) the amount of the claim, and (iii) the basis of the claim. Furthermore, all persons and entities asserting Administrative Claims, which do not fall within Section 3.1 of the Plan, shall File a motion or request for the payment of such administrative claim within thirty (30) days of the Effective Date, or be forever barred from asserting any such Administrative Claim. Failure to File a motion or request for payment timely and properly shall result in the Administrative Claim being forever barred and discharged.

b. Time for Filing Fee Claims. Each Professional Person who holds or asserts an Administrative Claim that is a Fee Claim incurred before the Effective Date shall be required to file with the Bankruptcy Court a final fee application within thirty (30) days after the Effective Date. Failure to File a final fee application timely shall result in the Fee Claim being forever barred and discharged.

c. Allowance of Administrative Claims. An Administrative Claim with respect to which notice is required and which has been properly Filed pursuant to Section 3.1.1 of the Plan shall become an Allowed Administrative Claim if no objection is Filed within thirty (30) days of the filing and service of notice of such Administrative Claim. If an objection is Filed within such thirty (30) day period, the Administrative Claim shall become an Allowed Administrative Claim only to the extent allowed by Final Order. An Administrative Claim that is a Fee Claim, and with respect to its fee application has been timely Filed pursuant to Section 3.1.2 of the Plan, shall become an Allowed Administrative Claim only to the extent allowed by Final Order.

d. Payment of Allowed Administrative Claim. Each holder of an Allowed Administrative Claim shall receive (i) the amount of such holder's Allowed Claim upon the Effective Date, (ii) such other treatment as may be agreed upon in writing by the Debtor and such holder, or (iii) as may be otherwise ordered by the Court, provided that an Administrative Claim representing a liability incurred in the ordinary course of business by the Debtor may be paid in the ordinary course of business.

e. Professional Fees Incurred After the Effective Date. Professional

fees incurred by the Debtor after the Effective Date must be approved by the Debtor and, thereafter, can be paid without further Order of the Court. Any dispute which may arise with regard to professional fees after the Effective Date shall be submitted to the Bankruptcy Court, which shall retain jurisdiction to settle these types of disputes. In the event of such dispute, the Debtor shall pay that portion of the fees, if any, which is not in dispute, punctually.

f. General Provisions. No post-petition interest or other similar post-petition charges will be paid on account of Administrative Claims.

ii. Treatment of Priority Tax Claims. Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each Allowed Priority Tax Claim, each holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive, on the Distribution Date, at the option of the Debtor, one of the following treatments: (1) Cash in an amount equal to the amount of such Allowed Priority Tax Claim, plus interest at the rate determined under applicable nonbankruptcy law and to the extent provided for by section 511 of the Bankruptcy Code; (2) Cash in an aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of time not to exceed five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, plus interest at the rate determined under applicable nonbankruptcy law and to the extent provided for by section 511 of the Bankruptcy Code; or (3) such other treatment as may be agreed upon by such holder and the Debtor or otherwise determined upon an order of the Bankruptcy Court.

iii. Statutory Fees. Notwithstanding anything to the contrary contained herein, as soon as practicable after the Effective Date, the Debtor shall pay any fees due and owing to the U.S. Trustee as of the Effective Date. On and after the Effective Date, Reorganized Debtor shall pay the applicable U.S. Trustee fees as they come due until the entry of a final decree in this Chapter 11 Case or until this Chapter 11 Case is converted or dismissed.

iv. DIP Facility Claim. On or before the Effective Date, (a) the Holder of DIP Facility Claim shall receive payment in full in Cash of the DIP Facility Claim or subject to the DIP Facility Lender's consent, shall have such DIP Facility Claim refinanced by (or converted into) the Exit Facility. Notwithstanding anything to the contrary contained herein, the liens and security interests securing the DIP Facility Claim shall continue in full force and effect until the DIP Facility Claim has been paid in full in Cash on the Effective Date or refinanced by (or converted into) the Exit Facility, unless the Holder of DIP Facility Claim agrees to a different treatment; provided that, notwithstanding anything to the contrary herein, the DIP Facility Claim shall not be waived, discharged, or released unless and until such claim is paid in full in Cash on the Effective Date, or, unless and until the DIP Facility Claim is refinanced or converted in accordance with the terms of the DIP Facility Credit Agreement and the Exit Credit Agreement.

C. **Classification and Treatment of Claims and Interests.**

i. Classification of Claims and Interests. Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims and Interests. All Claims and Interests, except for Administrative Claims. DIP Facility Claim, and Priority Tax Claims, are classified in the Classes set forth in Article II of the Plan. A Claim or

Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim also is classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and has not been paid, released, or otherwise satisfied before the Effective Date.

ii. Treatment of Claims and Interests. To the extent a Class contains Allowed Claims or Allowed Interests, the treatment provided to each Class for distribution purposes is specified below:

SUMMARY OF PLAN TREATMENT AND EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Interest**	**Amount**	**Projected Recovery Under the Plan**
1	2016 Credit Agreement Claims	Except to the extent that the Holder of the 2016 Credit Agreement Claims agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the 2016 Credit Agreement Claims, the Holder of the 2016 Credit Agreement Claims shall receive 100% of the New Equity Interests subject to dilution by the Management Incentive Plan.	$742,920	100% of the New Equity Interests subject to dilution by Management Incentive Plan
2	Priority Non-Tax Claims	Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Priority Non-Tax Claim, each Holder of such Allowed Priority Non-Tax Claim shall be paid in full in Cash on or as reasonably practicable after (i) the Effective Date, (ii) the date on which such Priority Non-Tax Claim against the Debtor becomes an Allowed Priority Non-Tax Claim, or (iii) such other date as may be ordered by the Bankruptcy Court.	$8,334	100%
3	General Unsecured Claims	Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each General Unsecured Claim, each Holder of such Allowed General Unsecured Claim shall be paid the lesser of (a) twenty (20%) percent of its Allowed	$1,580,000 to $2,800,000	Estimated to range between 13% to 20%

		Claim, or (b) a Pro-Rata share of Three Hundred and Seventy Five Thousand ($375,000.00) Dollars within thirty (30) days after the later of (A) the Effective Date, (B) the date on which such General Unsecured Claim against the Debtor becomes an Allowed General Unsecured Claim, or (C) such other date as may be ordered by the Bankruptcy Court. No interest will be paid on Allowed Class 3 Claims. No General Unsecured Claim shall be Allowed to the extent that is for post-petition interest, fees, or other similar post-petition charges.		
4	Interests	Holders of Interests shall not receive any distribution on account of such Interests. On the Effective Date, Interests shall be cancelled and discharged.		0%

D. **Means for Implementation of the Plan.**

i. Sources of Cash for Plan Distributions. All consideration necessary for the Reorganized Debtor to make payments or distributions pursuant hereto shall be obtained from the Exit Facility or other Cash from the Debtor's business operations.

ii. Exit Facility. On the Effective Date, the Reorganized Debtor is authorized to execute and deliver those documents necessary or appropriate to satisfy the conditions to effectiveness of the Exit Facility, the terms, conditions, and covenants of which shall be structured in a manner consistent with the Exit Facility Term Sheet, without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or vote, consent, authorization, or approval of any person. The Exit Facility shall provide sufficient new Cash to repay the DIP Facility in full, or refinance it (or convert into) and will provide the Debtor with sufficient available funds as of the Effective Date to provide the Reorganized Debtor with working capital necessary to run its business. Pursuant to the terms of the Exit Credit Agreement which in all cases must be acceptable to the DIP Facility Lender, the Exit Facility will provide the Reorganized Debtor with a revolving credit facility of up to $1,500,000.

iii. Issuance and Distribution of New Equity Interests. The issuance of the New Equity Interests by Reorganized Debtor, including options, stock appreciation rights, or other equity awards, if any, in connection with the Management Incentive Program, is authorized without the need for any further corporate action and without any further action by the Holders of Claims or Interests. On the Effective Date, One Million (1,000,000) common shares of New Equity Interests will be authorized of which Five Hundred (500,000) Thousand shares shall be issued and, as soon as reasonably practicable thereafter, distributed to Holders of Claims in Class 1, subject to dilution with respect to any shares issued pursuant to the Management Incentive

Program.

All of the shares of New Equity Interests issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable. Each distribution and issuance of the New Equity Interests under the Plan shall be governed by the terms and conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance.

Upon the Effective Date, the Reorganized Debtor shall be governed by the New Stockholders Agreement. The New Stockholders Agreement shall be adopted on the Effective Date and shall be deemed to be valid, binding, and enforceable in accordance with its terms, and each holder of New Equity Interests shall be bound thereby. The Holder of the 2016 Credit Agreement Claims in Class 1 and all persons receiving any of the New Equity Interests under Management Incentive Program shall be required to execute the New Stockholders Agreement before receiving their respective distribution of the New Equity Interests under the Plan.

iv. Restructuring Transactions. On the Effective Date, or as soon as reasonably practicable thereafter, the Reorganized Debtor may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by or necessary to effectuate the Plan, including: (1) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution, or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and any other terms to which the applicable Entities may agree; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (3) the filing of appropriate certificate or articles of incorporation, reincorporation, merger, consolidation, conversion, or dissolution pursuant to applicable state law; and (4) all other actions that the Debtor determines to be necessary or appropriate, including making filings or recordings that may be required by applicable law.

v. Corporate Existence. Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated in the Plan or the Plan Supplement, on the Effective Date, the Debtor shall continue to exist after the Effective Date as a corporation with all the powers of a corporation pursuant to the applicable law of Delaware where the Debtor is incorporated and pursuant to its certificate of incorporation and by-laws in effect before the Effective Date, except to the extent such certificate of incorporation and by-laws are amended by the Plan or otherwise. To the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable Delaware state, or federal law).

vi. Vesting of Assets in the Reorganized Debtor. Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated in the Plan or the Plan Supplement, on the Effective Date, all Assets in the Estate, all Causes of Action, and any property acquired by the Debtor pursuant to the Plan shall vest in the Reorganized Debtor, free and clear of all Liens, Claims, charges, or other encumbrances, except for Liens securing the

Exit Facility. On and after the Effective Date, except as otherwise provided in the Plan, the Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

vii. Cancellation of Existing Securities. Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated in the Plan or the Plan Supplement, on the Effective Date: (1) the obligations of the Debtor under the 2016 Credit Agreement, and any other certificate, share, note, bond, indenture, purchase right, option, warrant, or other instrument or document, directly or indirectly, evidencing or creating any indebtedness or obligation of or ownership interest in the Debtor giving rise to any Claim or Interest shall be cancelled solely as to the Debtor, and the Reorganized Debtor shall not have any continuing obligations thereunder; and (2) the obligations of the Debtor pursuant, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing the shares, certificates, notes, bonds, purchase rights, options, warrants, or other instruments or documents evidencing or creating any indebtedness or obligation of the Debtor shall be released and discharged; provided, however, notwithstanding Confirmation or the occurrence of the Effective Date, any such agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of enabling Holders of Allowed Claims to receive distributions under the Plan as provided herein provided, further, however, that the preceding proviso shall not affect the discharge of Claims or Interests pursuant to the Bankruptcy Code, the Confirmation Order, or the Plan or result in any expense or liability to the Reorganized Debtor, except to the extent set forth in or provided for under the Plan.

viii. Corporate Action. Upon the Effective Date, or as soon thereafter as is reasonably practicable, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including: (1) execution and entry into the Exit Facility; (2) the distribution of the New Equity Interests; (3) selection of the directors and officers for the Reorganized Debtor; (4) implementation of the restructuring transactions contemplated by the Plan, as applicable; (5) adoption of the Management Incentive Program; (6) adoption or assumption, as applicable, of the agreements with existing management, if any; and (7) all other actions contemplated by the Plan (whether to occur before on or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Reorganized Debtor, and any corporate action required by the Debtor or the Reorganized Debtor in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security holders, directors or officers of the Debtor or the Reorganized Debtor. On or (as applicable) before the Effective Date, the appropriate officers of the Debtor or the Reorganized Debtor (as applicable) shall be authorized and (as applicable) directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtor, including the Exit Credit Agreement and any and all related and ancillary agreements, documents, and filings, New Equity Interests, and any and all other agreements, documents, securities, and instruments relating to the foregoing. The authorizations and approvals contemplated by this Article IV shall be effective notwithstanding any requirements under non-bankruptcy law.

ix. New Certificate of Incorporation and New By-Laws. On or immediately before the Effective Date, the Reorganized Debtor will file its New Certificate of Incorporation with the Secretary of State in Delaware in accordance with the corporate laws of Delaware. Pursuant to section 1123(a)(6) of the Bankruptcy Code, the New Certificate of Incorporation will prohibit the issuance of non-voting equity securities. After the Effective Date, the Reorganized Debtor may amend and restate its New By-Laws and other constituent documents as permitted by the laws of Delaware and its New By-Laws.

x. Directors and Officers of the Reorganized Debtor. As of the Effective Date, the term of the current members of the board of directors of the Debtor shall expire, and the initial boards of directors, including the New Board, as well as the officers of the Reorganized Debtor shall be appointed in accordance with the New By-Laws of the Reorganized Debtor. On the Effective Date, the New Board shall consist of five (5) directors, one (1) of whom shall be Christopher Gali, Chief Executive Officer of Debtor and three (3) of whom shall be initially chosen by R&F. The Reorganized Debtor hereby assumes (or will honor, or reaffirm, as the case may be) all indemnification obligations of the Debtor to each director and officer that was serving in such capacity on the Petition Date.

Pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtor will disclose in advance of the Confirmation Hearing the identity and affiliations of any Person initially proposed to serve on the New Board, as well as those Persons that will serve as an officer of the Reorganized Debtor. To the extent any such director or officer is an "insider" as such term is defined in section 101(31) of the Bankruptcy Code, the nature of any compensation to be paid to such director or officer will also be disclosed. Each such director and officer shall serve from and after the Effective Date pursuant to the terms of the New By-Laws, and other constituent documents of the Reorganized Debtor.

xi. Effectuating Documents; Further Transactions. On and after the Effective Date, the Reorganized Debtor, and the officers and members of the New Board thereof, are authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan, including the New Equity Interests, in the name of and on behalf of the Reorganized Debtor, without the need for any approvals, authorization or consents except those expressly required pursuant to the Plan.

xii. Management Incentive Program. The Confirmation Order shall provide that on the Effective Date the Reorganized Debtor will implement the Management Incentive Program, which shall provide for grants of options and/or restricted units or equity reserved for management, directors, and employees in an amount of the New Equity Interests to be issued by the Reorganized Debtor sufficient to properly incentivize the senior management of the Reorganized Debtor. The primary participants of the Management Incentive Program, including the amount, form, exercise price, allocation, and vesting of such equity-based awards with respect to such primary participants, shall be decided upon by the New Board.

xiii. New Employment Agreements. On the Effective Date, Reorganized

Debtor shall enter into the New Employment Agreements, if any.

xiv. Exemption from Certain Taxes and Fees. Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct and be deemed to direct the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment. Such exemption specifically applies, without limitation, to (1) the creation of any mortgage, deed of trust, lien, or other security interest, (2) the making or assignment of any lease or sublease, (3) any restructuring transaction authorized by the Plan, or (4) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including: (a) any merger agreements; (b) agreements of consolidation, restructuring, disposition, liquidation or dissolution; (c) deeds; (d) bills of sale; or (e) assignments executed in connection with any restructuring transaction occurring under the Plan.

xv. D&O Liability Insurance Policies. Notwithstanding anything herein to the contrary, as of the Effective Date, the Debtor shall assume (and assign to the Reorganized Debtor if necessary to continue the D&O Liability Insurance Policies in full force) all of the D&O Liability Insurance Policies pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Debtor's assumption of the D&O Liability Insurance Policies. Notwithstanding anything to the contrary contained herein, Confirmation of the Plan shall not discharge, impair or otherwise modify any obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such obligation shall be deemed and treated as an Executory Contract that has been assumed by the Debtor under the Plan as to which no Proof of Claim need be Filed. On or before the Effective Date, the Reorganized Debtor may obtain reasonably sufficient tail coverage (*i.e.*, D&O insurance coverage that extends beyond the end of the policy period) under a directors and officers' liability insurance policy for the current and former directors, officers, and managers for such terms or periods of time, and placed with such insurers, to be reasonable under the circumstances and to the extent such tail coverage is obtained on or before the Effective Date, such policies shall be considered D&O Liability Insurance Policies and shall be assumed by the Reorganized Debtor.

xvi. Preservation of Causes of Action. In accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtor shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtor's rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. For the avoidance of doubt, the preservation of Causes of Action described in the preceding sentence includes, but is not limited to, the Debtor's right to object to General Unsecured Claims. The Reorganized Debtor may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtor in its discretion. No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the Debtor or the Reorganized Debtor will not pursue any and

all available Causes of Action against them. The Debtor and the Reorganized Debtor expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan.

The Reorganized Debtor reserves and shall retain the applicable Causes of Action notwithstanding the rejection or repudiation of any Executory Contract or Unexpired Lease during this Chapter 11 Case or pursuant to the Plan. The Reorganized Debtor through its authorized agent or representative, shall retain and may exclusively enforce any and all such Causes of Action. The Reorganized Debtor shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

E. **Conditions Precedent to Confirmation and Consummation of the Plan.**

i. Conditions Precedent to Confirmation. It shall be a condition to Confirmation that the following conditions shall have been satisfied or waived pursuant to the provisions of Article 9.3 of the Plan:

a. The Bankruptcy Court shall have entered the Confirmation Order in form and substance reasonably acceptable to the Debtor and R&F.

b. All documents related to the Plan must be in form and substance reasonably acceptable to R&F.

ii. Conditions Precedent to the Effective Date. It shall be a condition to the Effective Date of the Plan that the following conditions shall have been satisfied or waived pursuant to the provisions of Article 9.3 of the Plan:

a. The Confirmation Order shall be a Final Order unless waived by both the Debtor and R&F.

b. Any amendments, modifications, or supplements to the Plan (including the Plan Supplement), if any, shall be reasonably acceptable to: (a) the Debtor and (b) R&F.

c. All actions, documents, certificates, and agreements necessary to implement the Plan shall have been effected or executed and delivered to the required parties and, to the extent required, Filed with the applicable Governmental Units in accordance with applicable laws.

d. The Debtor shall enter into the Exit Facility and the conditions precedent to funding under the Exit Facility (including the payment in full, in Cash, of the DIP Facility Claim, or the refinance by (or converted into) shall have been satisfied or waived.

e. The Debtor shall have satisfied the DIP Facility Claim.

f. Reorganized Debtor shall have entered into the New Stockholders Agreement, in form and substance reasonably satisfactory to: (a) Reorganized Debtor; and (b) R&F.

iii. Waiver of Conditions. The conditions to Confirmation and to Consummation set forth in Article IX of the Plan may be waived only by the Person whom is entitled to satisfaction of such condition, without notice, leave, or order of the Bankruptcy Court or any formal action other than proceeding to confirm or consummate the Plan.

iv. Effect of Failure of Conditions. If the Consummation of the Plan does not occur, the Plan shall be null and void in all respects and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a waiver or release of any Claims by the Debtor, any Holders, or any other Entity; (2) prejudice in any manner the rights of the Debtor, any Holders, or any other Entity; or (3) constitute an admission, acknowledgment, offer, or undertaking by the Debtor, any Holders, or any other Entity in any respect.

F. **Settlement, Discharge, and Related Provision.**

i. Compromise and Settlement of Claims, Interests, and Controversies. Pursuant to sections 363 and 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of substantially all Claims, Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim or Interest may have with respect to any Allowed Claim or Interest or any distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtor, its Estate, and Holders, and is fair, equitable, and reasonable. In accordance with the provisions of the Plan, pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019(a), without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtor may compromise and settle Claims against it and Causes of Action against other Entities.

ii. Discharge of Claims and Termination of Interests. Pursuant to section 1141(d) of the Bankruptcy Code, the distributions, rights and treatment that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims, Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in, the Debtor or any of its assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability (including withdrawal liability) to the extent such Claims or Interests relate to services performed by employees of the Debtor before the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or

warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a Proof of Claim based upon such debt, right, or Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim or Interest based upon such debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (3) the Holder of such a Claim or Interest has accepted the Plan. Any default by the Debtor with respect to any Claim or Interest that existed immediately before or on account of the filing of this Chapter 11 Case shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring. On the Effective Date (i) all Claims against the Debtor will be satisfied, discharged and released in full and (ii) all Persons shall be precluded and enjoined from asserting against the Debtor, its Estate, or its Assets, any other or further Claims or Interests based upon any act or omission, transaction, or other activity of any kind or nature that occurred before the Effective Date.

iii. Discharge of Claims; Injunction. The rights afforded in the Plan and the payments and distributions to be made under the Plan shall be in complete exchange for, and in full satisfaction, discharge and release of, all existing debts and Claims of any kind, nature or description whatsoever against the Debtor, its Estate or its Assets, and upon the Effective Date, all existing Claims against the Debtor, its Estate and its Assets will be, and be deemed to be, exchanged, satisfied, discharged and released in full; and all holders of Claims and Interests shall be precluded and enjoined from asserting against the Debtor, its Estate or their successors or their respective Assets, any other or further Claim based upon any act or omission, transaction or other activity of any kind or nature, whether or not the holder Filed a proof of claim.

iv. Release of Liens. Except as otherwise provided in the Plan or in any contract, instrument, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, and, in the case of the DIP Facility Claim, satisfaction in full of the DIP Facility Claim, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estate shall be fully released and discharged, and all of the right, title, and interest of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtor and its successors and assigns.

v. Term of Injunctions or Stays. Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in this Chapter 11 Case pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding the discharge injunction contained in the Plan or the Confirmation Order), shall remain in full force and effect until the Effective Date. The discharge injunction contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with the provisions of the Bankruptcy Code including section 1141.

vi. Liability in Connection with Plan. Neither the Debtor nor R&F or any of their attorneys, accountants, financial advisors, investment bankers or agents shall have, or shall they incur, any liability to any Creditor or Person for any act or omission in connection with or arising out of their duties and participation in this Chapter 11 Case, the administration of the Plan or the property to be distributed under the Plan, except for gross negligence or willful

misconduct, and all such Persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. The foregoing shall not, however, affect the liability of the Debtor to any Creditor in connection with any Allowed Claim under the Plan; nor shall the foregoing affect the liability of any party with respect to any act or omission that has occurred prior to the Petition Date.

VI. THE CHAPTER 11 CASE

A. Voluntary Petition. On July 22, 2016 (the "Petition Date"), the Debtor filed a voluntary petition with the United States Bankruptcy Court for the Eastern District of Pennsylvania under chapter 11 of title 11 of the Bankruptcy Code. The Debtor is operating its business and managing its property as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

B. Retention of Professionals. On the Petition Date, the Debtor filed applications to retain (a) Maschmeyer Karalis P.C. ("MK") as bankruptcy counsel, and (b) Eisner Amper LLP ("EA."), as its financial advisor. The Court approved the application to employ MK by Order dated August 11, 2016 (Doc. No. 49), and the application to employ EA by Order dated August 11, 2016 (Doc. No. 50).

C. Cash Collateral Motion. Concurrent with the filing of its voluntary petition, the Debtor filed a motion for authority to use cash collateral and provide adequate protection. By an interim and final order, the Debtor is authorized to use cash collateral. (Doc. Nos. 28 and 58).

D. Motion to Authorize Payment of Certain Prepetition Wages, Benefits and Reimbursable Expenses. The Debtor also filed a Motion seeking Entry of an Order authorizing the payment of certain prepetition wages, benefits and reimbursable expenses which Motion was granted. (Doc. No. 27).

E. Debtor in Possession Financing. The Debtor also filed a motion for authority to obtain secured postpetition financing on a superpriority basis pursuant to §§105, 361, 364(c)(1) and 364(d)(1) of the bankruptcy code and federal rule of bankruptcy procedure 4001; (ii) modifying the automatic stay pursuant to section 362 of the bankruptcy code and federal rule of bankruptcy procedure 4001, (iii) scheduling an interim hearing and prescribing form and manner of notice for the final hearing, and (iv) granting related relief. By an interim and final order, the Debtor is authorized to obtain the DIP financing. (Doc. Nos. 28 and 58).

F. Schedules and Statements of Financial Affairs. On August 5, 2016, the Debtor filed with the Bankruptcy Court its Bankruptcy Schedules and Statement of Financial Affairs. (Doc. No. 44).

G. Claims Bar Date. The Bankruptcy Court established September 9, 2016 as the General Bar Date and the last date for filing Proofs of Claim or proofs of Interest which either arose or may be deemed to have arisen prior to the Petition Date (other than those of Governmental Units). For Claims of Governmental Units which either arose or may be deemed to have arisen prior to the Petition Date, the Governmental Unit Bar Date is January 19, 2017. (Doc. No. 40).

H. Debtor's Plan. On September 1, 2016, the Debtor filed its Plan of Reorganization and Disclosure Statement in this Chapter 11 Case. (Doc. No. ___).

VII. PROJECTED FINANCIAL INFORMATION

The Debtor has attached its projected financial information as **Exhibit "D"** to this Disclosure Statement. The Debtor 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 Debtor or any successor 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 Debtor analyzed its ability to satisfy its financial obligations while maintaining sufficient liquidity and capital resources. Management developed a business plan and prepared financial projections (the "Projections") for the 4th quarter of 2016 and the 2017 calendar year (the "Projection Period").

The Debtor does not, as a matter of course, publish its business plans or strategies, projections, or anticipated financial position. Accordingly, the Debtor does 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 Debtor to present the anticipated impact of the Plan. The Projections assume that the Plan will be implemented in accordance with its stated terms. The Projections are based on forecasts of a variety of 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 future performance, which may be significantly less or more favorable than set forth herein. Management is 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 Debtor's prospects.

The Projections should be read in conjunction with the significant assumptions, qualifications and notes set forth below.

THE DEBTOR'S MANAGEMENT DID NOT PREPARE SUCH PROJECTIONS TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THE DEBTOR'S INDEPENDENT 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, ASSUME NO RESPONSIBILITY FOR THE PROJECTIONS, AND DISCLAIM ANY

ASSOCIATION WITH THE PROJECTIONS. EXCEPT FOR PURPOSES OF THE DISCLOSURE STATEMENT, THE DEBTOR DOES NOT PUBLISH PROJECTIONS OF ITS ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS.

MOREOVER, THE PROJECTIONS ARE SUBJECT TO A NUMBER OF ASSUMPTIONS, RISKS, AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTOR, INCLUDING THE IMPLEMENTATION OF THE PLAN, THE CONTINUING AVAILABILITY OF SUFFICIENT BORROWING CAPACITY OR OTHER FINANCING TO FUND OPERATIONS, AND ACHIEVING OPERATING EFFICIENCIES, AND OTHER MARKET AND COMPETITIVE CONDITIONS. HOLDERS OF CLAIMS AND INTERESTS ARE CAUTIONED THAT THE PROJECTIONS SPEAK AS OF THE DATE MADE AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED OR IMPLIED IN THE PROJECTIONS, AND THE DEBTOR UNDERTAKES NO OBLIGATION TO UPDATE ANY SUCH STATE M ENTS.

THE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY THE DEBTOR, MAY NOT BE REALIZED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE REORGANIZED DEBTOR'S CONTROL. THE DEBTOR CAUTIONS THAT NO REPRESENTATIONS CAN BE MADE OR ARE MADE AS TO THE ACCURACY OF THE PROJECTIONS OR TO THE REORGANIZED DEBTOR'S ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL BE INCORRECT. MOREOVER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE DEBTOR PREPARED THESE PROJECTIONS MAY BE DIFFERENT FROM THOSE ASSUMED, OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR DISCLOSURE STATEMENT, THE DEBTOR AND REORGANIZED DEBTOR, AS APPLICABLE, DOES NOT INTEND AND UNDERTAKES NO OBLIGATION TO UPDATE OR OTHERWISE REVISE THE PROJECTIONS TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE THE DISCLOSURE STATEMENT IS INITIALLY FILED OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS. THEREFORE, THE PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, HOLDERS OF CLAIMS AND INTERESTS 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 Debtor makes statements in this Disclosure Statement that are considered projections and estimates. Statements concerning these and other matters are not guarantees of the Debtor's future performance. Such projections represent the Debtor's estimates and assumptions only as of the date such statements were made and involve known and unknown risks, uncertainties, and other unknown factors that could impact the Debtor's restructuring plans or cause the actual results of the Debtor to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. In addition to statements which explicitly describe such risks and uncertainties, readers are urged to consider statements labeled with the terms "believes," "belief," "expects," "intends," "anticipates," "plans," or similar terms to be uncertain and forward-looking. There can be no assurance that the restructuring transaction described herein will be consummated. 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.

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.

VIII. RISK FACTORS

There are risks, uncertainties, and other important factors that could cause the Debtor's actual performance or achievements to be materially different from those it may project and the Debtor undertakes no obligation to update any such statement. These risks, uncertainties and factors include:

- the Debtor's ability to confirm and consummate the Plan;
- the Debtor's ability to reduce its overall financial leverage;
- the potential adverse impact of the Chapter 11 Case on the Debtor's operations, management, and employees, and the risks associated with operating a business in the Chapter 11 Case;
- the Debtor's ability to comply with the terms of the DIP Facility or the Exit Facility;
- customer response to the Chapter 11 Case;

- inability to have claims discharged/settled during the chapter 11 proceeding;
- general economic, business, and market conditions;
- exposure to litigation;
- dependence upon key personnel;
- the Debtor's limited operating history and difficulties frequently encountered by companies in early stages of developing a new technology and a new business enterprise;
- the Debtor's ability to generate sufficient revenues or cash flow to meet its operating needs or other obligations; and
- limited access to capital resources.

Holders of Claims should read and consider carefully the risk factors set forth below before voting to accept or reject the Plan. Although there are many risk factors, they should not be regarded as constituting the only risks present in connection with the Debtor's business or the Plan and its implementation.

A. **Risks Relating to Bankruptcy.**

i. Parties in interest may object to the Plan's classification of Claims and Interests. Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtor believes that the classification of the Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtor created Classes of Claims and Interests, each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims and Interests in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

ii. The Debtor may fail to satisfy vote requirements. In the event that votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtor intends to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Debtor may seek to confirm an alternative chapter 11 plan. There can be no assurance that the terms of any such alternative chapter 1 I plan would be similar or as favorable to the Holders of Allowed Claims and Allowed Interests as those proposed in the Plan.

iii. The Debtor may not be able to obtain Confirmation of the Plan. With regard to any proposed plan of reorganization, the debtor seeking confirmation of a plan may not receive the requisite acceptances to confirm such plan. If the requisite acceptances of the Plan are received, the Debtor intends to seek Confirmation of the Plan by the Bankruptcy Court. If the requisite acceptances of the Plan are not received, the Debtor may nevertheless seek

Confirmation of the Plan notwithstanding the dissent of certain Classes of Claims or Interests. The Bankruptcy Court may confirm the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code if the Plan satisfies section 1129(b) of the Bankruptcy Code. To confirm a plan over the objection of a dissenting class, the Bankruptcy Court also must find that at least one impaired class (which cannot be an "insider" class) has accepted the Plan.

If the Plan is not confirmed by the Bankruptcy Court, (a) the Debtor may not be able to reorganize its business; (b) the distributions that holders of Claims ultimately would receive, if any, with respect to their Claims is uncertain; and (c) there is no assurance that the Debtor will be able to successfully develop, prosecute, confirm, and consummate an alternative plan that will be acceptable to the Bankruptcy Court and the Holders of Claims and Interests. It is also possible that third parties may seek and obtain approval from the Bankruptcy Court to terminate or shorten the exclusivity period during which only the Debtor may propose and confirm a plan of reorganization.

iv. The conditions precedent to the Effective Date of the Plan may not occur. As more fully set forth in the Plan, the Effective Date is subject to a number of conditions precedent. If such conditions precedent are not met or waived, the Effective Date will not take place.

v. The Debtor may not be able to achieve its projected financial results. The financial projections set forth on **Exhibit "D"** to this Disclosure Statement represent the Debtor's best estimate of its future financial performance based on currently known facts and assumptions about the Debtor's future operations. The Debtor's actual financial results may differ significantly from the projections.

vi. The Debtor's emergence from chapter 11 is not assured. While the Debtor expects to emerge from chapter 11, there can be no assurance that the Debtor will successfully reorganize or when this reorganization will occur, irrespective of the Debtor's obtaining Confirmation of the Plan.

B. **Risks Related to the Debtor's and Reorganized Debtor's Business.**

i. Indebtedness may adversely affect the Reorganized Debtor's operations and financial condition. According to the terms and conditions of the Plan, upon the Effective Date, the Reorganized Debtor will have outstanding indebtedness of approximately $1,500,000 under the Exit Facility.

The Reorganized Debtor's ability to service its debt obligations will depend, among other things, upon its future operating performance. These factors depend partly on economic, financial, competitive and other factors beyond the Reorganized Debtor's control. The Reorganized Debtor may not be able to generate sufficient cash from operations to meet its debt service obligations. In addition, if the Reorganized Debtor needs to refinance its debt, obtain additional financing or sell assets or equity, it may not be able to do so on commercially reasonable terms, if at all.

Any default under the Exit Facility could adversely affect its growth, financial condition, results of operations, the value of its equity and ability to make payments on such debt. The Reorganized Debtor may incur significant additional debt in the future. If current debt amounts increase, the related risks that the Reorganized Debtor now faces will intensify.

ii. The Exit Facility may contain certain restrictions and limitations that could significantly affect the Reorganized Debtor's ability to operate its business, as well as significantly affect its liquidity. The Exit Facility may contain a number of significant covenants that could adversely affect the Reorganized Debtor's ability to operate its business, as well as significantly affect its liquidity, and therefore could adversely affect the Reorganized Debtor's results of operations. These covenants may restrict (subject to certain exceptions) the Reorganized Debtor's ability to incur additional indebtedness; grant liens; consummate mergers, acquisitions consolidations, liquidations and dissolutions; sell assets; and make other payments in respect of capital expenditures; make investments, loans and advances; and make payments and modifications to debt instruments.

The breach of any covenants or obligations in the Exit Facility, not otherwise waived or amended, could result in a default under the Exit Facility and could trigger acceleration of those obligations. Any default under the Exit Facility could adversely affect the Reorganized Debtor's growth, financial condition, results of operations, and ability to make payments on debt.

iii. If the Debtor loses key executive officers, the Debtor's business could he disrupted and the Debtor's financial performance could suffer. The Debtor's business depends upon the efforts, abilities and expertise of the Debtor's executive officers including Mr. Gali. To the extent certain executive officers cease employment with the Debtor and the Debtor is unable to mitigate the resulting costs, the Debtor's business could be impacted.

iv. The value of the New Equity Interests may be adversely affected by a number of factors. The value of the New Equity Interests may be adversely affected by a number of factors, including many of the risks described in this Disclosure Statement. If for example, the Reorganized Debtor fails to comply with the covenants in the Exit Facility, resulting in an event of default thereunder, certain of the Reorganized Debtor's outstanding indebtedness could be accelerated, which could have a material adverse effect on the value of the New Equity Interests.

v. The New Equity Interests will be subordinated to the Exit Facility. The Reorganized Debtor's future indebtedness under the Exit Facility and other non-equity claims will rank senior to the New Equity Interests as to rights upon any foreclosure, dissolution, winding up, liquidation or reorganization, or other bankruptcy proceeding. In the event of any distribution or payment of the Reorganized Debtor's assets in any foreclosure, dissolution, winding-up, liquidation or reorganization, or other bankruptcy proceeding, the Reorganized Debtor's creditors will have a superior claim and interest, as applicable, to the interests of the holders of the New Equity Interests. If any of the

foregoing events occur, there can be no assurance that there will be assets in an amount significant enough to warrant any distribution in respect of the New Equity Interests.

IX. CONFIRMATION OF THE PLAN

A. Requirements for Confirmation of the Plan. Among the requirements for the Confirmation of the Plan are that the Plan (i) is accepted by all impaired Classes of Claims, or if rejected by an Impaired Class, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Class; (ii) is feasible; and (iii) is in the "best interests" of Holders of Claims.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtor believes that: (i) the Plan satisfies or will satisfy all of the necessary statutory requirements of chapter 11; (ii) the Debtor has complied or will have complied with all of the necessary requirements of chapter 11; and (iii) the Plan has been proposed in good faith.

B. Best Interests of Creditors/Liquidation Analysis. Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find, as a condition to confirmation, that a chapter 11 plan provides, with respect to each class, that each holder of a claim or an equity interest in such class either (i) has accepted the plan or (ii) will receive or retain under the plan property of a value that is not less than the amount that such holder would receive or retain if the debtor liquidated under chapter 7.

The Debtor has attached hereto as **Exhibit "E"** a liquidation analysis prepared by the Debtor's management with the assistance of EisnerAmper, the Debtor's financial advisor.

C. Feasibility. Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the plan of reorganization is not likely to be followed by the liquidation, or the need for further financial reorganization of the debtors, or any successor to the debtors (unless such liquidation or reorganization is proposed in the plan of reorganization).

To determine whether the Plan meets this feasibility requirement, the Debtor has analyzed its ability to meet its obligations under the Plan. As part of this analysis, the Debtor prepared the Projections, as set forth on **Exhibit "D"** attached hereto.

D. Acceptance by Impaired Classes. The Bankruptcy Code requires, as a condition to confirmation, that, except as described in the following section, each class of claims or equity interests that is impaired under a plan, accept the plan. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required.[3]

[3] A class is "impaired" unless the plan: (a) leaves unaltered the legal, equitable and contractual rights to which the claim or the equity interest entitles the holder of such claim or equity interest; or (b) cures any default, reinstates the

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of allowed claims in that class, counting only those claims that *actually* voted to accept or to reject the plan. Thus, a Class of Claims will have voted to accept the Plan only if two-thirds in amount and a majority in number actually voting cast their Ballots in favor of acceptance.

E. Confirmation Without Acceptance by All Impaired Classes. Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if all impaired classes have not accepted it, provided that the plan has been accepted by at least one impaired class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class's rejection or deemed rejection of the plan, such plan will be confirmed, at the plan proponent's request, in a procedure commonly known as "cramdown," so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

If any impaired Class rejects the Plan, the Debtor reserves the right to seek to confirm the Plan utilizing the "cramdown" provision of section 1129(h) of the Bankruptcy Code. To the extent that any impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtor will request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code.

i. No Unfair Discrimination. This test applies to classes of claims or interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank *(e.g.,* classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly, and, accordingly, a plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

ii. Fair and Equitable Test. This test applies to classes of different priority and status *(e.g.,* secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the amount of the allowed claims in such class. As to the dissenting class, the test sets different standards depending upon the type of claims or equity interests in such class.

The Debtor submits that if the Debtor proceeds with a "cramdown" of the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured such that it does not "discriminate unfairly" and satisfies the "fair and equitable" requirement. With respect to the unfair discrimination requirement, all Classes under the Plan are provided treatment that is substantially equivalent to the treatment that is provided to other Classes

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original terms of the such obligation, compensates the holder for certain damages or losses, as applicable, and does not otherwise alter the legal, equitable or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

that have equal rank. The Debtor believes that the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for nonconsensual confirmation of the Plan.

X. TAX CONSEQUENCES OF THE PLAN UPON HOLDERS OF CLAIMS AND INTERESTS.

All holders of Claims and Interests should consult with their own tax advisors as to the particular tax consequences to them of the transactions contemplated by the Plan, including the applicability and effect of any federal, state, local or non-U.S. tax laws, and of any change in applicable tax laws.

ENTERPRISE CLOUDWORKS, INCORPORATED

By: /s/ Christopher Gali
CHRISTOPHER GALI, CEO

MASCHMEYER KARALIS P.C.

By: /s/ Aris J. Karalis
ARIS J. KARALIS
Attorneys for the Debtor

Dated: September 1, 2016

EXHIBITS

Exhibit A	Exit Facility Term Sheet (to be supplied prior to the hearing on the approval of the Disclosure Statement)
Exhibit B	New Stockholders Agreement Term Sheet (to be supplied prior to the hearing on the approval of the Disclosure Statement)
Exhibit C	Estimated Range of Distributions to Holders of Allowed Class 3 Claims depending on amount of Allowed Class 3 Claims
Exhibit D	Projected Financial Information (to be supplied prior to the hearing on the approval of the Disclosure Statement)
Exhibit E	Liquidation Analysis (to be supplied prior to the hearing on the approval of the Disclosure Statement)

EXHIBIT "C"

ENTERPRISE CLOUDWORKS, INC.

ESTIMATED RANGE OF DISTRIBUTIONS TO HOLDERS OF ALLOWED CLASS 3 CLAIMS DEPENDING ON AMOUNT OF ALLOWED CLAIMS (FOR DISTRIBUTION PURPOSES ONLY)

Hypothetical Amount of Disputed Class 3 Claims	$295,000	$425,000	$550,000	$1,020,000	$1,220,000
Allowed Class 3 Claims	$1,580,000	$1,580,000	$1,580,000	$1,580,000	$1,580,000
Total Class 3 Claims	$1,875,000	$2,005,000	$2,130,000	$2,600,000	$2,800,000
Amount to be distributed under Plan to Allowed Class 3 Claims	$375,000	$375,000	$375,000	$375,000	$375,000
Distribution Percentage to Allowed Class 3 Claims	**20%**	**19%**	**18%**	**14%**	**13%**

If the total amount of Allowed Unsecured Claims do not exceed $1,875,000, holders of Allowed Class 3 Claims will receive a 20% distribution on account of their Allowed Class 3 Claims. On the other hand, if the total Allowed Unsecured Claims total one of four alternative hypothetical amounts, $2,005,000, $2,130,000, $2,600,000 or $2,800,000 the distribution to holders of Allowed Class 3 Claims will be 19%, 18%, 14% or 13%, respectively. This table is for illustration purposes only and the actual distribution to holders of Allowed Class 3 Claims will be based on the actual amount of the Allowed Unsecured Claims.