LAW OFFICES OF DAVID C. MCGRAIL
676A Ninth Avenue #211
New York, New York 10036
(646) 290-6496
(646) 224-8377 Facsimile
David C. McGrail (DM 3904)

Counsel to PubliCARD, Inc.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

| | | |
|---|---|---|
| In re: | ) | Chapter 11 |
| PUBLICARD, INC., | ) | Bankr. Case No.: 07-11517 (RDD) |
| Debtor. | ) | |

**FIRST AMENDED DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE TO ACCOMPANY THE FIRST AMENDED PLAN OF REORGANIZATION OF DEBTOR PUBLICARD, INC.**

**Submitted by:**

/s/ David C. McGrail
LAW OFFICES OF DAVID C. MCGRAIL
David C. McGrail
676A Ninth Avenue #211
New York, New York 10036

Counsel to PubliCARD, Inc.

Dated: November 19, 2007

## PRELIMINARY STATEMENT

THIS FIRST AMENDED DISCLOSURE STATEMENT WAS FILED WITH THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK ON NOVEMBER 20, 2007. AFTER A HEARING ON THE ADEQUACY OF THE DISCLOSURE CONTAINED HEREIN, THE BANKRUPTCY COURT HAS DETERMINED THAT THIS FIRST AMENDED DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION AS DEFINED IN SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE. A HEARING ON CONFIRMATION OF THE PROPOSED FIRST AMENDED PLAN OF REORGANIZATION DESCRIBED HEREIN HAS BEEN SCHEDULED FOR **JANUARY 9, 2008 AT 10:00 A.M. (EASTERN TIME)**.

AS DISCUSSED IN GREATER DETAIL HEREIN, THE BANKRUPTCY COURT HAS DIRECTED THAT OBJECTIONS, IF ANY, TO CONFIRMATION OF THE PLAN MUST BE FILED AND SERVED ON OR BEFORE **JANUARY 3, 2008 AT 5:00 P.M. (EASTERN TIME)** IN THE MANNER DESCRIBED HEREIN.

## TABLE OF CONTENTS

**TABLE OF CONTENTS**
(continued)

**Page**

**TABLE OF CONTENTS**
(continued)

**Page**

## EXHIBITS

A. First Amended Plan of Reorganization of Debtor PubliCARD, Inc., dated November 19, 2007.

B. Projected Financial Information for the Reorganized Debtor.

C. Hypothetical Liquidation Analysis.

# I. PREAMBLE

PubliCARD, Inc. (the "Debtor"), submits this first amended disclosure statement (the "Disclosure Statement") pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. § 101 et seq. (the "Bankruptcy Code"), to the Debtor's creditors ("Creditors") and interest holders ("Interest Holders") in connection with (i) the solicitation from certain Creditors and Interest Holders of votes on the proposed First Amended Plan of Reorganization of Debtor PubliCARD, Inc., dated November 19, 2007 (as amended from time to time, the "Plan"), filed by the Debtor with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") and (ii) the hearing to consider confirmation of the Plan (the "Confirmation Hearing") scheduled for January 9, 2008 at 10:00 a.m. (Eastern Time). Unless otherwise defined herein, capitalized terms contained herein shall have the meanings ascribed to them in the Plan.

Each Creditor, Interest Holder, and party-in-interest should read this Disclosure Statement and the Plan in their entirety. All exhibits to this Disclosure Statement are incorporated into, and are part of, this Disclosure Statement. No solicitation of votes on the Plan may be made except pursuant to this Disclosure Statement, and no person has been authorized to use any information concerning the Debtor or its business other than the information contained herein for purposes of solicitation.

The Bankruptcy Court has approved this Disclosure Statement as containing information of a kind and in sufficient detail to enable a hypothetical, reasonable investor to make an informed judgment as to whether to accept or to reject the Plan. APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT, HOWEVER, CONSTITUTE AN ENDORSEMENT OF THE DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT OR A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR THE MERITS OF THE PLAN.

THE PLAN HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

**SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:** THIS DOCUMENT WAS COMPILED FROM INFORMATION OBTAINED BY THE DEBTOR FROM NUMEROUS SOURCES BELIEVED TO BE ACCURATE, TO THE BEST KNOWLEDGE, INFORMATION, AND BELIEF OF THE DEBTOR.

THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN AND TRANSACTIONS CONTEMPLATED THEREUNDER AND CERTAIN OTHER DOCUMENTS. WHILE THE DEBTOR BELIEVES THAT THESE SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS. REFERENCE IS MADE TO THE PLAN AND THE OTHER DOCUMENTS

REFERRED TO HEREIN AND THEREIN FOR A COMPLETE STATEMENT OF THE TERMS AND PROVISIONS THEREOF.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED IN THIS DISCLOSURE STATEMENT. THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH IN THIS DISCLOSURE STATEMENT SINCE THE DATE OF THIS DISCLOSURE STATEMENT OR SUCH OTHER SPECIFIED TIME.

THIS DISCLOSURE STATEMENT IS INTENDED FOR THE SOLE USE OF HOLDERS WHOSE CLAIMS AGAINST, AND INTERESTS IN, THE DEBTOR ARE IMPAIRED UNDER THE PLAN, TO ENABLE SUCH HOLDERS TO MAKE AN INFORMED DECISION ABOUT THE PLAN. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN.

THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF, OR STIPULATION TO, ANY FACT OR LIABILITY, OR A WAIVER OF ANY RIGHTS, BUT RATHER AS A STATEMENT MADE IN THE CONTEXT OF SETTLEMENT NEGOTIATIONS.

OTHER THAN AS EXPRESSLY SET FORTH HEREIN, THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR, THE REORGANIZED DEBTOR, OR ANY OTHER PARTY, NOR SHALL IT BE CONSTRUED TO BE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN TO ANY INTERESTED PARTY. ANY INTERESTED PARTY DESIRING ANY SUCH ADVICE SHOULD CONSULT WITH ITS OWN ADVISORS.

**THE DEBTOR RECOMMENDS THAT THOSE CREDITORS AND INTEREST HOLDERS ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT IT.**

**IMPORTANT**: THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR TO REJECT THE PLAN. PLEASE READ THIS DOCUMENT WITH CARE.

## II. INTRODUCTION

On May 17, 2007 (the "Petition Date"), the Debtor filed with the Bankruptcy Court a voluntary petition for relief under Chapter 11 of the Bankruptcy Code.

Pursuant to the Bankruptcy Code, Creditors in Class 3 and Interest Holders in Classes 4 and 5 (collectively, the "Voting Classes"), which are impaired, are entitled to vote on the Plan. Creditors in Classes 1 and 2 are deemed to have accepted the Plan because they are not impaired and therefore are not entitled to vote on the Plan. For a description of the various Classes of Claims and Interests and their respective treatment under the Plan, see the section below entitled "Overview of the Plan."

For the Plan to be confirmed, it must be accepted by at least one Class of Claims that is impaired under the Plan (determined without including any acceptance of the Plan by any insider of the Debtor). Under Bankruptcy Code § 1126, an impaired Class of Claims has accepted the Plan if Creditors representing at least two-thirds in dollar amount and more than one-half in number of Allowed Claims that have actually voted in that Class have voted to accept the Plan; provided that the vote of any Creditor whose acceptance or rejection is determined by the Bankruptcy Court not to be in good faith will not be counted. Either Voting Class that fails to accept the Plan is considered to have rejected the Plan.

Bankruptcy Code § 1129(b) permits confirmation of the Plan notwithstanding its rejection by one or more impaired Class if the Bankruptcy Court finds that the Plan (i) has been accepted by at least one impaired Class of Claims (not including the votes of insiders), (ii) otherwise meets the requirements under Bankruptcy Code § 1129(a) for confirmation, (iii) does not discriminate unfairly, and (iv) is "fair and equitable" with respect to the rejecting Class or Classes. The Debtor is hopeful that Classes 3, 4, and 5 will each vote, as a Class, to accept the Plan in accordance with Bankruptcy Code § 1126. For a more detailed description of the requirements for acceptance of the Plan and of the criteria for confirmation notwithstanding rejection by certain Classes, see Section VIII.G. below entitled "Confirmation Without Acceptance By All Impaired Classes."

AMENDMENTS TO THE PLAN'S CLASSIFICATION AND TREATMENT OF ONE OR MORE CLASSES THAT DO NOT MATERIALLY AND ADVERSELY CHANGE THE TREATMENT OF ANY OTHER CLASS MAY BE MADE. SUCH AMENDMENTS MAY BE APPROVED BY THE BANKRUPTCY COURT AT THE CONFIRMATION HEARING WITHOUT ENTITLING THE MEMBERS OF ANY CLASS WHOSE TREATMENT IS NOT MATERIALLY AND ADVERSELY CHANGED TO WITHDRAW ANY VOTES CAST FOR OR AGAINST THE PLAN.

All votes to accept or to reject the Plan must be cast by using the ballot (each a "Ballot," and collectively, the "Ballots") enclosed with this Disclosure Statement. No other votes will be counted. Consistent with the provisions of Bankruptcy Rule 3018, the Bankruptcy Court has fixed 5:00 p.m. (Eastern Time) on November 27, 2007 (the "Voting Record Date"), as the date for the determination of the Holders of record of Class 3 Claims, Class 4 Interests, and Class 5 Interests who are entitled to vote to accept or to reject the Plan.

TO BE COUNTED, BALLOTS MUST BE COMPLETED, SIGNED, AND RECEIVED BY THE ALTMAN GROUP, INC. 60 E. 42ND ST., SUITE 405 NEW YORK, NEW YORK 10165 BY 5:00 P.M. (EASTERN TIME) ON JANUARY 3, 2008 (THE "VOTING DEADLINE"). ANY BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR A REJECTION OF THE PLAN, OR THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL NOT BE COUNTED.

BALLOTS TO ACCEPT OR TO REJECT THE PLAN MAY BE REVOKED AT ANY TIME PRIOR TO THE VOTING DEADLINE. THEREAFTER, BALLOTS MAY BE REVOKED SUBJECT ONLY TO THE REQUIREMENTS OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES.

**DO NOT RETURN ANY STOCK CERTIFICATES WITH YOUR BALLOT.**

If you deliver your Ballot by United States mail, you should allow enough time to ensure timely delivery prior to the Voting Deadline. If your Interest is based on shares that are held by a bank, broker, or other agent, please vote and return your Ballot(s) to such bank, broker, or other agent in accordance with the instructions set forth in the Ballot. Please allow time for the transmittal of voting results from your bank or broker to the Debtor. For a more complete description of voting procedures, see the section below entitled "Voting Instructions."

If you have any questions about the Plan, this Disclosure Statement, or the procedures for voting, or if you did not receive a Ballot, received a damaged Ballot, or have lost your Ballot, please call 1-800-206-0007.

The Bankruptcy Court has scheduled the Confirmation Hearing on January 9, 2008 at 10:00 a.m. (Eastern Time) before the Honorable Robert D. Drain, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, 6th Floor, New York, NY 10044-1408. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan must be served and filed on or before 5:00 p.m. (Eastern Time) on January 3, 2008, in the manner described under the section below entitled "Confirmation of the Plan -- Confirmation Hearing."

THE DEBTOR BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTOR'S ESTATE AND URGES ALL CREDITORS AND INTEREST HOLDERS ENTITLED TO VOTE THEREON TO VOTE IN FAVOR OF THE PLAN.

## III. VOTING INSTRUCTIONS

### A. Voting Record Date for Holders of Allowed Claims in Class 3 and of Allowed Interests in Classes 4 and 5

THE RECORD DATE FOR VOTING ON THE PLAN IS November 27, 2007 at 5:00 p.m. (Eastern Time). To be entitled to vote to accept or to reject the Plan, a Holder of an Allowed Claim or and Allowed Interest in one of the Voting Classes (Classes 3, 4, and 5) must be the record holder of such Claim or Interest at the close of business on the Voting Record Date. Holders who acquire a Claim or Interest in one of the Voting Classes after the Voting Record Date must arrange with their seller and/or transferor (as is applicable) to receive a proxy from the holder of record of such Claim or Interest as of the Voting Record Date.

### B. Ballots

Parties entitled to vote on the Plan will find a Ballot accompanying this Disclosure Statement.

**Ballots must be received by The Altman Group, Inc. 60 E. 42nd St., Suite 405 New York, New York 10165 on or before 5:00 p.m. (Eastern Time) on the Voting Deadline, January 3, 2008, to be counted in the voting. Ballots received after this time may not be counted in the voting. If you have any questions about the procedures for voting, or if you**

**did not receive a Ballot, received a damaged Ballot, or have lost your Ballot, please call 1-800-206-0007.**

### C. Voting Procedures

Classes 3, 4, and 5 are impaired and all Holders of Allowed Claims and Interests in such Classes (as determined as of the Voting Record Date) are entitled to vote to accept or to reject the Plan.

If a Ballot is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations, or others acting in a fiduciary or representative capacity, each such person should indicate such capacity when signing its Ballot and, if so requested by the Debtor or the Balloting Agent, must submit proper evidence satisfactory to the Debtor of its authority to so act.

Holders of General Unsecured Claims in Class 3, beneficial owners of Old PubliCARD Preferred Stock Interests in Class 4, and beneficial owners who, as of the Voting Record Date, hold in their own names Old PubliCARD Common Stock Interests in Class 5 should complete and sign individual Ballots and return them directly to the Balloting Agent.

Beneficial owners who, as of the Voting Record Date, hold Old PubliCARD Common Stock Interests in "street name" through nominees should vote in one of two ways:

A. The beneficial owner may complete and sign an individual Ballot and return it to the nominee. The nominee, in turn, should complete and sign a corresponding "Master Ballot," transcribing the votes cast and other information provided by the beneficial owners in their individual Ballots. The nominee should then forward its Master Ballot either to the Balloting Agent or to the nominee's agent which, in turn, should forward the Master Ballot to the Balloting Agent; or

B. The beneficial owner may complete an individual Ballot that has already been signed or "prevalidated" by the nominee and return it directly to the Balloting Agent.

Each individual Ballot for an Old PubliCARD Preferred Stock Interest or an Old PubliCARD Common Stock Interest (whether returned to the Balloting Agent or to a nominee) contains a certification that the beneficial owner on whose behalf the Ballot is submitted is, as of the Voting Record Date, the beneficial owner of the Old PubliCARD Preferred Stock Interest or the Old PubliCARD Common Stock Interest Old PubliCARD Common Stock in the amount voted on such Ballot. Each individual Ballot for voting an Old PubliCARD Preferred Stock Interest and an Old PubliCARD Common Stock Interest contains the additional certifications that it is the only Ballot submitted by the beneficial owner in that Class, except as disclosed by the beneficial owner in the table provided; that all such additional Ballots (if any) have been so disclosed; and that all Ballots submitted by the beneficial owner indicate the same vote to accept or to reject the Plan.

Each Master Ballot, which transmits the votes of beneficial owners as indicated on the individual Ballots submitted to their nominees, contains the following certifications: (a) that the party executing the Master Ballot is a nominee or a holder of a power of attorney, agency, or proxy from a nominee or beneficial owner that is the registered holder of the Old PubliCARD Common Stock Interest in the number voted by the beneficial owners thereof and (b) that the beneficial owners whose votes are transmitted by the Master Ballot are, as of the Voting Record Date, the beneficial owners of the Old PubliCARD Common Stock in the number voted. Each Master Ballot transmitting votes on account of an Old PubliCARD Common Stock Interest contains the additional certification that any information provided by beneficial owners relating to other Ballots submitted by the beneficial owners of Old PubliCARD Common Stock Interests has been transcribed onto the Master Ballot.

### D. Tabulation of Ballots and Certain Other Procedures

The following rules will be used to determine the claim amount associated with a creditor's vote:

a. the claim amount temporarily allowed by Bankruptcy Court order for voting purposes, pursuant to Bankruptcy Rule 3018(a) (as further described below), after notice and a hearing prior to the Voting Deadline;

b. the claim amount (i) contained on an unobjected to proof of claim that has been timely filed with the Bankruptcy Court (or otherwise deemed timely filed by the Bankruptcy Court under applicable law) and (ii) prior to any amendment made to such proof of claim after the Voting Record Date;

c. the claim amount listed in the Schedules, provided that such claim is not scheduled as contingent, disputed, or unliquidated; or

d. in the absence of any of the foregoing, zero.

If (i) a creditor casts a Ballot and is listed on the Schedules as holding a claim that is contingent, unliquidated, or disputed or (ii) the Debtor files an objection to a proof of claim at least 10 days before the Voting Deadline, such claim would not count for voting purposes, unless temporarily allowed by the Court for voting purposes pursuant to Bankruptcy Rule 3018(a) after notice and a hearing.

Ballots cast by creditors whose claims are not listed on the Schedules, but who timely file proofs of claim in unliquidated or unknown amounts that are not the subject of an objection filed before the commencement of the Confirmation Hearing, would count toward satisfying the numerosity requirements of Bankruptcy Code section 1126(c), but would not count toward satisfying the aggregate dollar amount provisions of that section.

In tabulating votes, the share quantities that Holders of Interests are entitled to vote be calculated as of the Voting Record Date.

The claim and interest amounts established described above control for voting purposes only and do not constitute the allowed amount of any claim for any other purpose.

Holders of multiple Claims or Interests within a particular class under the Plan must vote all of their Claims or Interests within that class either to accept or reject the Plan and may not

split their vote(s). Accordingly, an individual Ballot (as opposed to a Master Ballot) that partially rejects and partially accepts the Plan will not be counted. A Holder of Claims or Interests in more than one class under the Plan must, however, submit Ballots for each class of Claims or Interests.

Whenever a Holder of Claims or Interests casts more than one Ballot or Master Ballot voting the same Claim(s) or Interest(s) before the Voting Deadline, the latest dated Ballot or Master Ballot will be counted. If a Holder of Claims or Interests casts Ballots or Master Ballots received by the Balloting Agent which bear the same date but conflicting vote instructions with respect to the same Class, such Ballots will not be counted.

Ballots to accept or to reject the Plan may be revoked at any time prior to the Voting Deadline, but thereafter, that Ballots may be revoked only subject to the requirements of the Bankruptcy Code and Bankruptcy Rules.

Unless a Ballot being submitted to the Balloting Agent is timely submitted prior to the Voting Deadline the Debtor may, in its sole discretion, subject to contrary order of the Court, reject such Ballot as invalid and therefore decline to utilize it in connection with seeking confirmation of the Plan by the Bankruptcy Court.

The following types of Ballots will not be counted in determining whether the Plan has been accepted or rejected:

a. any Ballot containing a vote that the Court determines, after notice and a hearing, was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code;

b. any Ballot that is illegible or contains insufficient information to permit the identification of the claimant;

c. any Ballot cast by a person or entity that does not hold a Claim or Interest in a class that is entitled to vote to accept or reject the Plan;

d. any unsigned or photocopy of an original Ballot without an original signature;

e. any Ballot transmitted to the Balloting Agent by facsimile or other electronic means;

f. any Ballot received that does not indicate either an acceptance or a rejection of the Plan; and

g. any Ballot received that indicates both an acceptance and a rejection of the Plan.

In addition, the following voting procedures and standard assumptions will be used in tabulating the Ballots:

a. The Debtor, in its sole discretion, subject to contrary order of the Bankruptcy Court, may waive any defect in any Ballot at any time, including failure to timely file such Ballot, either before or after the close of voting, and without notice.

b. Subject to any contrary order of the Bankruptcy Court, the Debtor reserves the absolute right to reject any and all Ballots not proper in form.

c. Unless waived or as ordered by the Court, any defects or irregularities in connection with deliveries of Ballots to the Balloting Agent must be cured within such time as the Debtor (or the Bankruptcy Court) determines, and unless otherwise ordered by the Bankruptcy Court, delivery of such Ballots would not be deemed to have been made until such irregularities have been cured or waived.

d. Neither the Debtor, nor any other person or entity, is under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots, nor will any of them incur any liabilities for failure to provide such notification.

## IV. OVERVIEW OF THE PLAN

The following table briefly summarizes the classification and treatment of Claims and Interests under the Plan. This summary is qualified in its entirety by reference to the provisions of the Plan, a copy of which is attached hereto as Exhibit A. As provided in the Bankruptcy Code, Administrative Claims and Tax Claims are not classified under the Plan. Under the Plan, each Holder of an Allowed Administrative Claim will receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Claim, Cash equal to the amount of such Claim on the later of (i) the Distribution Date and (ii) the date that is 10 days after the Allowance Date, unless such Holder has agreed to a different treatment of such Allowed Claim. Each Holder of an Allowed Tax Claim will receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Claim, at the election of the applicable Debtor, in its sole discretion, either (i) Cash equal to the amount of such Allowed Claim on the later of (1) the Distribution Date and (2) the date that is 10 days after the Allowance Date, unless such Holder has agreed to a different treatment of such Allowed Claim, or (ii) in accordance with Bankruptcy Code § 1129(a)(9)(C), deferred Cash payments (1) of a value, as of the Effective Date, equal to the amount of such Allowed Tax Claim, (2) over a period not exceeding five years after the Petition Date, and (3) in a manner not less favorable than the treatment of Allowed Class 3 Claims, unless such Holder has agreed to a different treatment of such Allowed Claim.

The table below summarizes the classification and treatment of the Claims and Interests under the Plan, including estimated percentage recoveries.

| Class | Description | Treatment | Estimated Recovery |
|---|---|---|---|
| N/A | Administrative Claims | **Unimpaired:** The Debtor believes that the aggregate amount of Allowed Administrative Claims is approximately $166,100. | 100% |
| N/A | Tax Claims | **Unimpaired:** The Debtor believes that the aggregate amount of Allowed Tax Claims should not exceed $7,000. | 100% |

| Class | Description | Treatment | Estimated Recovery |
|---|---|---|---|
| 1 | Priority Claims | **Unimpaired:** The Debtor does not believe that there are any Allowed Priority Claims. | 100% |
| 2 | Secured Claims | **Unimpaired**: at its election, the Reorganized Debtor will either: (a) pay the Allowed amount of the applicable Class 2 Claim in full on the later of the Effective Date or the Allowance Date of such Claim; (b) return the underlying collateral to the Holder of the Claim; (c) Reinstate the Claim in accordance with the provisions of Bankruptcy Code § 1124(2); (d) pay the Claim in the ordinary course; or (e) treat the Claim in a manner otherwise agreed to by the Holder thereof. The Debtor does not believe that there are any Allowed Class 2 Claims. | 100% |
| 3 | General Unsecured Claims | **Impaired and Entitled to Vote:** each Holder of an Allowed Class 3 Claim will receive such Holder's pro rata share of $60,000. The Debtor believes that the aggregate amount of Allowed Class 3 Claims is approximately $400,000.[1] | 15% |
| 4 | Old PubliCARD Preferred Stock Interests | **Impaired:** each Holder of an Allowed Class 4 Interest will receive such Holder's pro rata share of 18,334 shares of New Common Stock, which shares will represent, as of the Effective Date, in the aggregate, 5% of the outstanding shares of New Common Stock. | In excess of 6% |
| 5 | Old PubliCARD Common Stock Interests | **Impaired:** subject to Sections 6.12 and 6.13 of the Plan,[2] each Holder of an | 6% |

[1] As set forth in Plan Section 6.18, Distributions under the Plan to each Holder of an Allowed Insured Claim will be in accordance with the treatment provided under the Plan for the Class in which such Allowed Insured Claim is classified, but will be reduced to the extent that such Allowed Insured Claim is satisfied from proceeds payable to the Holder thereof under any pertinent insurance policies and applicable law.

[2] As set forth in Plan Section 6.13, neither the Debtor, the Reorganized Debtor, nor any disbursing agent or transfer agent retained by the Reorganized Debtor pursuant to Plan Section 6.6(b) will distribute any New Common Stock to any Holders of an Allowed Interest represented by 100 or fewer shares of Old PubliCARD Common Stock. Any

| Class | Description | Treatment | Estimated Recovery |
|---|---|---|---|
| | | Allowed Class 5 Interest will receive such Holder's pro rata share of 18,334 shares of New Common Stock, which shares will represent, as of the Effective Date, in the aggregate, 5% of the outstanding shares of New Common Stock. | |

In addition, on the Distribution Date, in consideration of the Plan Funding ($500,000) provided by the Funding Party pursuant to the Contribution Agreement, the Funding Party shall receive 330,000 shares of New Common Stock, which shares shall represent, as of the Effective Date, 90% of the outstanding shares of the New Common Stock.

## V. GENERAL INFORMATION

### A. Corporate Structure

The Debtor is a Pennsylvania corporation originally formed in 1913. Headquartered in New York City, the Debtor conducts its operating activities solely through its wholly-owned subsidiary, Infineer Ltd. ("Infineer"), which is headquartered in Bangor, Northern Ireland. The Debtor also has thirteen wholly-owned domestic subsidiaries, none of which have active operations. Those subsidiaries are: Amazing! Smart Card Technologies, Inc. (California); Blackwold, Inc. (Delaware); Boxsterview, Inc. (Delaware); Continental Distilling Corporation (Delaware); Greystone Peripherals, Inc. (California); Hanten Acquisition Co. (Delaware); Infineer, Inc. (Florida); Orr-Schelen-Mayeron & Associates, Inc. (Minnesota); Publicker Chemical Corporation (Louisiana); Publicker Gasohol, Inc. (Delaware); Publicker, Inc. (Delaware); Redwold, Inc. (Delaware); and Sagrocry, Inc. (Pennsylvania). Neither Infineer nor the Debtor's domestic subsidiaries are debtors in this case or in any other jurisdiction.

### B. Ownership

The Debtor has 1,000 authorized, 790 issued, and 465 outstanding shares of Old PubliCARD Preferred Stock. Each share of Old PubliCARD Preferred Stock is convertible into 2,500 shares of Old PubliCARD Common Stock and has a $5,000 liquidation preference. As of the Petition Date, there were approximately eight registered holders of record of the Old PubliCARD Preferred Stock.

The Debtor also has 40,000,000 authorized and 24,940,503 issued and outstanding shares of Old PubliCARD Common Stock. As of the Petition Date, there were approximately 4,000 registered and beneficial holders of the Old PubliCARD Common Stock. Taube Hodson Stone

---

such Holder will have its Claim for such distribution discharged and will be forever barred from asserting any such claim against the Reorganized Debtor or its property.

Partners Ltd. held approximately 11% of the Old PubliCARD Common Stock, more than any other holder.

As of the Petition Date, the Old PubliCARD Common Stock was publicly traded on the Nasdaq OTC Bulletin Board under the symbol CARD. As of the Petition Date, it was trading at $.029 a share. As a result of its failure to comply with certain public filing requirements, the Old PubliCARD Common Stock no longer trades on the Nasdaq OTC Bulletin Board, although it still trades on the "pink sheets." As of October 26, 2007, it was trading at $.012 a share.

C. Description of Business

As described above, the Debtor conducts its operating activities solely through Infineer, which designs "smart card" solutions and products for campus environments, including corporate campuses, secondary schools, and universities. Infineer's hardware, software, and "smart cards" facilitate card-based payment for a wide variety of services, including cafeteria, vending machine, photocopy, and printing purchases and photo identification. Infineer sells its solutions and products to resellers, distributors, and end-users throughout the world. Infineer's card-based solutions are currently installed in over 700 sites, primarily in corporate and educational sites in Europe, the United Kingdom, and Ireland. Infineer's products and solutions are described in greater detail below.

1. ChipNet3

Using a single smart card, ChipNet3 users gain access to, and tender payment for, a wide variety of services typically found on both corporate and educational sites. ChipNet3 delivers applications such as photo identification, payment for cafeteria, vending machine, photocopy and printing purchases, and access control on a single card platform. Each time a transaction takes place, all details are recorded, such as the date and time, user, and item purchased. The transaction details are then processed by a back office software package, utilizing a tracking tool that delivers accurate management information regarding sales and card activity.

ChipNet3 has the ability to accept a range of both contact and contactless smart cards. The solution is scalable and can run in a networked or non-networked environment. The ChipNet3 solution has been structured to allow integration with existing third party applications such as payroll, stock control, physical access control, PC log-on, and time and attendance reporting.

ChipNet3 solution is comprised of smart cards, application software, and hardware. Each user has a personalized smart card which may feature photo identification, a bar code, magnetic stripe, or signature panel, if required. The chip on the card carries the cardholder's personal permission file and may be loaded and reloaded with a cash value which is used for purchasing needs. Hardware includes point-of-sale terminals, unattended point-of-sale terminals, vending station card readers, and add-value or card reload stations.

Infineer recently introduced MIDAS, an enhanced version of its ChipNetID product, which allows corporate sites the ability to extend the use of their existing identification cards to include payment at cafeteria and vending stations. MIDAS can operate with a range of

contactless smart cards issued by Mifare and HID. MIDAS was developed to be compatible with new identification technologies such as biometrics. Corporate sites can benefit from deploying cashless payments in a facility without the need to replace existing in-use identification and access control cards.

2. EasySmart

EasySmart is designed to deliver a first experience with smart cards for locations that do not want to pay or do not need a multi-application card system and has been developed to fill a gap in the market for an entry-level smart card solution providing an administration-free payment system. EasySmart is a stand-alone solution operating with a low cost smart card and is useful for a wide range of locations, including colleges, cafeterias, and libraries. EasySmart offers card acceptance for PC log-on, cafeteria point-of-sale, self-service centers, networked printing, photocopying, and encoding stations. Although EasySmart offers the capacity to run without being networked, it also contains a built-in upgrade path to ChipNet3.

3. EasyCard

The EasyCard product line delivers a flexible magnetic stripe based solution across a range of applications, including copying, printing, point-of-sale, vending, and internet access. Operating with either disposable or rechargeable thin magnetic stripe cards, EasyCard is a simple to use solution, useful for schools, colleges, libraries, and copy shops, as well as corporate and government facilities and business parks. Users carry cards, featuring either a cash or unit value, and the appropriate amount is deducted each time a service is used. For those customers not paying in advance for services, account cards can be used, recording the use of a range of services against an individual or department. A full range of support products offer card acceptance at self-service card centers and encoding stations.

4. Pcounter

Pcounter is a scalable network server-based print management and accounting solution that provides a range of cost control and cost recovery capabilities. Pcounter aims to eliminate waste and misuse and help rationalize and reallocate print resources by providing usage accountability. Pcounter is marketed to schools, colleges, professional services firms, the public sector, and corporations.

D. Sales and Marketing

Infineer sells and distributes its products directly to end-users in the United Kingdom through its direct sales force. Outside of the United Kingdom, Infineer is represented by over thirty independent distributors and value-added resellers. Key markets include, among others, the United States, the Netherlands, France, and Australia. In support of its sales strategies, Infineer also makes use of direct mail campaigns to its customers, advertising in targeted trade media, and at trade shows and conferences.

E. Competition

Competition in the markets in which Infineer operates is intense and is characterized by rapidly changing technologies, evolving industry standards, frequent new product introductions, and rapid changes in customer requirements. The principal competitive factors affecting the market for Infineer's technology products are the product's technical characteristics and price, customer service, and competitor reputation, as well as positioning and resources. Infineer's primary competition currently comes from companies offering campus environment solutions, including small value electronic cash systems and database management solutions, such as Moneybox (Girovend), Counter Solutions, Easytrace, Uniware, Cunninghams, Plastic Card Services, MARS, Diebold, and Schlumberger.

F. Employees

The Debtor has only two employees, Joseph E. Sarachek, its chief executive officer, and Marc B. Ross, its principal financial officer.

G. Employment Agreement

The Debtor and Joseph Sarachek are party to a letter agreement (the "Employment Agreement"), dated July 21, 2006, by which Mr. Sarachek agreed to serve as the Debtor's Chief Executive Officer.

Under the Employment Agreement, Mr. Sarachek:

> will provide financial and restructuring advisory services on behalf of the [Debtor] which may include serving as the senior operations officer of the Company, overseeing the [Debtor's] operations, analyzing, assisting and developing a financial restructuring plan involving the [Debtor], assisting the [Debtor] in developing and negotiating a prospective plan of reorganization with its creditors, selling the [Debtor] through a merger or otherwise, selling the [Debtor's] assets, purchasing assets or companies, and/or raising additional debt/equity capital for the [Debtor] (each, a "Transaction"), and such other tasks that may be reasonably requested by the [Debtor's] Board of Directors.

Pursuant to the Employment Agreement, Mr. Sarachek: (a) is entitled to a $15,000 monthly fee (the "Monthly Fee"); (b) is entitled to a cash transaction fee (the "Transaction Fee") of 4% of any Transaction with an aggregate value under $1 million; and (c) has been granted options to purchase 2,837,375 shares of the common stock of the Debtor, which options vest upon the consummation of a Transaction, along with additional options, as necessary, to purchase 10% of the fully diluted shares of the Debtor in the event of a Transaction. Mr. Sarachek has agreed to defer payment of $7,500 of his post-petition Monthly Fees for each month until the consummation of a Transaction. The consummation of this Plan would constitute a Transaction entitling Mr. Sarachek to payment of a $20,000 Transaction Fee and payment of his deferred post-petition Monthly Fees, which, as of the date hereof, total $37,500.

Mr. Sarachek has agreed to waive his rights to the Transaction Fee, subject to the occurrence of the Effective Date.

In connection with the Debtor's bankruptcy filing, the Debtor's Board of Directors expressly resolved that the Debtor should file a motion seeking to assume the Employment Agreement. Accordingly, on May 21, 2007, the Debtor filed its Motion for an Order Authorizing and Directing the Assumption of Employment Agreement Pursuant to Bankruptcy Code Section 365 (the "Assumption Motion"). On June 20, 2007, the Bankruptcy Court entered an order approving the Assumption Motion, although it deferred consideration of the assumption of the Employment Agreement with respect to the options granted to Mr. Sarachek thereunder. Mr. Sarachek has agreed to waive his rights to those options, subject to the occurrence of the Effective Date.

H. Property

The Debtor currently subleases space at 75 Rockefeller Plaza, 16th Floor, New York, New York 10019 from Triax Capital Advisors, LLC ("Triax"), of which Mr. Sarachek is an officer and the sole member. The Debtor pays 27% of the rent and occupancy costs paid by Triax under its lease, including base rent, electricity, water, real estate tax escalations, and operation and maintenance escalations. The base rent payable by the Debtor is approximately $3,000 per month. The Debtor would assume the sublease pursuant to the Plan.

I. Directors and Officers

The following table sets forth certain information with respect to persons who are executive officers and/or members of the Boards of Directors of the Debtor as of the date hereof. The Reorganized Debtor's Board of Directors as of the Effective Date shall be comprised of those directors designated by the Funding Party within ten days of the Confirmation Hearing (with notice of such designation filed with the Bankruptcy Court).

| **Name and Office** | **Age** | **Experience** | **Percentage Old PubliCARD Stock Ownership** |
|---|---|---|---|
| **Joseph E. Sarachek** Chief Executive Officer and Director | 45 | Mr. Sarachek has been a director of the Debtor since July 21, 2006 and Chief Executive Officer since July 31, 2006. Mr. Sarachek is also a Managing Partner of Triax Capital Advisors, LLC, a restructuring advisory firm. In that capacity, he provides restructuring advisory services to companies in various industries and may hold interim management roles. Prior to Triax, Mr. Sarachek was an | Options to purchase at least 10% of the Old PubliCARD Stock (Mr. Sarachek has waived his right to these options, subject to the occurrence of the Effective Date) and approximately 2,000 shares (less than 1%) of Old PubliCARD Common Stock in his retirement plan. |

| Name and Office | Age | Experience | Percentage Old PubliCARD Stock Ownership |
|---|---|---|---|
| | | employee at Balfour Investors Incorporated. | |
| **Marc B. Ross** Principal Financial Officer | 41 | Mr. Ross has been the Principal Financial Officer of the Debtor since August 3, 2007. Mr. Ross is also a principal of Triax Capital Advisors, LLC, a restructuring advisory firm. Prior to joining Triax, Mr. Ross was a senior manager in the business advisory group of Protiviti Inc., an international risk consulting firm with over 900 employees. Previously, Mr. Ross was a manager at Cherpock & Rosenfeld LLP, a boutique firm specializing in bankruptcy, turnaround, fraud and litigation support. | 0% |
| **Harry I. Freund** Chairman and Director | 67 | Mr. Freund has been a director of the Debtor since 1985. He has been Chairman of Balfour Investors Incorporated, a merchant-banking firm that had previously been engaged in a general brokerage business, since 1975. Mr. Freund is also Vice Chairman of Glasstech, Inc. | 4.1% |
| **Jay S. Goldsmith** Director | 63 | Mr. Goldsmith has been a director of the Debtor since 1985. He has been President of Balfour Investors Incorporated, a merchant-banking firm that had previously been engaged in a general brokerage business, since 1975. Mr. Goldsmith is also Chairman of Glasstech, Inc. | 5.0% |

| Name and Office | Age | Experience | Percentage Old PubliCARD Stock Ownership |
|---|---|---|---|
| **L.G. Schafran**<br>Director | 69 | Mr. Schafran has been a director of the Debtor since 1986. He is a Managing Director of Providence Capital, Inc., an investment and advisory firm. Mr. Schafran is also a Director of Tarragon Corp., SulphCo, Inc., RemoteMDx, Inc., ElectroEnergy, Inc., Glasstech, Inc., and National Patent Development Corporation. In years past, Mr. Schafran was Chairman/President, Interim CEO, and Co-Liquidating Trustee of the Banyan Strategic Realty Trust and a Director of Worldspace, Inc. | 1.1% |
| **Clifford B. Cohn**<br>Director | 55 | Mr. Cohn has been a director of the Debtor since 1980. He has been the principal of Cohn & Associates, a law firm in Philadelphia, Pennsylvania since 2003. Mr. Cohn was an attorney for Grayson & Goldin P.C., a law firm in Philadelphia, Pennsylvania, during 2002. | Less than 1% |
| **Emil Vogel**<br>Director | 63 | Mr. Vogel has been a director of the Debtor since 2001. He has been the Senior Partner and founder of Tarnow Associates since 1982. Prior to founding Tarnow, Mr. Vogel spent nine years with an executive search firm in the New York City metropolitan area conducting senior level search assignments. Mr. Vogel is also a director of Q.E.P. Co., Inc. | Less than 1% |

J. Financial Information

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

**PUBLICARD, INC.**
**AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND THE YEARS ENDED DECEMBER 31, 2006, 2005, AND 2004**
**(in thousands, except per share data)**

| | 2007 (unaudited) | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| **Revenues** | $ 2,505 | $ 3,314 | $ 3,617 | $ 4,395 |
| **Cost of revenues** | 1,080 | 1,489 | 1,661 | 2,010 |
| **Gross margin** | 1,425 | 1,825 | 1,956 | 2,385 |
| **Operating expenses:** | | | | |
| **General and administrative** | 663 | 1,743 | 2,017 | 2,330 |
| **Sales and marketing** | 698 | 1,034 | 1,173 | 1,671 |
| **Product development** | 419 | 599 | 624 | 716 |
| **Impairment of goodwill** | - | - | 782 | - |
| **Amortization of intangibles** | - | - | - | 40 |
| | 1,780 | 3,376 | 4,596 | 4,757 |
| **Loss from operations** | (355) | (1,551) | (2,640) | (2,372) |
| **Other income (expense):** | | | | |
| **Reorganization Expense** | (51) | | | |
| **Interest income** | 4 | 17 | 27 | 27 |
| **Interest expense** | (30) | (34) | (26) | (22) |
| **Cost of retirement benefits - non-operating** | | - | - | (405) |
| **Loss on pension settlement** | - | - | - | (2,739) |
| **Gain on sale of investment** | - | 150 | - | - |
| **Insurance recoveries and other** | 73 | 337 | 350 | 647 |
| **Other income/(expense)** | - | (5) | - | 5 |
| | (4) | 465 | 351 | (2,487) |
| **Loss from continuing operations** | (359) | (1,086) | (2,289) | (4,859) |
| **Extraordinary gain on settlement with the PBGC** | - | 7,214 | - | - |
| **Income from discontinued operations** | - | 139 | 258 | - |
| **Net income/(loss)** | $ (359) | $ 6,267 | $ (2,031) | $ (4,859 |

**PUBLICARD, INC.**
**AND SUBSIDIARY COMPANIES**

**CONSOLIDATED BALANCE SHEETS**
**AS OF SEPTEMBER 30, 2007 (UNAUDITED), DECEMBER 31, 2006, AND DECEMBER 31, 2005**

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| | (in thousands, except share data) | | |
| **ASSETS** | | | |
| Current assets: | | | |
| Cash, including short-term investments | $ 104 | $ 406 | $ 1,072 |
| Trade receivables, less allowance for doubtful accounts | 536 | 600 | 647 |
| Inventories | 172 | 279 | 303 |
| Other current assets | 45 | 92 | 573 |
| Total current assets | 859 | 1,377 | 2,595 |
| Equipment and leasehold improvements, net | 6 | 11 | 47 |
| | $ 865 | $ 1,388 | $ 2,642 |
| **LIABILITIES AND SHAREHOLDERS' DEFICIENCY** | | | |
| Current liabilities: | | | |
| Overdraft payable | $ 573 | $ 478 | $ 406 |
| Trade accounts payable | 504 | 686 | 592 |
| Accrued liabilities | 823 | 941 | 1,067 |
| Payable to the PBGC | - | 31 | - |
| Total current liabilities | 1,900 | 2,136 | 2,065 |
| Note payable | | - | 7,501 |
| Other Liabilities | - | 216 | 227 |
| Liabilities Subject to Compromise | 314 | - | - |
| Total liabilities | 2,214 | 2,352 | 9,793 |
| Shareholders' deficiency: | | | |
| ass A Preferred Stock, Second Series, no par value: 1,000 shares authorized; 465 | | | |
| ares issued and outstanding as of December 31, 2006 and 2005 | 2,325 | 2,325 | 2,325 |
| Common shares, $0.10 par value: 40,000,000 shares authorized; 24,940,902 | | | |
| shares issued and outstanding as of December 31, 2006 and 2005 | 2,494 | 2,494 | 2,494 |
| Additional paid-in capital | 108.625 | 108,625 | 108,594 |
| Accumulated deficit | (114,558) | (114,211) | (120,507) |
| Other accumulated comprehensive loss | (235) | (197) | (57) |
| Total shareholders' deficiency | (1,349) | (964) | (7,151) |
| | $ 865 | $ 1,388 | $ 2,642 |

**INFINEER LTD.**
**STATEMENTS OF OPERATIONS**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND THE YEARS ENDED DECEMBER 31, 2006 AND 2005**
**(in thousands, except per share data)**

| | 2007 (unaudited) | 2006 | 2005 |
|---|---|---|---|
| **Revenues** | $ 2,505 | $ 3,314 | $ 3,617 |
| | | | |
| **Cost of revenues** | 1,080 | 1,489 | 1,661 |
| **Gross margin** | 1,426 | 1,825 | 1,956 |
| | | | |
| **Operating expenses:** | | | |
| **General and administrative** | 300 | 360 | 428 |
| **Sales and marketing** | 698 | 1,037 | 1,188 |
| **Product development** | 419 | 600 | 624 |
| **Amortization of intangibles** | - | - | - |
| | 1,417 | 1,996 | 2,239 |
| **Income (Loss) from operations** | 9 | (171) | (284) |
| **Other Income** | - | - | (33) |
| **Interest expense** | (30) | (34) | (26) |
| | (21) | 465 | (343) |

**INFINEER, LTD.**

**BALANCE SHEETS**
**AS OF SEPTEMBER 30, 2007 (UNAUDITED), DECEMBER 31, 2006, AND DECEMBER 31, 2005**

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| | (in thousands, except share data) | | |
| **ASSETS** | | | |
| Current assets: | | | |
| Cash, including short-term investments | $ 60 | $ 32 | $ 21 |
| Trade receivables, less allowance for doubtful accounts | 536 | 532 | 624 |
| Inventories | 172 | 280 | 303 |
| Other current assets | 13 | 92 | 25 |
| Total current assets | 781 | 856 | 972 |
| Equipment and leasehold improvements, net | 3 | 7 | 22 |
| | $ 784 | $ 863 | $ 995 |
| **LIABILITIES AND SHAREHOLDERS' DEFICIENCY** | | | |
| Current liabilities: | | | |
| Overdraft payable | $ 573 | $ 478 | $ 406 |
| Trade accounts payable | 431 | 480 | 383 |
| Accrued liabilities | 624 | 692 | 648 |
| Payable to the PBGC | - | - | - |
| Total current liabilities | 1,628 | 1,649 | 1,437 |
| Note payable | | - | - |
| Due to PubliCard | 459 | 459 | 459 |
| Liabilities Subject to Compromise | - | - | - |
| Total liabilities | 2,087 | 2,108 | 1,896 |
| Shareholders' deficiency: | (1,303) | (1,245) | (901) |
| | $ 784 | $ 863 | $ 995 |

## VI. THE BANKRUPTCY CASE

### A. Events Leading to the Filing of this Case

The Debtor has experienced operating losses, a substantial decline in working capital, and negative cash flow over the last few years. As a result, as of the Petition Date, the Debtor had only $39,722.20 in cash and short-term investments and no other liquid assets. Moreover, given its own financial difficulties, Infineer was not been in any position to fund the Debtor's operations. The Debtor filed for bankruptcy protection as a result of its liquidity problems and in an effort to maximize the value of its assets.

### B. Filing of the Case

On the Petition Date, the Debtor filed with the Bankruptcy Court a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Debtor manages its property and operates its business as a debtor-in-possession pursuant to Bankruptcy Code §§ 1107 and 1108. As a debtor-in-possession, the Debtor is authorized to operate its business, but it may not engage in transactions outside of the ordinary course of business without the approval of the Bankruptcy Court, after notice and the opportunity for a hearing. No trustee, examiner, or Committee has been appointed in this Case.

### C. Motions and Applications

Shortly after the Petition Date, the Debtor filed the following motions and applications: (1) Debtor's Application for Authority to Employ and to Retain Law Offices of David C. McGrail as Its General Bankruptcy Counsel, Nunc Pro Tunc to the Petition Date, dated May 21, 2007; (2) Debtor's Motion for an Order Authorizing the Continued Use of Its Existing Bank Accounts and Cash Management System, dated May 21, 2007; (3) Debtor's Motion for an Order Authorizing the Employment and Retention of Professionals Used in the Ordinary Course of Business, dated May 21, 2007; (4) Debtor's Motion for an Order (i) Establishing a Deadline and Procedures for Filing Proofs of Claim and (ii) Approving the Form and the Manner of Notice thereof, dated May 21, 2007; (5) Debtor's Motion for an Order Authorizing and Directing the Assumption of Employment Agreement Pursuant to Bankruptcy Code Section 365, dated May 21, 2007; and (6) Debtor's Application to Employ and Retain The Altman Group, Inc., as Notice and Balloting Agent, dated May 22, 2007. Following a hearing held on June 14, 2007, the Bankruptcy Court entered orders approving each of these motions and applications, although it deferred consideration of the assumption of the Employment Agreement with respect to the options granted to Joseph Sarachek thereunder. Mr. Sarachek has agreed to waive his rights to those options, subject to the occurrence of the Effective Date.

On September 25, 2007, the Debtor filed an objection seeking to disallow, expunge, and/or reclassify (1) proof of claim number 1, filed by The New York State Department of Taxation and Finance ("New York State") on July 3, 2007, (2) proof of claim number 9, filed by The Illinois Department of Revenue ("Illinois") on July 24, 2007, (3) proof of claim number 12, filed by The New York City Department of Finance ("New York City") on August 10, 2007, and (4) proof of claim number 8, filed by The Commonwealth of Pennsylvania Department of

Revenue ("Pennsylvania") on July 23, 2007. In late October, the Debtor entered into stipulations resolving those taxing authorities' proofs of claim as follows: (1) fixing Illinois' claim as a $30,674 general unsecured claim; (2) fixing New York State's claim as an $17,681 general unsecured claim and $196 priority claim under Bankruptcy Code section 507(a)(8); and (3) fixing New York City's claim as a $4,950 priority claim under Bankruptcy Code section 507(a)(8). Each of those stipulations has been "so ordered" by the Bankruptcy Court.

D. Recovery of Additional Funds

On June 15, 2007, the Debtor has received a $71,915.68 reimbursement check from the Arizona Department of Environmental Quality. On June 25, 2007, it received $13,633 in rent reimbursement pursuant to the termination of its prior lease at 1 Rockefeller Plaza. The Debtor does not anticipate any additional recoveries during this Case. As of October 26, 2007, the Debtor had approximately $35,000 of cash on hand. Without the Plan Funding or another substantial and immediate capital infusion, the Debtor believes that it will run out of cash in January 2008.

E. Marketing Efforts

As set forth above, Infineer is the Debtor's only operating subsidiary. In early 2006, with the assistance of an investment banker, which provided pre-petition services to the Debtor, the Debtor commenced an assessment of the value of Infineer, developed an information memorandum, and solicited offers for Infineer. Despite the Debtor's best efforts, this process concluded without an offer for the business.

Throughout the balance of 2006 and 2007, the Debtor continued its marketing efforts, providing third parties with an informational memorandum and other materials regarding the potential sale or merger of Infineer. Those efforts led to indications of interest from two parties. Both parties were engaged in similar businesses as Infineer and based in the Europe, although neither party had a revenue stream greater than Infineer's. The Debtor had discussions with those parties, which met with Infineer's management team. The Debtor's Board ultimately terminated discussions with those parties because each of their proposals required additional capital to be raised as a condition to the sale. The cost to the Debtor of effectuating a transaction with either party outweighed any benefit to its shareholders.

The Debtor has continued to market Infineer since the Petition Date, including advertising the sale of Infineer in the Wall Street Journal. None of these efforts have led to an offer.

F. The Plan Funding

This Plan is premised on the Debtor's ability to obtain the Plan Funding in the amount of $500,000. The Plan Funding, which is sufficient to allow the Debtor to satisfy its obligations under the Plan, is to be contributed by the Funding Party, The 500 Group, LLC, to the Debtor on the Effective Date pursuant to the Contribution Agreement. Joseph Sarachek currently owns 100% of the Funding Party. As of the Confirmation Date, he will own 20% of the Funding Party. It is anticipated that the other investors in the Funding Party will include Charles Fisch

and Jonathan Lewis, neither of whom is an insider of the Debtor. These investors have not yet invested in the Funding Party, although they are expected to do so at or before the Confirmation Hearing.

On the Distribution Date, in consideration of the Plan Funding provided by the Funding Party pursuant to the Contribution Agreement, the Funding Party would receive 330,000 shares of New Common Stock, which shares shall represent, as of the Effective Date, 90% of the outstanding shares of New Common Stock.

If the Debtor is unable to obtain the Plan Funding on the Effective Date, the Confirmation Order shall be deemed vacated and of no further force or effect.

## VII. THE PLAN OF REORGANIZATION

A copy of the Plan is attached hereto as Exhibit A and should be reviewed closely by any party entitled to vote thereon.

### A. Risk Factors

THE SHARES OF NEW COMMON STOCK TO BE ISSUED UNDER THE PLAN ARE SPECULATIVE SECURITIES AND INVOLVE A HIGH DEGREE OF RISK. CREDITORS AND HOLDERS OF OLD PUBLICARD PREFERRED STOCK AND OLD PUBLICARD COMMON STOCK SHOULD CAREFULLY REVIEW THE FOLLOWING FACTORS TOGETHER WITH THE OTHER INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT PRIOR TO VOTING ON THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

#### 1. Projected Operating and Financial Results.

The Debtor has prepared the financial projections attached as Exhibit B hereto. The assumptions on which these projections are based, however, are subject to significant uncertainties and, inevitably, some assumptions will not materialize. Also, unanticipated events and circumstances beyond the Reorganized Debtor's control may affect the actual financial results.

The projections assume that Infineer will achieve EBITDA of approximately $100,000 during 2008, growing to approximately $500,000 by 2012. Infineer has been undergoing a turn-around over the last two years, including recently introducing a new bio-metric enabled product, Midas, and updating its products to a uniform Windows-based platform. It had ($284,000) of EBITDA in 2005 on $3,617,000 of net revenues and ($171,000) of EBITDA in 2006 on $3,314,000 of net revenues and is projected to achieve approximately $25,000 of EBITDA in 2007 on approximately $3.1 million of revenues. Infineer's gross profit margin percentages through September 30, 2007 are up approximately 3% over prior year amounts. The projections also assume that the Reorganized Debtor will raise an additional $3 million through a registered offering (the "Offering") of additional shares of New Common Stock, expected to be completed within the first nine months after emergence from Chapter 11. The Offering will be consummated to allow the Reorganized Debtor to pursue potential future acquisitions.

In light of these assumptions, among others, neither the Debtor nor the Reorganized Debtor makes any representation as to the accuracy of the projections or the Reorganized Debtor's ability to achieve projected results. The actual results may vary from the projected results and any such variations may be material. It is urged that all of the assumptions and other caveats regarding the projections set forth on Exhibit B hereto be examined carefully in evaluating the Plan.

The projections were not prepared with a view toward public disclosure or compliance with the published guidelines of the SEC or the American Institute of Certified Public Accountants regarding projections or forecasts. The Debtor's independent auditors have not examined the projections or compiled such analysis and assume no responsibility therefor.

### 2. Risks Associated with the New Common Stock.

The New Common Stock will be issued pursuant to the Plan by the Reorganized Debtor, a company which, as of the Effective Date, will hold a substantial portion of its assets in the stock of Infineer. It is expected that during the first year after emergence from Chapter 11 much of the revenues and earnings of the Reorganized Debtor will be derived from Infineer. The ability of the Reorganized Debtor to participate in any distribution of assets of, or received capital infusions from, Infineer is unclear.

### 3. Securities Issuance.

The issuance of new securities involves adherence to certain securities law regulations. Although the Debtor believes the securities issued to Holders of Interests in accordance with the Plan are exempt from these securities law requirements, there can be no assurance that the Bankruptcy Court or any applicable regulatory agency will decide that the relevant exemptions apply to these issuances. Moreover, although other exemptions may be available, the issuance of New Common Stock to the Funding Party or any investor therein pursuant to the Contribution Agreement would not be exempt from the registration of the Securities Act or any state or local laws requiring registration for the offer or sale of securities by virtue of Bankruptcy Code § 1145(a)(1). It is anticipated that, following the Effective Date, certain Holders of New Common Stock will be entitled to require the registration of New Common Stock under the Securities Act in accordance with the terms of a registration rights agreement. For a more detailed discussion of the risks involved with the securities issuance and the Debtor's position on these issues, see the section below entitled "Securities Law Issues."

### 4. Consequences if the Plan is Not Confirmed or the Conditions to Effectiveness Are Not Satisfied.

There can be no assurance that the Plan as proposed will be approved by the requisite number of Holders or amounts of Claims or Interests or by the Bankruptcy Court. Similarly, in the event that any impaired Class votes to reject the Plan, there can be no assurance that the Debtor will be able to obtain confirmation of the Plan under the Bankruptcy Code's so-called "cram-down" provisions. See Section VIII.G. below entitled "Confirmation Without Acceptance By All Impaired Classes." Indeed, because the Plan provides for a distribution to Interest Holders notwithstanding that certain creditors will not be paid in full, the Debtor will not seek to

"cram down" the Plan on creditors if the Creditor Classes vote to reject the Plan. Thus, if Class 3 votes to reject the Plan, it will not be confirmable absent an amendment to eliminate the distribution to Interest Holders.

In the event the Plan is not confirmed within the exclusive period allotted by the Bankruptcy Code and the Bankruptcy Court's orders for the Debtor to propose and confirm the Plan, any other party-in-interest may propose a plan of reorganization, and subsequent plans may be proposed and approved by the requisite majorities and be confirmed by the Bankruptcy Court. Notwithstanding Bankruptcy Court approval, it is possible that the Plan may not be consummated because of other external factors that may adversely affect the Debtor and its business.

Specifically, even if the Debtor obtains the requisite acceptances to confirm the Plan and/or the requirements for a "cram down" are met with respect to any impaired Class that has rejected the Plan, there can be no assurance that the Bankruptcy Court will confirm the Plan. Pursuant to § 1128(b) of the Bankruptcy Code, any party-in-interest has the right to be heard by the Bankruptcy Court on any issue in this Case. It is possible that Bankruptcy Court could still decline to confirm the Plan if it were to find that any statutory condition for confirmation had not been met. Bankruptcy Code § 1129 sets forth the requirements for confirmation. While the Debtor believes that the Plan complies with all of the confirmation requirements, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

A party-in-interest may object to the classification or treatment of any claim or interest and might succeed in persuading the Bankruptcy Court that the classification or treatment of such claim or interest provided by the Plan is improper. In such event, it is the present intention of the Debtor to modify the Plan to provide for whatever reasonable classification or treatment may be required by the Bankruptcy Court for confirmation of the Plan and to use the votes received pursuant to the solicitation of the Plan for the purpose of obtaining the approvals of the affected class or classes. However, the reclassification mandated by the Bankruptcy Court might render such course of action impossible, and the Debtor could then be forced to conduct a new solicitation of acceptances of the Plan, as modified.

The confirmation and effectiveness of the Plan are also subject to certain conditions. There can be no assurance that these conditions to confirmation and effectiveness of the Plan will be satisfied. In particular, there can be no assurance that the Debtor will be able to obtain the Plan Funding, in which case the Plan may not be able to be consummated.

Finally, there can be no assurance that modifications of the Plan will not be required for its confirmation, or that such modifications will not require resolicitation of acceptances from one or more classes of impaired claims.

### 5. Confirmation of Modified Plan.

Although the Debtor believe that each of the provisions of the Plan is appropriate and legally valid in the context of this Case, it is possible that one or more of such provisions may be subject to potential challenge and that the Plan, as confirmed, may differ in one or more material respects from the existing version of the Plan.

# VIII. CONFIRMATION OF THE PLAN

## A. General

As discussed further below, the Bankruptcy Court will determine the Confirmation Hearing whether the following requirements for confirmation, set forth in Bankruptcy Code § 1129, have been satisfied:

(i) The Plan complies with the applicable provisions of the Bankruptcy Code.

(ii) The Debtor has complied with the applicable provisions of the Bankruptcy Code.

(iii) The Plan has been proposed in good faith and not by any means forbidden by law.

(iv) Any payment made or to be made by the Debtor or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in, or in connection with, this Case, or in connection with the Plan and incident to this Case, has been approved by, or its subject to the approval of, the Bankruptcy Court as reasonable.

(v) The Debtor has disclosed (i) the identity and affiliations of (x) the individual proposed to serve, after confirmation of the Plan, as a director, officer, or voting trustee of the Reorganized Debtor, (y) any affiliate of the Debtor participating in a joint plan with the Debtor, or (z) any successor to the Debtor under the Plan (and the appointment to, or continuance in, such office of such individual(s) is consistent with the interests of Creditors and Interest Holders and with public policy) and (ii) the identity of any insider that will be employed or retained by the Debtor and the nature of any compensation for such insider.

(vi) With respect to each Class of Claims or Interests, each impaired Creditor and impaired Interest Holder either has accepted the Plan or will receive or retain under the Plan on account of the Claims or Interests held by such entity, property of a value, as of the Effective Date, that is not less than the amount that such entity would receive or retain if the Debtor were liquidated on such date under Chapter 7 of the Bankruptcy Code. See Section VIII.I below entitled "Best Interests Test."

(vii) The Plan provides that Administrative Claims and Priority Claims other than Tax Claims will be paid in full on the Effective Date and that Tax Claims will receive on account of such Claims deferred cash payments, over a period not exceeding five years after the Petition Date, and in a manner not less favorable than the most favored nonpriority unsecured claim provided for in the Plan, except to the extent that the Holder of any such Claim has agreed to a different treatment.

(viii) If a Class of Claims is impaired under the Plan, at least one Class of impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by insiders holding Claims in such Class.

(ix) Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor under the Plan unless such liquidation or reorganization is proposed therein. See Section VIII.H below entitled "Feasibility Test."

(x) The Plan provides for the continuation after the Effective Date of all retiree benefits, if any, at the level established pursuant to Bankruptcy Code § 1114(e)(1)(B) or 1114(g) at any time prior to confirmation of the Plan for the duration of the period the Debtor has obligated itself to provide such benefits.

(xi) If the Debtor is required by a judicial or administrative order, or by statute, to pay a domestic support obligation, it has paid all amounts payable under such order or such statute for such obligation that first become payable after the Petition Date.

(xii) In a case in which the debtor is an individual and in which the holder of an allowed unsecured claim objects to the confirmation of the plan (i) the value, as of the effective date of the plan, of the property to be distributed under the plan on account of such claim is not less than the amount of such claim; or (ii) the value of the property to be distributed under the plan is not less than the projected disposable income of the debtor (as defined in Bankruptcy Code § 1325(b)(2)) to be received during the 5-year period beginning on the date that the first payment is due under the plan, or during the period for which the plan provides payments, whichever is longer.

(xiii) All transfers of property of the Plan are made in accordance with any applicable provisions of nonbankruptcy law that govern the transfer of property by a corporation or trust that is not a moneyed, business, or commercial corporation or trust.

The Debtor believes that all of the requirements of Bankruptcy Code § 1129 are met. Among other things, the Debtor believes that, upon receipt of the votes required to confirm the Plan, the Plan will satisfy all the statutory requirements of Chapter 11, and the Debtor has complied or will have complied with all of the requirements of Chapter 11.

### B. Solicitation of Votes

Any Creditor or Interest Holder in the Voting Classes (Classes 3, 4, and 5) who is the Holder of an Allowed Claim or Allowed Interest is entitled to vote on the Plan, unless such Claim or Interest has otherwise been disallowed for voting purposes by the Bankruptcy Court. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that an acceptance or rejection was not solicited or procured or made in good faith or in accordance with the provisions of the Bankruptcy Code. For a more complete description of voting procedures and the Voting Record Date with respect to Holders of Class 3 Claims and Class 4 and Class 5 Interests, see Section III above entitled "Voting Instructions."

### C. Confirmation Hearing

The Bankruptcy Code requires that the Bankruptcy Court hold a hearing on Confirmation of the Plan after all Ballots have been cast. The Confirmation Hearing has been scheduled for **January 9, 2008 at 10:00 a.m. (Eastern Time)**. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjournment made at the initial Confirmation Hearing or at any subsequently scheduled Confirmation Hearing. At the Confirmation Hearing, the Bankruptcy Court will (i) determine whether the Plan has been accepted by the requisite majorities of each Voting Class, (ii) hear and decide any objections to the Plan or to confirmation of the Plan, (iii) determine whether the Plan meets the requirements of the Bankruptcy Code, and (iv) confirm or not confirm the Plan.

Any Creditor or other party-in-interest who wishes to object to Confirmation of the Plan must file, on or before **5:00 p.m. (Eastern Time) on January 3, 2008**, a written objection or response with the Honorable Robert D. Drain, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, 6th Floor, New York, NY 10044-1408, and serve copies on (a) counsel to the Debtor: Law Offices of David C. McGrail, 676A Ninth Avenue # 211, New York, New York 10036; and (b) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, NY 10004 (Attention: Brian Masumoto, Esq.). Any objection or response must be timely filed and served in order to enable the Creditor or other party-in-interest to be heard at the Confirmation Hearing. All objections must state with particularity the grounds therefor.

### D. Classification

The Debtor is required under Bankruptcy Code § 1123 to classify the Claims and Interests of their Creditors and Interest Holders into Classes that contain Claims and Interests that are substantially similar to the other Claims or Interests in such Class. While the Debtor believes that the proposed classification and treatment of Claims and Interests is in compliance with the provisions of Bankruptcy Code § 1123 and is supported by prevailing case law, the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed.

ANY RECLASSIFICATION OF CLAIMS OR INTERESTS REQUIRED BY THE BANKRUPTCY COURT COULD ADVERSELY AFFECT THE CLASS IN WHICH SUCH CLAIM OR INTEREST WAS INITIALLY CLASSIFIED OR ANY OTHER CLASSES UNDER THE PLAN BY CHANGING THE COMPOSITION OF SUCH CLASSES AND THE REQUIRED VOTE THEREFOR FOR APPROVAL OF THE PLAN. FURTHERMORE, A RECLASSIFICATION OF CLAIMS OR INTERESTS AFTER APPROVAL OF THE PLAN COULD NECESSITATE THE RESOLICITATION OF A COMPLETELY NEW PLAN OF REORGANIZATION.

### E. Impairment

As a condition to Confirmation, the Bankruptcy Code requires that each class of Claims or Interests that is impaired under the Plan accept the Plan, with the exception described in Section G hereof. A Class that is not "impaired" under the Plan is deemed to have accepted the

Plan and, therefore, solicitation of acceptances with respect to such Class is not required. A Class is "impaired" unless the Plan (a) leaves unaltered the legal, equitable, and contractual rights to which the Claim or Interest entitles the Holder of such Claim or Interest or (b) cures any default that occurred before or after the commencement of Chapter 11 cases (other than defaults of a kind specified in Bankruptcy Code § 365(b)(2) or of a kind that Bankruptcy Code § 365(b)(2) expressly does not require to be cured), reinstates the original maturity of the Claim or Interest, compensates the Holder for any damages incurred as a result of any reasonable reliance by such Holder on any contract provision that entitled the Holder to demand or receive accelerated payment of the Claim or Interest, if such Claim or Interest arises from any failure to perform a nonmonetary obligation, other than a default arising from a failure to operate a nonresidential real property lease subject to Bankruptcy Code § 365(b)(1)(A), compensating the Holder of such Claim or Interest (other than either of the Debtor or an insider) for actual pecuniary loss incurred by such Holder as a result of such failure, and does not otherwise alter the legal, equitable, or contractual rights to which the Claim or Interest entitles the Holder thereof.

### F. Acceptance of the Plan

Classes 1 and 2 are unimpaired, and therefore, the Holders of Allowed Claims in such Classes are conclusively presumed to have accepted the Plan pursuant to Bankruptcy Code § 1126(f).

Holders of Allowed Claims and Allowed Interests in Classes 3, 4, and 5 are impaired and are entitled to vote to accept or reject the Plan.

Chapter 11 does not require that each holder of a claim against or an interest in a debtor vote in favor of a plan of reorganization for the Bankruptcy Court to confirm such a plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a class of claims as acceptance by the creditors holding a majority in number and at least two-thirds in amount of the allowed claims of that class that have actually been voted on such plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a class of interests as acceptance by the holders of at least two-thirds in amount of the allowed interests in that class that have actually been voted on the plan. Accordingly, claims and interests that are not voted will not be counted to determine whether the requisite acceptances have been obtained with respect to the Plan.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT, EACH HOLDER OF A CLAIM OR INTEREST IN A CLASS WILL RECEIVE, ON ACCOUNT OF SUCH CLAIM OR INTEREST, THE SAME TREATMENT AS THE OTHER MEMBERS OF SUCH CLASS (SUBJECT TO THE TERMS AND CONDITIONS OF THE PLAN), WHETHER OR NOT SUCH HOLDER VOTED TO ACCEPT THE PLAN. MOREOVER, UPON CONFIRMATION, THE PLAN WILL BE BINDING ON ALL CREDITORS AND INTEREST HOLDERS REGARDLESS OF WHETHER SUCH CREDITORS OR INTEREST HOLDERS VOTED TO ACCEPT THE PLAN.

## G. Confirmation Without Acceptance by All Impaired Classes

In the event that any impaired class or classes reject(s) a plan of reorganization, Bankruptcy Code § 1129(b) provides that, as long as at least one impaired class has accepted the plan (without counting the votes of any insiders in such class), a debtor may nevertheless seek and obtain confirmation of the plan. The Debtor believes that Class 3 will vote, as a Class, to accept the Plan in accordance with Bankruptcy Code § 1126. Thus, the Debtor anticipates that at least one impaired Class of Claims will accept the Plan in accordance with Bankruptcy Code § 1126, such that the requirements of Bankruptcy Code § 1129(b)(1) will be met.

To obtain confirmation under these so-called "cram-down" provisions of Bankruptcy Code § 1129(b), it must also be demonstrated to the Bankruptcy Court that the plan does not "discriminate unfairly" and is "fair and equitable" with respect to any dissenting class.

The "unfair discrimination" test requires, among other things, that the plan may only treat similar claims differently if there is a reasonable basis for such disparate treatment.

The Bankruptcy Code has established different "fair and equitable" tests for secured creditors, unsecured creditors, and equity holders. The respective tests in relevant part are as follows:

### 1. Secured Creditors.

Either (i) each impaired secured creditor of the rejecting class (A) retains its liens in the collateral securing such creditor's claim or in the proceeds thereof to the extent of the allowed amount of its secured claim and (B) receives deferred cash payments in at least the allowed amount of its secured claim with the present value on the Effective Date at least equal to such creditor's interest in its collateral or in the proceeds thereof or (ii) the plan provides each impaired secured creditor with the "indubitable equivalent" of its claim.

### 2. Unsecured Creditors.

Either (i) each impaired unsecured creditor of the rejecting class receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class do not receive or retain any property under the plan (sometimes known as the "absolute priority rule") on account of such junior claim or interest, except in a case in which the debtor is an individual, the debtor may retain property include in the estate under Bankruptcy Code § 1115, subject to the requirements of Bankruptcy Code § 1129(a)(14).

### 3. Equity Holders.

Either (i) each equity holder of the rejecting class receives or retains under the plan property of a value equal to the value of such holder's equity interest or (ii) the holders of interests that are junior to the interests of such rejecting class do not receive or retain any property under the plan on account of such junior interest.

If all applicable requirements for confirmation of the Plan are met as set forth in Bankruptcy Code § 1129(a)(1)-(16), except subsection (8) thereof, the Debtor intends to request that the Bankruptcy Court confirm the Plan pursuant to Bankruptcy Code § 1129(b), notwithstanding the requirements of Bankruptcy Code § 1129(a)(8), on the basis that the Plan is fair and equitable and does not discriminate unfairly with respect to any dissenting, impaired class. In particular, the treatment of any rejecting classes or adversely affected classes will be modified and amended from that set forth in the Plan, even if less favorable, to the minimum treatment necessary to meet the requirements of Bankruptcy Code § 1129(a) and (b). These modifications may include, but will not be limited to, cancellation of all amounts otherwise payable under the Plan to the rejecting classes and to junior classes affected thereby (even if such classes previously accepted the Plan) consistent with Bankruptcy Code § 1129(b)(2)(B)(ii) and 1129(b)(2)(C)(ii).

No party-in-interest, however, will be deemed to waive any right to object to such modification(s) or to cast a new Ballot with respect to the Plan, which is granted or provided for under the Bankruptcy Code or Bankruptcy Rule.

THE PLAN, IN ITS CURRENT FORM, MAY NOT BE CONFIRMED IF IT IS REJECTED BY CLASS 3.

IN THE EVENT THAT, FOLLOWING THE REJECTION OF THE PLAN BY CLASS 3, AT THE ELECTION OF THE DEBTOR, THE PLAN IS MODIFIED AS DESCRIBED ABOVE, AND THE PLAN AS MODIFIED IS CONFIRMED BY THE BANKRUPTCY COURT, THE HOLDERS OF CLASS 3 CLAIMS AND ANY CLASS JUNIOR TO SUCH CLASS COULD BE TREATED LESS FAVORABLY THAN AS CURRENTLY PROVIDED IN THE PLAN, INCLUDING RETAINING NO PROPERTY AND RECEIVING NO DISTRIBUTION UNDER THE PLAN.

### H. Feasibility Test

The Bankruptcy Code requires that, in order to confirm the Plan, the Bankruptcy Court find that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Reorganized Debtor (the "Feasibility Test"). For the Plan to meet the Feasibility Test, the Bankruptcy Court must find that the Reorganized Debtor will likely possess the resources and working capital necessary to operate profitably and, based on reasonable assumptions, will be able to meet its obligations under the Plan.

For purposes of determining whether the Plan meets the Feasibility Test, the Debtor has analyzed its ability to meet its obligations under the Plan. As part of this analysis, the Debtor has prepared projections for the five-year period ending with the 2012 Fiscal Year. These projections, and the significant assumptions upon which the projections are based, are included in Exhibit B hereto.

The financial projections indicate that the Reorganized Debtor should have sufficient cash flow to make the payments required under the Plan on the Effective Date, repay and service debt obligations, and maintain operations on a going-forward basis. Accordingly, the Debtor believes that the Plan complies with Bankruptcy Code § 1129(a)(11). As noted in the financial

projections, however, the Debtor cautions that no representations can be made as to the accuracy of the financial projections or as to the Reorganized Debtor's ability to achieve the projected results. Many of the assumptions upon which the financial projections are based are subject to uncertainties outside the control of the Debtor. Some assumptions inevitably will not materialize, and events and circumstances occurring after the date on which the financial projections were prepared may be different from those assumed or may be unanticipated, and may adversely affect the Debtor's financial results.

Based on this analysis, the Debtor believes that the Plan provides a feasible means of reorganization and operation from which there is a reasonable expectation that, subject to the risks disclosed herein and therein, the Reorganized Debtor will be able to make all payments required to be made pursuant to the Plan.

## I. Best Interests Test

Under the Bankruptcy Code, confirmation of a plan requires that each creditor or equity holder in an impaired class either accept the plan or receive or retain under the plan property of a value, as of the effective date, that is not less than the value such creditor or equity holder would receive or retain if the debtor were liquidated under Chapter 7.

To decide what the holders of claims and interests in each impaired class would receive if a debtor were liquidated, the Bankruptcy Court must determine the dollar amount that would be generated from a liquidation of the assets of the debtor in the context of a hypothetical liquidation case under Chapter 7. Such determination must take into account the fact that secured claims, the costs and expenses of liquidation, and any costs and expenses resulting from the original reorganization case would have to be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition unsecured claims and interests.

To determine if a plan is in the best interests of each impaired class, the present value of the distributions from the proceeds of the hypothetical liquidation of the assets and properties of the debtor (after subtracting the amounts attributable to secured claims and costs and expenses of this Case) must be compared to the present value of the consideration offered to such classes under the plan.

After consideration of the effect that a Chapter 7 liquidation would have on the ultimate proceeds available for distribution to Holders of Claims and Interests, including (1) the costs and expenses of liquidation under Chapter 7 arising from fees payable to a bankruptcy trustee (up to three percent of total proceeds) and the attorneys and other professionals such trustee might engage, (2) the delay that would be associated with a liquidation under Chapter 7 (as opposed to the expeditious liquidation contemplated by the Plan), (3) that the Plan Funding would not be available in a Chapter 7 context, (4) the erosion of the value of the Debtor's assets in the context of an expedited liquidation required under Chapter 7 and the "fire sale" atmosphere that would prevail, (5) the application of the absolute priority rule to distributions in a Chapter 7 liquidation, and (6) the loss of the value of the Debtor as a going concern, the Debtor has determined that confirmation of the Plan will provide the Holders of Allowed Class 3 Claims and Allowed Class 5 Interests a greater recovery than such Holders would receive pursuant to a Chapter 7

liquidation of the Debtor, as set forth in greater detail in the hypothetical liquidation analysis attached hereto as Exhibit C.

## J. Valuation of the Reorganized Debtor

**THE VALUATION INFORMATION CONTAINED IN THIS SECTION WITH REGARD TO THE REORGANIZED DEBTOR IS NOT A PREDICTION OR GUARANTEE OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED PURSUANT TO THE PLAN.**

### 1. Overview

The Debtor also has determined the Enterprise Value (as hereinafter defined) on a going-concern basis for the purpose of determining value available for distribution to Holders of Allowed Interests pursuant to the Plan and to analyze the relative recoveries to such Holders thereunder. The estimated total value available for distribution to Holders of Allowed Interests is based on the estimated value of the Reorganized Debtor's operations on a going concern basis (the "Enterprise Value").

Based on the financial projections for the period from January 31, 2008 through December 31, 2012 (the "Projection Period") and on an assumed Effective Date of January 31, 2008, the Debtor has determined, solely for purposes of the Plan, and premised upon receipt of the Plan Funding, that the Enterprise Value of the Reorganized Debtor ranges from between $1.4 million and $1.7 million. The Enterprise Value assumes the Reorganized Debtor will achieve its financial projections in all material respects, including the anticipated acquisitions, stock offering, gross profit growth and improvements in operating margins, earnings, and cash flow. If the business performs at levels below those set forth in the financial projections, such performance may have a materially negative impact on Enterprise Value. While the projections do not assume a second acquisition, the Debtor is investigating other potential acquisitions. Such acquisitions, which may occur during the Projection Period, would increase the value of the Reorganized Debtor.

The estimated Enterprise Value of the Reorganized Debtor set forth herein does not constitute an opinion as to fairness from a financial point of view to any person of the consideration to be received by such person under the Plan or of the terms and provisions of the Plan. Such estimates reflect the application of various valuation techniques and do not purport to reflect or constitute appraisals, liquidation values, or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be significantly different than the amounts set forth herein. The value of an operating business is subject to numerous uncertainties and contingencies which are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of such a business. As a result, the estimated Enterprise Value range of the Reorganized Debtor set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. Neither the Debtor nor any other person assumes responsibility for their accuracy. In addition, the valuation of newly issued securities is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market

prices of such securities at issuance will depend upon, among other things, the operating performance of the Reorganized Debtor, prevailing interest rates, conditions in the financial markets, the anticipated holding period of securities received by Interest Holders, and other factors which generally influence the prices of securities.

2. **Valuation Methodology.**

The following is a brief summary of certain financial analysis performed by the Debtor to arrive at its range of estimated Enterprise Value for the Reorganized Debtor.

Under the valuation methodologies summarized below, the Debtor derived a range of Enterprise Values assuming the Reorganized Debtor is a full taxpayer.

The Debtor applied a range of multiples to the Reorganized Debtor's forecasted 2008 through 2012 Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") under the Discounted Cash Flow ("DCF") approach to determine a range of Enterprise Values. This calculation is presented in Exhibit B hereto.

The DCF analysis is a forward-looking enterprise valuation methodology that relates the value of an asset or business to the present value of expected future cash flows to be generated by that asset or business. Under this methodology, projected future cash flows are discounted by the business' weighted average cost of capital (the "Discount Rate"). The Discount Rate reflects the estimated blended rate of return debt and equity investors would require to invest in the business based on its capital structure. The value of the firm (or Enterprise Value) is determined by calculating the present value of the Reorganized Debtor's unlevered after-tax free cash flows based on in its business plan plus an estimate for the value of the firm beyond the Projection Period known as the terminal value. The terminal value is derived by applying a multiple to the Reorganized Debtor's projected EBITDA in the final fiscal year of the Projection Period, discounted back to the assumed date of emergence by the Discount Rate.

To estimate the Discount Rate, the Debtor used the cost of equity and the after-tax cost of debt for the Reorganized Debtor, assuming a varied range of targeted long-term capital structure debt to total capital. Although formulaic methods are used to derive the key estimates for the DCF methodology, their application and interpretation still involve complex considerations and judgments concerning potential variances in the projected financial and operating characteristics of the Reorganized Debtor, which in turn affect its cost of capital and terminal multiples. The Debtor calculated its DCF valuation based on a range of Discount Rates between 18.0% and 20.0% and a trailing EBITDA multiple range used to derive a terminal value of 3.5x to 4.5x.

**K. Disbursement Reports**

The Reorganized Debtor will be responsible for filing disbursement reports pending a final decree in this Case. The first disbursement in this Case will be made on the Effective Date or as soon thereafter as is practicable.

### L. Waiver of Avoidance Claims; Preservation of Other Causes of Action

Pursuant to Plan Section 6.16, as of the Effective Date, all of the Debtor's and the Estate's Avoidance Claims will be deemed to have been, and will be, released and/or waived, and all Persons will be enjoined from instituting and presenting in the name of the Debtor, or otherwise, any or all proceedings in order to collect, assert, or enforce any such Avoidance Claim of any kind.

Except as otherwise set forth in the Plan (including Article IX and Section 6.16(a) thereof), in accordance with Bankruptcy Code § 1123(b), as of the Effective Date, the Reorganized Debtor will retain all Causes of Action other than with respect to any Avoidance Claims, and will have the power, subject to any applicable releases and/or waivers contained in the Plan, (i) to institute and present in the name of the Debtor, or otherwise, all proceedings that they may deem proper in order to collect, assert, or enforce any claim, right, or title of any kind in or to the Debtor's Assets or to avoid any purported Lien and (ii) to defend and compromise any and all actions, suits, or proceedings in respect of such Assets.

### M. Rejection of Executory Contracts

Subject to the exemptions and other provisions set forth in Plan Section 7.1, as of the Confirmation Date, but subject to the occurrence of the Effective Date, all Executory Contracts will be deemed rejected by the Debtor in accordance with the provisions and requirements of Bankruptcy Code §§ 365 and 1123. Parties to Executory Contracts (as such term is defined in Plan Section 1.37) are urged to review carefully Plan Article VII.

### N. Treatment of Disputed Claims and Disputed Interests

Subject to, and as further described in Plan Section 6.10, no distribution or payment will be made on a Disputed Claim or a Disputed Interest until such Disputed Claim becomes an Allowed Claim or such Disputed Interest becomes an Allowed Interest (as applicable). On the Distribution Date, however, the distributions reserved for the Holders of Disputed Claims or Disputed Interests in each Class under the Plan will be deposited in interest-bearing accounts maintained therein for the benefit of the Holders of Disputed Claims or Disputed Interests whose Claims or Interests are ultimately Allowed in the respective Classes in which the Disputed Claims or Disputed Interests are classified. Parties with Disputed Claims or Disputed Interests (as such terms are defined in Plan Sections 1.29 and 1.33, respectively) are urged to carefully review Plan Section 6.10.

### O. Non-Debtor Releases, Injunctions, and Exculpations

**Plan Sections 9.6, 9.7, 9.8, and 9.9 contain release, injunction, and exculpation provisions relating to certain conduct by non-debtors. All parties are strongly urged to review carefully these provisions.**

The Debtor believes that the proposed non-debtor releases and injunctions contained in Plan Sections 9.6 and 9.8, respectively, are enforceable under, among other things, Bankruptcy Code §§ 105(a) and 524(e) because:

a. at least one of the Released Parties, Joseph Sarachek, is making a substantial contribution to the Debtor by (1) partially funding the Plan through the Funding Party and (2) waiving valuable claims and interests under the Plan. See Deutsche Bank AG v. MFN, Inc. (In re Metromedia Fiber Network, Inc.), 416 F.3d 136, 142 (2d Cir. 2005) (courts have approved nondebtor releases where the estate received substantial consideration from the released party);

b. they are congruent with the Debtor's indemnification obligations under its corporate bylaws. See In re Adelphia Communications Corp., 368 B.R. 140, 268 (Bankr. S.D.N.Y. 2007) ("Certain people and entities (e.g., by employment contracts, *corporate bylaws*, or retention or loan agreements) must be indemnified by the estate with respect to their services. To the extent that the third party releases are congruent with the indemnification obligations, and the Debtors would be liable for any liability imposed on such person, third-party releases are acceptable.") (emphasis added); In re Avon Rosenberg v. XO Communications, Inc., et al. (In re XO Communications, Inc.), 330 B.R. 394, 441 ("[T]he identity of interest prong is generally established based [ ] upon indemnification principles whereby a debtor corporation would be required to indemnify a former director of any liability."); In re Metromedia, 416 F.3d at 142 (courts have approved nondebtor releases where the released party would have indemnification claims against the debtor);

c. they are consensual to the extent that creditors and interest holders or classes thereof vote in favor of the Plan. See In re Adelphia, 368 B.R. at 268 ("[I]f, as here, the proposed release is appropriately disclosed, [ ] consent can be established by a vote in support of the plan."); In re Oneida Ltd., 351 B.R. 79, 94 (Bankr. S.D.N.Y. 2006) (approving nondebtor releases under Metromedia because creditors consented thereto); In re Metromedia, 416 F.3d at 142 (courts have approved consensual nondebtor releases);

d. they are restricted, with respect to the Debtor's directors and officers, to those individuals affiliated with the Debtor as of the Petition Date;

e. they are restricted to those releasing parties that actually receive a distribution under the Plan;

f. they exclude government claims pursuant to Plan Section 9.10;

g. they expressly exclude claims that do not relate to or involve the Debtor or this Case;

h. they expressly exclude claims arising out of willful misconduct or fraud; and

i. they are consistent with the release and injunctive provisions recently approved by courts in this District in other cases. See, e.g., In re Source Enterprises, Inc., et al., Order Confirming the Debtors' Fourth Amended Plan of Reorganization, dated August 22, 2007, Under Bankruptcy Code Section 1129 and Bankruptcy Rule 3020, ¶¶ 14-17, Case No. 06-11707 (AJG) (Bankr. S.D.N.Y. Oct. 1, 2007); In re Bally Total Fitness of Greater New York, Inc., et al., Finding of Fact, Conclusions of Law and Order (I) Approving Disclosure Statement and (II) Confirming the Debtors' First Amended Joint Prepackaged Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, ¶¶ Z, 14-15, Case No. 07-12395 (BRL) (Bankr. S.D.N.Y. Sept. 17, 2007).

The Debtor believes that the proposed exculpation provision contained in Plan Section 9.9 is enforceable because:

a. it "generally follows the text that has become standard in this district [and] is sufficiently narrow to be unexceptional." In re Oneida, 351 BR at 94, n. 22; see also Upstream Energy Services v. Enron Corp. et al. (In re Enron Corp.), 326 BR 497, 504 (S.D.N.Y. 2005) (upholding exculpation provision); Cf. In re PWS Holding Corp., 228 F.3d 224, 246-47 (3d Cir. 2000) (exculpation provision sets forth appropriate standard of liability);

b. it is limited to acts in connection with, arising from, or relating to this Case;

c. it is limited to those parties instrumental to the Debtor's restructuring efforts;

d. it expressly excludes fraud, gross negligence, willful misconduct, criminal conduct, unauthorized use of confidential information that causes damages, and ultra vires acts;

e. it does not limit the liability of the Debtor's professionals to their client pursuant to any applicable code of professional conduct;

f. it excludes government claims pursuant to Plan Section 9.10; and

g. it is consistent with the exculpation provisions recently approved by courts in this District in other cases. See, e.g., In re Source Enterprises, Inc., et al., Order Confirming the Debtors' Fourth Amended Plan of Reorganization, dated August 22, 2007, Under Bankruptcy Code Section 1129 and Bankruptcy Rule 3020, ¶¶ 14-17, Case No. 06-11707 (AJG) (Bankr. S.D.N.Y. Oct. 1, 2007); In re Bally Total Fitness of Greater New York, Inc., et al., Finding of Fact, Conclusions of Law and Order (I) Approving Disclosure Statement and (II) Confirming the Debtors' First

Amended Joint Prepackaged Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, ¶¶ Z, 14, Case No. 07-12395 (BRL) (Bankr. S.D.N.Y. Sept. 17, 2007).

## IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated, the theoretical alternatives include, in addition to dismissal of this Case: (i) continuation of this Case; (ii) preparation and presentation of an alternative plan of reorganization; and (iii) liquidation of the Debtor under Chapter 7 of the Bankruptcy Code.

### A. Continuation of this Case

Given its liquidity constraints, it is unlikely that the Debtor could survive as a going concern in further protracted a Chapter 11 case. Ultimately, there could be no assurance that the Debtor would not be forced to liquidate under Chapter 7.

### B. Alternative Plans of Reorganization

After the expiration or termination of the period during which only the Debtor may file a plan of reorganization and solicit acceptances thereof, the Debtor or any other party-in-interest could propose a different plan. Such an alternative plan might involve either a reorganization and continuation of the Debtor's business, an orderly liquidation of the Debtor's assets, or some combination thereof.

In formulating and developing the Plan, the Debtor has explored other alternatives. The Debtor believes that the Plan, as described herein, fairly adjusts the rights of various classes of Creditors and Interest Holders and allows them to realize the best possible recovery under the circumstances by enabling the Debtor to obtain the Plan Funding. During any protracted process, the Debtor would inevitably incur administrative expenses and costs in connection in connection with this Case, which would be a financial drain on the Debtor.

### C. Liquidation Under Chapter 7

If no plan can be confirmed, the Debtor's Chapter 11 Case may be converted to a case under Chapter 7, in which one or more trustees would be appointed or elected to liquidate the Debtor's assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtor believes that a liquidation under Chapter 7 would result in reduced recovery of funds by the Debtor's estate. For a discussion of the effect that a Chapter 7 liquidation would have on the recovery to Creditors and Interest Holders, see Section VIII.I above entitled "Confirmation of the Plan -- Best Interests Tests" and Exhibit C hereto.

## X. CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following summary is a general discussion of certain of the anticipated federal income tax consequences of the Plan. The summary is based upon relevant provisions of the Internal Revenue Code of 1986, as amended (the "Tax Code"), the applicable Treasury

Regulations promulgated thereunder, judicial authority, published rulings, and such other authorities considered relevant now in effect, all of which are subject to change. The Debtor has not requested a ruling from the Internal Revenue Service ("IRS"), nor has the Debtor obtained an opinion of counsel with respect to these matters. The federal income tax consequences to any particular Creditor or Interest Holder may be affected by matters not discussed below. Furthermore, the summary does not address all categories of Creditors, some of which (including foreign persons, life insurance companies, banks, tax-exempt organizations, and Creditors that acquired their interests in debt obligations from persons other than the Debtor) may be subject to special rules not addressed herein. There also may be state, local, or foreign tax considerations applicable to each Creditor or Interest Holder. THE SUMMARY SET FORTH BELOW IS INCLUDED FOR GENERAL INFORMATION ONLY. EACH CREDITOR AND INTEREST HOLDER IS URGED TO CONSULT ITS OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE PLAN UNDER FEDERAL AND APPLICABLE STATE, LOCAL, AND FOREIGN TAX LAWS.

### A. Circular 230 Notice

To ensure compliance with Internal Revenue Service Circular 230, each Creditor and Interest Holder is hereby notified that: (a) any discussion of federal tax issues in this Disclosure Statement is not intended or written to be relied upon, and cannot be relied upon by such Creditor or Interest Holder, for the purpose of avoiding penalties that may be imposed on such Creditor or Interest Holder under the Internal Revenue Code; (b) such discussion is written to support the promotion or marketing of the transactions or matters addressed herein; and (c) you should seek advice based on your particular circumstances form an independent tax advisor.

### B. Tax Consequences to Creditors

#### 1. Payments to Creditors (Other than Payments on Account of Accrued Interest).

Each Creditor will generally recognize taxable income or loss upon satisfaction of its Claim in an amount that is equal to the difference between (a) the amount of Cash received in respect of its Claim, if any (excluding any cash or property received in respect of a Claim for accrued interest - see the section below entitled "Payments to Creditors on Account of Accrued Interest") and (b) the Creditor's tax basis in its Claim (other than any Claim for such accrued interest).

The determination of the character of such income or loss as long-term or short-term capital gain or loss or as ordinary income or loss will depend upon a number of factors, including, among other things, the tax status of the Creditor, whether the Claim constitutes a capital asset in the hands of the Creditor, whether the Claim has been held for more than one year, and whether and to what extent the Creditor has previously claimed a loss or bad debt deduction (or charged a reserve for bad debts) with respect to the Claim.

#### 2. Payments to Creditors on Account of Accrued Interest.

In the case of a cash basis Creditor, any amounts received that are considered allocable to a claim for accrued interest will be includable as interest income. In the case of an accrual basis

Creditor, any amounts received that are considered allocable to a claim for accrued interest will, to the extent not previously included in gross income, be includable as interest income.

### C. Tax Consequences to Holders of Old PubliCARD Common Stock and Old PubliCARD Preferred Stock

To the extent that any Holder of Old PubliCARD Common Stock or Old PubliCARD Preferred Stock receives New Common Stock with a fair market value in excess of the purchase price of the Old PubliCARD Common Stock or the Old PubliCARD Preferred Stock to which such New Common Stock relates, then such excess will be treated as a capital gain to such Holder. To the extent that any Holder of Old PubliCARD Common Stock or Old PubliCARD Preferred Stock receives New Common Stock with a fair market value that is less than the purchase price of the Old PubliCARD Common Stock or Old PubliCARD Preferred Stock to which such New Common Stock relates, then such difference will be treated as a loss to such Holder. Whether a Holder of Old PubliCARD Common Stock or Old PubliCARD Preferred Stock realizes a capital gain or capital loss on account of the receipt of New Common Stock will depend upon such Holder's own circumstances.

### D. Tax Consequences to the Debtor

The Debtor believes that it will not recognize any taxable income as a result of the issuance of the New Common Stock or the payment of Cash in satisfaction of Claims (except to the extent of any gain on transfers of appreciated assets to Creditors in satisfaction of Claims). Under the cancellation of indebtedness rules of the Tax Code, debts discharged in the context of a bankruptcy proceeding will not result in taxable income, although they will cause the reduction in, and/or elimination of, certain tax attributes of the debtor, including net operating losses.

Pursuant to Bankruptcy Code § 1146(c), the issuance, transfer, or exchange of any security under the Plan; the making or delivery of any instrument of transfer pursuant to, in implementation of, or as contemplated by the Plan; and the revesting, transfer, assignment, or sale of any real or personal property of the Debtor pursuant to, in implementation of, or as contemplated by the Plan will not be taxed under any state or local law imposing a stamp tax, transfer tax, or similar tax or fee.

## XI. SECURITIES LAW ISSUES

### A. Initial Issuance of the New Common Stock.

No registration statement will be filed under the Securities Act of 1933, as amended (the "Securities Act") or any state securities laws relating to the initial issuance of the New Common Stock to the Holders of Interests. The Debtor believes that the provisions of Bankruptcy Code § 1145(a)(1) exempt the initial issuance of the New Common Stock to the Holders of Interests from federal and state securities registration requirements.

Bankruptcy Code § 1145(a)(1) generally exempts from registration under the Securities Act the issuance of securities if the following conditions are satisfied: (i) the securities are issued by a debtor (or its successor) under a plan of reorganization; (ii) the recipients of the securities hold a claim against, an interest in, or a claim for an administrative expense against the

debtor; and (iii) the securities are issued entirely in exchange for the recipient's claim against or interest in the debtor, or are issued principally in such exchange and partly for cash or property.

The Debtor believe that the issuance of New Common Stock to the Holders of Interests satisfies the requirements of Bankruptcy Code § 1145(a)(1) and are therefore exempt from registration under the Securities Act and state securities laws.

The issuance of New Common Stock to the Funding Party or any investor therein pursuant to the Contribution Agreement, however, would not be exempt from the registration of the Securities Act or any state or local laws requiring registration for the offer or sale of securities by virtue of Bankruptcy Code § 1145(a)(1). It is anticipated that, following the Effective Date, certain Holders of New Common Stock will be entitled to require the registration of New Common Stock under the Securities Act in accordance with the terms of a registration rights agreement.

**B. Subsequent Transfers of the New Common Stock.**

In general, all resales and subsequent transactions involving any of the New Common Stock by the Holders of Interests will be exempt from registration under the Securities Act under section 4(1) of the Securities Act, unless the holder is deemed to be an "underwriter" with respect to such securities, an "affiliate" of the Debtor, the issuer of such securities, or a "dealer," or unless the terms of the securities themselves contain a restriction on transfer or the holder agrees to restrictions on transfer. In general, Bankruptcy Code § 1145(b)(1) defines four types of "underwriters":

> (i) persons who purchase a claim against, an interest in, or a claim for administrative expense against the debtor with a view to distributing any security received in exchange for such a claim or interest;
>
> (ii) persons who offer to sell securities issued under a bankruptcy plan on behalf of the holders of such securities;
>
> (iii) persons who offer to buy securities issued under a bankruptcy plan from the persons receiving such securities, if the offer to buy is made with a view to distributing such securities; and
>
> (iv) a person who is an "issuer" with respect to the securities, as the term "issuer" is defined in Section 2(11) of the Securities Act.

Under Section 2(11) of the Securities Act, an "issuer" includes any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer. "Control" (as such term is defined in Rule 405 of Regulation C under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor (or its affiliate or successor) under a plan of reorganization may be deemed to "control" such debtor (and

therefore be an underwriter for purposes of Section 1145), particularly if such management position is coupled with the ownership of a significant percentage of the debtor's (or affiliate's or successor's) voting securities. Moreover, the legislative history of Section 1145 of the Bankruptcy Code suggests that a creditor who owns at least 10% of the securities of a reorganized debtor may be presumed to be a "control person."

To the extent that persons deemed to be "underwriters" receive securities pursuant to the Plan, such persons may be entitled to resell such securities without registration under the Securities Act pursuant to Rule 144A or Rule 144 thereunder, as further described below.

Rule 144A, promulgated under the Securities Act, provides a non-exclusive safe harbor exemption from the registration requirements of the Securities Act for resales to certain "qualified institutional buyers" of securities that are "restricted securities" within the meaning of the Securities Act, irrespective of whether the seller of such securities purchased his or its securities with a view toward reselling such securities under the provisions of Rule 144A. Under Rule 144A, a "qualified institutional buyer" is defined to include, among other persons (e.g., "dealers" registered as such pursuant to Section 15 of the Exchange Act and "banks" as defined in Section 3(a)(2) of the Securities Act), any entity that purchases securities for its own account or for the account of another qualified institutional buyer and which (in the aggregate) owns and invests on a discretionary basis at least $100 million in the securities of unaffiliated issuers. Subject to certain qualifications, Rule 144A does not exempt the offer or sale of securities that, at the time of their issuance, were securities of the same class of securities then listed on a national securities exchange (registered as such under Section 6 of the Exchange Act), or quoted in a U.S. automated inter-dealer quotation system (e.g., NASDAQ).

To the extent that Rule 144A is unavailable, holders may, under certain circumstances, be able to sell their securities pursuant to the more limited safe harbor resale provisions of Rule 144 under the Securities Act. Generally, Rule 144 provides that if certain conditions are met (e.g., one-year holding period with respect to "restricted securities," volume limitations, manner of sale, availability of current information about the issuer, etc.), specified persons who (a) resell "restricted securities" or (b) resell securities which are not restricted but who are "affiliates" of the issuer of the securities sought to be resold, will not be deemed to be "underwriters" as defined in Section 2(11) of the Securities Act. Under paragraph (k) of Rule 144, the aforementioned conditions to resale will no longer apply to restricted securities sold for the account of a holder who is not an affiliate of the Debtor at the time of such resale and who has not been such during the three-month period next preceding such resale, so long as a period of at least two years have elapsed since the later of (i) the Effective Date and (ii) the date on which such holder acquired his or its securities pursuant to the Plan.

ENTITIES OR INDIVIDUALS WHO BELIEVE THAT THEY MAY BE "UNDERWRITERS" OR "ISSUERS" ARE ADVISED TO CONSULT THEIR OWN COUNSEL WITH RESPECT TO WHETHER THEY MAY BE "UNDERWRITERS" OR "ISSUERS" AND THE AVAILABILITY OF THE EXEMPTIONS PROVIDED BY BANKRUPTCY CODE § 1145, SECURITIES ACT RULE 144 AND RULE 144A, AND/OR STATE LAW FOR RESALES IN ANY GIVEN INSTANCE, AND AS TO ANY APPLICABLE REQUIREMENTS OF OR CONDITIONS TO THE AVAILABILITY THEREOF.

### C. Reporting Requirements.

The Debtor currently file reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), on account of the Old PubliCARD Common Stock. The Debtor is not current on its reporting requirements, but expects to bring its filings up to date by the Effective Date. Following the Effective Date, the Reorganized Debtor expects to file reports under the Exchange Act on account of the New Common Stock. It anticipates that the New Common Stock will trade on the Nasdaq OTC Bulletin Board.

## XII. AVAILABLE INFORMATION

The Debtor is currently subject to the informational and periodic reporting requirements of the Exchange Act. Accordingly, it has filed periodic reports and other documents and information required under the Exchange Act with the SEC. Such reports and other documents and information filed by the Debtor may be examined and are also available for inspection without charge at, or copies obtained upon payment of prescribed fees from, the Public Reference Section of the SEC at Judiciary Plaza, 450 Fifth Street, NW, Washington, D.C. 20549, and are also available for inspection and copying at the regional offices of the SEC located at 233 Broadway, New York, New York 10279, and at 500 West Madison Street, Chicago, Illinois 60661-2511. The SEC maintains a Web Site (http://www.sec.gov) that contains reports and other information regarding the Debtor.

## XIII. RECOMMENDATION

The Debtor believes that confirmation and implementation of the Plan are preferable to any of the alternatives described herein. The Debtor has also determined that Confirmation of the Plan will provide Holders of Allowed Claims in Class 3 and Holders of Allowed Interests in Classes 4 and 5 with a greater recovery than they would receive if the Debtor were liquidated under Chapter 7 and each Holder of any other Claim or Interest with a recovery of no less than what it would receive if the Debtor were liquidated under Chapter 7. **The Debtor recommends confirmation and implementation of the Plan.**

Dated: November 19, 2007

PUBLICARD, INC.
Debtor and Debtor-in-Possession

By: /s/ Joseph E. Sarachek
Joseph E. Sarachek
Chief Executive Officer

By: /s/ Jay S. Goldsmith
Jay S. Goldsmith
Director

By: /s/ Harry I. Freund
Harry I. Freund
Director

By: /s/ Emil Vogel
Emil Vogel
Director

By: /s/ Larry G. Schafran
Larry G. Schafran
Director

By: /s/ Clifford B. Cohn
Clifford B. Cohn
Director

**Submitted by:**

/s/ David C. McGrail
LAW OFFICES OF DAVID C. MCGRAIL
David C. McGrail
676A Ninth Avenue #211
New York, New York 10036

Counsel to PubliCARD, Inc.

# EXHIBIT A

## FIRST AMENDED PLAN OF REORGANIZATION OF DEBTOR PUBLICARD, INC., DATED NOVEMBER 19, 2007

LAW OFFICES OF DAVID C. MCGRAIL
676A Ninth Avenue #211
New York, New York 10036
(646) 290-6496
(646) 224-8377 Facsimile
David C. McGrail (DM 3904)

Counsel to PubliCARD, Inc.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

| | | |
|---|---|---|
| In re: | ) | Chapter 11 |
| PUBLICARD, INC., | ) | Bankr. Case No.: 07-11517 (RDD) |
| Debtor. | ) | |

**FIRST AMENDED PLAN OF REORGANIZATION OF DEBTOR PUBLICARD, INC.**

**Submitted by:**

/s/ David C. McGrail
LAW OFFICES OF DAVID C. MCGRAIL
David C. McGrail
676A Ninth Avenue #211
New York, New York 10036

Counsel to PubliCARD, Inc.

Dated: November 19, 2007

PubliCARD, Inc. the above-captioned debtor and debtor-in-possession, proposes the following first amended plan of reorganization pursuant to Chapter 11 of the Bankruptcy Code.

## ARTICLE I

## DEFINITIONS

The following terms used in the Plan shall have the meanings specified below, and such meanings shall be equally applicable to both the singular and plural forms of such terms, unless the context otherwise requires. Any terms defined in the Disclosure Statement and not otherwise defined herein shall have the meanings set forth in the Disclosure Statement when used herein. Any terms used in the Plan, whether or not capitalized, that are not defined in the Plan or in the Disclosure Statement, but that are defined in the Bankruptcy Code or the Bankruptcy Rules shall have the meanings set forth in the Bankruptcy Code or the Bankruptcy Rules.

1.1. **Administrative Claims**: The collective reference to all Claims for costs and expenses of administration of this Case with priority under Bankruptcy Code § 507(a)(2), costs and expenses allowed under Bankruptcy Code § 503(b), the actual and necessary costs and expenses of preserving the Estate of the Debtor and operating the Debtor's business, any indebtedness or obligations incurred or assumed by the Debtor pursuant to Bankruptcy Code § 364 or otherwise, professional fees and expenses of the Debtor to the extent allowed by an order of the Bankruptcy Court under Bankruptcy Code § 330(a) or § 331.

1.2. **Allowance Date**: With reference to a particular Claim or Interest, the date on which such Claim becomes an Allowed Claim or Interest; provided, however, that, if a Claim or Interest becomes an Allowed Claim or Interest pursuant to an order of the Bankruptcy Court, the Allowance Date shall be the date on which such order becomes a Final Order, and if a Claim or Interest becomes an Allowed Claim or Interest pursuant to the Plan, the Allowance Date shall be deemed the Effective Date.

1.3. **Allowed**: Such word shall mean (a) any Claim against the Debtor that has been listed by the Debtor in the Schedules as liquidated in an amount greater than zero dollars and not disputed or contingent and for which no contrary Proof of Claim has been filed and as to which no timely objection has been interposed; (b) any Interest in the Debtor that has been listed by the Debtor pursuant to Bankruptcy Rule 1007 on account of which no contrary Proof of Interest has been filed and as to which no timely objection has been interposed; (c) any Claim or Interest as to which a Proof of Claim or Proof of Interest has been timely filed and (i) no objection to the allowance thereof has been timely interposed on or before the Claims Objection Deadline and (ii) such Claim has not been withdrawn, paid in full (pursuant to a prior order of the Bankruptcy Court or otherwise), or otherwise deemed satisfied in full; (d) any Claim or Interest as to which any objection thereto has been determined by a Final Order in favor of the respective Claim or Interest Holder, or any such objection has been settled, waived through payment, or withdrawn; (e) any Claim or Interest that has otherwise been allowed by a Final Order; (f) any Claim as to which, upon the lifting of the automatic stay pursuant to Bankruptcy

Code § 362, the liability of the Debtor, allowance, and the amount thereof are determined by a Final Order of a court of competent jurisdiction other than the Bankruptcy Court; or (g) any Administrative Claim for goods or non-professional services provided to the Debtor during this Case in the ordinary course of the Debtor's business that has not been withdrawn, paid in full (pursuant to a prior order of the Bankruptcy Court or otherwise in the ordinary course of the Debtor's business), or otherwise deemed satisfied in full in the ordinary course of the Debtor's business. Unless otherwise ordered by the Bankruptcy Court prior to Confirmation, or as specifically provided to the contrary in this Plan with respect to any particular Claim, an "Allowed" Claim shall not include any interest on such Claim to the extent accruing or maturing on or after the Petition Date.

1.4. **Allowed . . . Claims**: All Allowed Claims in the particular Class or of the specific type or nature described.

1.5. **Allowed . . . Interests**: All Allowed Interests in the particular Class or of the specific type or nature described.

1.6. **Amended and Restated By-Laws**: The by-laws of the Reorganized Debtor, a form of which is attached hereto as Exhibit 1.

1.7. **Amended and Restated Certificate of Incorporation**: The certificate of incorporation of the Reorganized Debtor, a form of which is attached hereto as Exhibit 2.

1.8. **Assets**: All of the right, title, and interest of the Debtor in and to any and all assets and property, whether tangible, intangible, real, or personal, that constitute property of the Estate within the purview of Bankruptcy Code § 541, including any and all claims, Causes of Action, and/or rights of the Debtor under federal and/or state law.

1.9. **Avoidance Claims**: All of the Debtor's and the Estate's Causes of Action against Persons arising under any of Bankruptcy Code § 547, 548, 549, or 550, or under similar or related state or federal statutes and common law, including all preference, fraudulent conveyance, fraudulent transfer, and/or other similar avoidance claims, rights, and Causes of Action, whether or not litigation has been commenced as of the Effective Date to prosecute such Avoidance Claims.

1.10. **Bankruptcy Code**: Title 11 of the United States Code, as amended from time to time and made applicable to this Case.

1.11. **Bankruptcy Court**: The United States Bankruptcy Court for the Southern District of New York or any other court of competent jurisdiction exercising jurisdiction over this Case.

1.12. **Bankruptcy Rules**: The Federal Rules of Bankruptcy Procedure, promulgated under Section 2075, Title 28, United States Code, as amended from time to time, and made applicable to this Case.

1.13. **Business Day**: A day other than a Saturday, Sunday, "legal holiday" (as such term is defined in Bankruptcy Rule 9006(a)), or any other day on which commercial banks in New York, New York are authorized or required by law to close.

1.14. **(This) Case**: The case of the Debtor commenced by a voluntary petition under Chapter 11 of the Bankruptcy Code, filed on the Petition Date, in the Bankruptcy Court.

1.15. **Cash**: Legal tender of the United States of America and equivalents thereof.

1.16. **Cause of Action**: Any and all actions, proceedings, causes of action, claims, suits, accounts, controversies, rights to legal or equitable remedies, and rights to payment, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured and whether asserted or unasserted, in law, equity or otherwise.

1.17. **Chapter 11**: Chapter 11 of the Bankruptcy Code.

1.18. **Claim**: Any right to payment from the Debtor arising, or with respect to which the obligation giving rise to such right has been incurred, before the Effective Date, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or any right to an equitable remedy for breach of performance arising, or with respect to which the obligation giving rise to such right has been incurred, before the Effective Date, if such breach gives rise to a right to payment from the Debtor, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured.

1.19. **Claims Objection Deadline**: With respect to any Claim or Interest, the date on or before the later of (i) the 60th day following the Effective Date, (ii) the 60th day after the date a Proof of Claim or Interest or request for payment, as applicable, is filed, or (iii) such later date as may be established from time to time by entry of an order, prior to the expiration of the dates set forth in clauses (i) and (ii) hereof, by the Bankruptcy Court establishing the last date for filing objections to Claims.

1.20. **Class**: A category, designated herein, of Claims or Interests that are substantially similar to the other Claims or Interests in such category as specified in Article II hereof.

1.21. **Confirmation**: The entry on the docket of the Bankruptcy Court of the Confirmation Order.

1.22. **Confirmation Date**: The date upon which Confirmation occurs.

1.23. **Confirmation Order**: The order of the Bankruptcy Court confirming the Plan, a proposed form of which is attached hereto as Exhibit 3.

1.24. **Contribution Agreement:** That certain contribution agreement between the Debtor and the Funding Party, dated October 26, 2007, a copy of which is attached hereto as Exhibit 4 and is incorporated herein by reference.

1.25. **Creditor**: Any Holder of a Claim against the Debtor that arose (or is based on an obligation incurred) on or before the Petition Date, including any Allowed Claim against the Estate of a kind specified in Bankruptcy Code § 502(g), (h), or (i).

1.26. **Debtor**: PubliCARD, Inc.

1.27. **Debtor Parties**: Collectively, the Debtor, the Reorganized Debtor, the Estate, and any Person seeking to exercise the rights of the Estate, including any successor to the Debtor or any Estate representative appointed or selected pursuant to Bankruptcy Code § 1123(b) or otherwise (including any Chapter 11 or Chapter 7 trustee appointed in this case), on their own behalf and on behalf of all the Debtor's Creditors and Interest Holders and derivatively.

1.28. **Disclosure Statement**: The first amended disclosure statement and all supplements and exhibits thereto that relate to the Plan and are approved by the Bankruptcy Court pursuant to Bankruptcy Code § 1125.

1.29. **Disputed Claim**: A Claim as to which a Proof of Claim has been filed, or deemed filed under applicable law, as to which an objection has been or may be timely filed and which objection, if timely filed, has not been withdrawn and has not been overruled or denied by a Final Order. Prior to the Claims Objection Deadline, for the purpose of the Debtor's obligation under Section 6.10(a) of the Plan to establish the Disputed Claims Reserve and for all other purposes under the Plan, a Claim shall be considered a Disputed Claim to the extent of the applicable dispute if: (i) the amount of the Claim specified in the Proof of Claim exceeds the amount of any corresponding Claim scheduled by the Debtor in its Schedules; (ii) any corresponding Claim scheduled by the Debtor in its Schedules has been scheduled as disputed, contingent, or unliquidated, irrespective of the amount scheduled; or (iii) no corresponding Claim has been scheduled by the Debtor in its Schedules.

1.30. **Disputed Claims or Interest Reserve**: This term shall have the meaning set forth in Section 6.10(a) hereof.

1.31. **Disputed Class . . . Claim**: Any Disputed Claim in the particular Class described.

1.32. **Disputed Class . . . Interest**: Any Disputed Interest in the particular Class described.

1.33. **Disputed Interest**: An Interest as to which a Proof of Interest has been filed, or deemed filed under applicable law, as to which an objection has been or may be timely filed and which objection, if timely filed, has not been withdrawn and has not been overruled or denied by a Final Order. An Interest shall be considered a Disputed Interest in its entirety if: (i) the amount of the Interest specified in the applicable Proof of Interest exceeds the amount of any corresponding Interest scheduled in the applicable books and records (including

any transfer ledger) of the Debtor (with respect to Old PubliCARD Preferred Stock Interests) or the Old PubliCARD Common Stock Transfer Agent (with respect to Old PubliCARD Common Stock Interests), as of the Distribution Date; or (ii) no corresponding Interest has been scheduled in the applicable books and records (including any transfer ledger) of the Debtor (with respect to Old PubliCARD Preferred Stock Interests) or the Old PubliCARD Common Stock Transfer Agent (with respect to Old PubliCARD Common Stock Interests), as of the Distribution Date.

1.34. **Distribution Date**: The Effective Date (or as soon thereafter as is practicable).

1.35. **Effective Date**: The Business Day on which the Plan becomes effective as provided in Article VIII hereof.

1.36. **Estate**: The estate of the Debtor in this Case, created pursuant to Bankruptcy Code § 541.

1.37. **Executory Contract**: Any executory contract or unexpired lease, subject to Bankruptcy Code § 365, between the Debtor and any other Person or Persons.

1.38. **Final Order**: An order or judgment entered by the Bankruptcy Court or other applicable court that has not been reversed or stayed and as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or as to which any right to appeal, petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the Debtor or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court or other applicable court shall have been affirmed by the highest court to which such order or judgment was appealed, or certiorari has been denied, or from which reargument or rehearing was sought, and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired; provided, however, that the possibility that a motion under Bankruptcy Code § 502(j), Rule 59, or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules may be but has not then been filed with respect to such order or judgment shall not cause such order or judgment not to be a Final Order.

1.39. **Funding Party:** The 500 Group, LLC.

1.40. **General Unsecured Claims**: Unless otherwise specified in this Plan, all Claims (including any Rejection Claims, any Claims as provided for in, and determined in accordance with, Bankruptcy Code § 506(a), and any undersecured or unsecured portions of Secured Claims, to the extent the Holder thereof has not timely elected application of Bankruptcy Code § 1111(b)(2) with respect to such Claim) against the Debtor, provided that, in each case, such Claims are (A) not (i) Secured Claims (as provided for, and determined in accordance with, Bankruptcy Code § 506(a)); (ii) Administrative Claims; (iii) Priority Claims; or (iv) Tax Claims and (B) not otherwise entitled to priority under the Bankruptcy Code or an order of the Bankruptcy Court.

1.41. **Holder**: The beneficial owner of any Claim or Interest.

1.42. **Insured Claim**: Any Claim arising from an incident or occurrence alleged to have occurred prior to the Effective Date that is covered under an insurance policy applicable to the Debtor or its business.

1.43. **Interest**: An ownership interest in the Debtor as evidenced by an equity security (as such term is defined in Bankruptcy Code § 101(16)) of the Debtor.

1.44. **Lien**: Any lien, security interest, or other charge or encumbrance of any kind (including on any personal property or real property), or any other type of preferential arrangement, easement, right of way, or other encumbrance on title to real property.

1.45. **New Common Stock**: The shares of common stock, par value $.01 per share, of the Reorganized Debtor, to be issued and distributed in the manner provided by the Plan.

1.46. **Non-Debtor Releasing Parties**: Collectively, each and every Person that has held, holds, or may hold a Claim or Interest and that receives a distribution under this Plan or has its Claim Reinstated.

1.47. **Old PubliCARD Common Stock**: The 40,000,000 authorized shares of common stock, 24,940,403 of which are issued and are outstanding, and any options, warrants, or rights, contractual or otherwise, to acquire any shares of such common stock.

1.48. **Old PubliCARD Common Stock Transfer Agent:** Continental Stock Transfer & Trust Co.

1.49. **Old PubliCARD Preferred Stock**: The 1,000 authorized shares of preferred stock, 465 of which are issued and are outstanding, and any options, warrants, or rights, contractual or otherwise, to acquire any shares of such preferred stock.

1.50. **Old PubliCARD Preferred Stock Certificates**: Those certain certificates, together with all documents, instruments, and agreements related thereto (including the Certificate of Designation, Preferences and Rights of Class A Preferred Stock, Second Series, of PubliCARD, Inc., dated November 29, 2000) or entered into in connection therewith (as the same may have been amended or supplemented from time to time), reflecting the respective Holders' Interests in the Old PubliCARD Preferred Stock.

1.51. **Person**: An individual, corporation, partnership, limited liability company, association, joint stock company, joint venture, estate, trust, unincorporated organization, government or any political subdivision thereof, or any other entity.

1.52. **Petition Date**: May 17, 2007, the date upon which the petition for relief under Chapter 11 with respect to the Debtor commencing this Case was filed.

1.53. **Plan**: This First Amended Plan of Reorganization, and all supplements and exhibits hereto, as the same may be amended or modified by the Debtor from time to time pursuant to, and in accordance with the Bankruptcy Code and the Bankruptcy Rules.

1.54. **Plan Documents**: The documents and forms of documents specified or referenced in the Plan, and/or to be executed by the Debtor and/or the Reorganized Debtor pursuant to the terms of the Plan (including the Contribution Agreement, the Amended and Restated By-Laws, and the Amended and Restated Certificate of Incorporation), as all such documents and forms of documents may be amended and/or supplemented from time to time in accordance with the Plan.

1.55. **Plan Funding:** $500,000.

1.56. **Plan Rejection Bar Date**: Such term shall have the meaning ascribed to it in Plan Section 7.1(b).

1.57. **Priority Claims**: All Claims that are entitled to priority pursuant to Bankruptcy Code § 507(a) or (b) that are not Administrative Claims or Tax Claims.

1.58. **Professional(s)**: Any professional(s) employed in this Case pursuant to Bankruptcy Code §§ 327, 328, or 1103 or otherwise, and any professional(s) seeking compensation or reimbursement of expenses in connection with this Case pursuant to Bankruptcy Code §§ 330, 331, and/or 503(b)(4).

1.59. **Professional Fees**: All fees due and owing to any Professional for compensation or reimbursement of costs and expenses relating to services incurred on and after the Petition Date and prior to the Effective Date.

1.60. **Proof of Claim**: Any written statement filed in this Case by a Creditor in which such Creditor sets forth the amount owed and sufficient detail to identify the basis for a Claim.

1.61. **Proof of Interest**: Any written statement filed in this Case by a Holder of an Interest in which such Interest Holder sets forth the Interest owned and sufficient detail to identify the basis for an Allowed Interest.

1.62. **Reinstated or Reinstatement**: Either (i) leaving unaltered the legal, equitable, and contractual right to which a Claim entitles the Holder of such Claim so as to leave such Claim unimpaired in accordance with Bankruptcy Code § 1124 or (ii) notwithstanding any contractual provision or applicable law that entitles the Holder of such Claim to demand or receive accelerated payment of such Claim after the occurrence of a default, (a) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in Bankruptcy Code § 365(b)(2) or of a kind that Bankruptcy Code § 365(b)(2) expressly does not require to be cured; (b) reinstating the maturity of such Claim as such maturity existed before such default; (c) compensating the Holder of such Claim for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; (d) if such Claim arises from any failure to perform a nonmonetary obligation, other than a default arising from a failure to operate a nonresidential real property lease subject to Bankruptcy Code § 365(b)(1)(A), compensating the Holder of such Claim (other than the Debtor or an insider) for actual pecuniary loss incurred by such Holder as a result of such failure; and (e) not otherwise altering the legal, equitable, or contractual rights to which such Claim entitles the Holder of such Claim; provided, however, that any contractual right that does not pertain to the payment when

due of principal and interest on the obligation on which such Claim is based, including, but not limited to, financial covenant ratios, negative pledge covenants, covenants or restrictions on merger or consolidation, and affirmative covenants regarding corporate existence, prohibiting certain transactions or actions contemplated by the Plan, or conditioning such transactions or actions on certain factors, shall not be required to be reinstated in order to accomplish the Reinstatement.

1.63. **Rejection Claims**: All Claims arising as a result of the Debtor's rejection of an Executory Contract pursuant to Bankruptcy Code §§ 365 and 1123, subject to the limitations provided in Bankruptcy Code § 502(b) or otherwise.

1.64. **Released Party:** Collectively, the Debtor and the Reorganized Debtor and their successors, assigns, subsidiaries, affiliates, directors and officers as of the Petition Date, employees, stockholders, and professionals, and any Person claimed to be liable derivatively through any of the foregoing.

1.65. **Releasing Party or Releasing Parties:** Either a Non-Debtor Releasing Party or a Debtor Party (as applicable), or collectively, the Non-Debtor Releasing Parties and the Debtor Parties (as applicable).

1.66. **Reorganized Debtor**: Chazak Value Corp., as reorganized on and after the Effective Date.

1.67. **Schedules**: The respective schedules of assets and liabilities and the statements of financial affairs filed in the Bankruptcy Court by the Debtor in accordance with Bankruptcy Code § 521, as such schedules or statements may be amended or supplemented from time to time in accordance with Bankruptcy Rule 1009 or an order of the Bankruptcy Court.

1.68. **Secured Claims**: All Claims that are secured by a properly perfected and not otherwise avoidable lien on property in which an Estate has an interest or that is subject to setoff under Bankruptcy Code § 553, to the extent of the value of the Claim Holder's interest in the applicable Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to Bankruptcy Code § 506(a) and, if applicable, § 1129(b); provided, however, that if the Holder of a Secured Claim is entitled to and does timely elect application of Bankruptcy Code § 1111(b)(2), then such Holder's Claim shall be a Secured Claim to the extent such Claim is Allowed.

1.69. **Tax Claims**: All Claims that are entitled to priority under Bankruptcy Code § 507(a)(8).

1.70. **Voting Deadline**: The deadline established by the Bankruptcy Court as the last date to timely submit a Ballot for voting to accept or reject the Plan.

1.71. **Voting Record Date**: The record date for voting on the Plan, which shall be November 27, 2007 (Eastern Time).

## ARTICLE II

## CLASSIFICATION OF CLAIMS AND INTERESTS

2.1. In accordance with Bankruptcy Code § 1123(a)(1), Administrative Claims and Tax Claims have not been classified and are excluded from the following Classes (Article III describes the treatment of Administrative Claims and Tax Claims). For the purposes of the Plan, Holders of Claims against, or Interests in, the Debtor are grouped as follows in accordance with Bankruptcy Code § 1122(a):

2.2. **Class 1 -- Priority Claims**. Class 1 consists of all Allowed Priority Claims against the Debtor. Allowed Class 1 Claims shall be treated in the manner set forth in Section 4.2 hereof.

2.3. **Class 2 -- Secured Claims**. Class 2 consists of all Allowed Secured Claims against the Debtor. Allowed Class 2 Claims shall be treated in the manner set forth in Section 4.3 hereof.

2.4. **Class 3 -- General Unsecured Claims.** Class 3 consists of all Allowed General Unsecured Claims against the Debtor. Allowed Class 3 Claims shall be treated in the manner set forth in Section 5.2 hereof.

2.5. **Class 4 -- Old PubliCARD Preferred Stock Interests.** Class 4 consists of all Allowed Interests arising under or in connection with the Old PubliCARD Preferred Stock. Allowed Class 4 Interests shall be treated in the manner set forth in Section 5.3 hereof.

2.6. **Class 5 -- Old PubliCARD Common Stock Interests.** Class 5 consists of all Allowed Interests arising under or in connection with the Old PubliCARD Common Stock. Allowed Class 5 Interests shall be treated in the manner set forth in Section 5.4 hereof.

## ARTICLE III

## TREATMENT OF ADMINISTRATIVE CLAIMS AND TAX CLAIMS

3.1. **Administrative Claims**. Each Holder of an Allowed Administrative Claim shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Claim, Cash equal to the amount of such Allowed Claim on the later of (i) the Distribution Date and (ii) the date that is 10 days after the Allowance Date, unless such Holder has agreed to a different treatment of such Allowed Claim; provided, however, that Allowed Administrative Claims representing obligations incurred in the ordinary course of business and assumed by the Debtor shall be paid or performed in accordance with the terms and conditions of the particular transactions and any agreements related thereto.

3.2. **Tax Claims**. Each Holder of an Allowed Tax Claim shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Claim, at the election of the Debtor, in its sole discretion, either (i) Cash equal to the amount of such

Allowed Claim on the later of (1) the Distribution Date and (2) the date that is 10 days after the Allowance Date, unless such Holder has agreed to a different treatment of such Allowed Claim, or (ii) in accordance with Bankruptcy Code § 1129(a)(9)(C), deferred Cash payments (1) of a value, as of the Effective Date, equal to the amount of such Allowed Tax Claim, (2) over a period not exceeding five years after the Petition Date, and (3) in a manner not less favorable than the treatment of Allowed Class 3 Claims, unless such Holder has agreed to a different treatment of such Allowed Claim.

## ARTICLE IV

## TREATMENT OF CLASSES THAT ARE NOT IMPAIRED UNDER THE PLAN

4.1. **Unimpaired Classes**. Classes 1 and 2 are unimpaired. Therefore, pursuant to Bankruptcy Code § 1126(f), the Holders of Allowed Claims in such Classes are conclusively presumed to have accepted the Plan and are not entitled to vote thereon.

4.2. **Class 1 -- Priority Claims**. If not paid in full pursuant to a Final Order of the Bankruptcy Court prior to the Confirmation Date, each Holder of an Allowed Class 1 Claim shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Claim, Cash equal to the amount of such Allowed Claim on the latest of (i) the Distribution Date, (ii) the date that is 10 days after the Allowance Date of such Claim, and (iii) the date when such Allowed Claim becomes due and payable according to its terms and conditions.

4.3. **Class 2 -- Secured Claims.** In full satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Class 2 Claim, at the election of the Debtor, the Debtor shall either: (a) pay the amount of such Allowed Class 2 Claim against it in full, in Cash, on the later of the Effective Date or the Allowance Date of such Claim; (b) return the underlying collateral to the Holder of such Allowed Class 2 Claim; (c) Reinstate such Allowed Class 2 Claim in accordance with the provisions of Bankruptcy Code § 1124(2); (d) pay such Allowed Class 2 Claim in full in the ordinary course; or (e) treat such Allowed Class 2 Claim in a manner otherwise agreed to by the Holder thereof.

## ARTICLE V

## TREATMENT OF CLASSES THAT ARE IMPAIRED AND ENTITLED TO VOTE UNDER THE PLAN

5.1. **Impaired Classes.** Holders of Allowed Claims and Interests in Classes 3, 4, and 5 are impaired and are entitled to vote to accept or reject the Plan.

5.2. **Class 3 – Allowed General Unsecured Claims.** Holders of Allowed Claims in Class 3 are impaired and are entitled to vote to accept or reject the Plan. On the Distribution Date, each Holder of an Allowed Class 3 Claim shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, in each case as against the Debtor Parties, such Claim, such Holder's pro rata share of $60,000.

5.3. **Class 4 – Old PubliCARD Preferred Stock Interests.** Holders of Allowed Interests in Class 4 are impaired and are entitled to vote to accept or reject the Plan. On the Distribution Date, each Holder of an Allowed Class 4 Interest shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, in each case as against the Debtor Parties, such Interest, such Holder's pro rata share of 18,334 shares of New Common Stock, which shares shall represent, as of the Effective Date, in the aggregate, 5% of the outstanding shares of New Common Stock.

5.4. **Class 5 – Old PubliCARD Common Stock Interests.** Holders of Allowed Interests in Class 5 are impaired and are entitled to vote to accept or reject the Plan. On the Distribution Date, subject to and upon the implementation of Plan Sections 6.12 and 6.13, each Holder of an Allowed Class 5 Interest shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, in each case as against the Debtor Parties, such Interest, such Holder's pro rata share of 18,334 shares of New Common Stock, which shares shall represent, as of the Effective Date, in the aggregate, 5% of the outstanding shares of New Common Stock. The Debtor shall make the distributions of the appropriate amount of shares of New Common Stock to the record holders and/or nominees on behalf of the Holders of Allowed Old PubliCARD Common Stock Interests as set forth on the books and records (including any transfer ledger) of the Old PubliCARD Common Stock Transfer Agent as of the Distribution Date, in the manner set forth in Plan Section 6.7.

5.5. **Distribution to the Funding Party**. On the Distribution Date, in consideration of the Plan Funding provided by the Funding Party pursuant to the Contribution Agreement, the Funding Party shall receive 330,000 shares of New Common Stock, which shares shall represent, as of the Effective Date, 90% of the outstanding shares of New Common Stock.

## ARTICLE VI

## MEANS FOR IMPLEMENTATION OF THE PLAN

6.1. **The Plan Funding and the Contribution Agreement**.

(a) This Plan is premised on the Debtor's ability to obtain the Plan Funding. The Plan Funding, which is sufficient to allow the Debtor to satisfy its obligations under the Plan, is to be contributed by the Funding Party to the Debtor on the Effective Date pursuant to the Contribution Agreement.

(b) If the Debtor is unable to obtain the Plan Funding on the Effective Date, the Confirmation Order shall be deemed vacated and of no further force or effect.

6.2. **Board of Directors and Management of the Reorganized Debtor**. Those directors so designated by the Funding Party within ten days of the Confirmation Hearing (with notice of such designation filed with the Bankruptcy Court) shall serve on the Reorganized Debtor's Board of Directors as of the Effective Date. The Reorganized Debtor shall continue to be managed by the senior managers currently serving in such capacities.

6.3. **Execution and Delivery of Plan Documents**. The execution and delivery by the Debtor or the Reorganized Debtor party thereto (as applicable) of all Plan Documents (including the Contribution Agreement) is hereby authorized without the need for any further corporate action or court order. All such Plan Documents shall become effective and binding upon the parties thereto simultaneously in accordance with their respective terms and conditions as of the Effective Date.

6.4. **Issuance of New Common Stock**. On the Effective Date, the Reorganized Debtor shall issue (i) 330,000 shares of New Common Stock to the Funding Party in accordance herewith and (ii) 36,667 shares (in the aggregate) of New Common Stock to the Holders of Interests in accordance herewith. The issuance of the New Common Stock pursuant to the Plan is authorized hereby without the need for any further corporate action or court order. Upon the issuance of such shares of New Common Stock, all such shares of New Common Stock will be deemed fully paid and nonassessable.

6.5. **Corporate Governance and Corporation Action**.

(a) On or before the Effective Date, the Reorganized Debtor shall (i) file its Amended and Restated Certificate of Incorporation with the appropriate state official(s) in accordance with applicable state law and (ii) adopt its Amended and Restated By-Laws. The Amended and Restated Certificate of Incorporation of the Reorganized Debtor shall, among other things, (i) prohibit the issuance of nonvoting equity securities to the extent required by Bankruptcy Code § 1123(a) and (ii) provide that (a) the number of authorized shares of New Common Stock shall be 60 million and (b) the par value of the New Common Stock shall be $.01. After the Effective Date, the Reorganized Debtor may amend and restate its Amended and Restated Certificate of Incorporation, Amended and Restated By-Laws, and/or other constituent documents (as applicable) as permitted by the governing state general corporation law and the applicable agreements of the Reorganized Debtor.

(b) On, before, or after the Effective Date, all actions reasonably necessary and desirable to effectuate, implement, or adopt: the issuance of the New Common Stock; the adoption and/or filing (as applicable) of the Amended and Restated Certificate of Incorporation, the Amended and Restated By-Laws, or similar constituent documents; the selection of the directors, officers, and/or managers of the Reorganized Debtor; and all other actions or transactions contemplated by the Plan, the Plan Documents, or such other documents, and all actions reasonably necessary and desirable to effectuate any of the foregoing, shall be authorized and approved in all respects hereby without the need for any further corporate action or court order. All matters provided for in the Plan involving the corporate structure, assets, and/or operations of the Debtor, the Reorganized Debtor, and any corporate action required by the Debtor or the Reorganized Debtor in connection with the Plan or the Plan Documents shall be deemed to have occurred and shall be in effect, without any requirement of further action by the respective security holders, officers, or directors of the Debtor or the Reorganized Debtor. After the Confirmation Date and on or prior to the Effective Date, the appropriate members of the Boards of Directors and/or officers of the Debtor and the Reorganized Debtor are authorized and directed to issue, execute, and deliver the agreements, documents, securities, certificates, and instruments contemplated by the Plan and/or the Plan Documents in the name of and on behalf of the Debtor or the Reorganized Debtor, as applicable.

6.6. **Administration of the Plan**.

(a) After the Confirmation Date, each of the Debtor and the Reorganized Debtor is authorized, respectively, to perform those responsibilities, duties, and obligations set forth herein, including making distributions as provided under the Plan, objecting to the allowance of any Claim or Interest, prosecuting any litigation pertaining thereto, and paying such Claims or Interests as may be later Allowed, including as contemplated by the dispute resolution procedures contained in Section 6.10 hereof.

(b) The Reorganized Debtor may retain such management, law firms, accounting firms, experts, advisors, agents, consultants, investigators, appraisers, auctioneers, or other professionals as it may deem reasonably necessary to aid it in the performance of its responsibilities pursuant to the terms of the Plan. It shall not be a requirement that any such parties retained by the Reorganized Debtor be a "disinterested person" (as such term is defined in Bankruptcy Code § 101(14)).

(c) The Reorganized Debtor shall be responsible for filing all federal, state, and local tax returns for the Debtor and for the Reorganized Debtor.

(d) To the extent the manner of performance is not specified, the Debtor and the Reorganized Debtor will have the discretion to carry out and perform all other obligations or duties imposed on them by, or actions contemplated or authorized by, the Plan, any Plan Document, or by law in any manner their respective Boards of Directors or officers so choose, as long as such performance is not inconsistent with the intents and purposes of the Plan.

6.7. **Provisions Relating to the Existing Stock**.

(a) On the Effective Date, the Old PubliCARD Preferred Stock, the Old PubliCARD Common Stock, any other Interest in the Debtor, the obligations under the Old PubliCARD Preferred Stock Certificates and any options, warrants, calls, subscriptions, or other similar rights or other agreements or commitments, contractual or otherwise, obligating of the Debtor to issue, transfer, or sell any shares of Old PubliCARD Preferred Stock, Old PubliCARD Common Stock, or any other Interest in the Debtor shall be automatically canceled and deemed terminated, extinguished, and of no further force and effect without further act or action under any applicable agreement, law, regulation, order, or rule, and the Holders thereof or the parties thereto shall have no rights, and such instruments or agreements shall evidence no rights except the right to receive the distributions (if any) to be made to the Holders of such instruments under this Plan; provided, however, that the Old PubliCARD Common Stock and the Old PubliCARD Preferred Stock shall not be deemed canceled on the books and records of the Old PubliCARD Common Stock Transfer Agent, the applicable securities depositories, clearing systems, or broker, bank, or custodial participants in the clearing system, solely to the extent necessary to facilitate distributions to the Holders of Allowed Old PubliCARD Common Stock Interests and Old PubliCARD Preferred Stock Interests, as of the Distribution Date, pursuant to the Plan.

(b) For the purpose of distributions to the Holders of Allowed Old PubliCARD Common Stock Interests and Allowed Old PubliCARD Preferred Stock Interests

under the Plan, the Old PubliCARD Common Stock Transfer Agent shall be deemed to be the sole Holder of all such Interests. All distributions on account of the Allowed Old PubliCARD Common Stock Interests and Allowed Old PubliCARD Preferred Stock Interests under the Plan shall be distributed to the Old PubliCARD Common Stock Transfer Agent for further distribution to Holders of Allowed Old PubliCARD Common Stock Interests and Allowed Old PubliCARD Preferred Stock Interests, as applicable, as of the Distribution Date, pursuant to the terms and subject to the conditions of the Plan. The Old PubliCARD Common Stock Transfer Agent shall thereafter take all steps reasonably necessary and appropriate to effectuate such further distribution thereof to the Holders of Allowed Old PubliCARD Common Stock Interests and Allowed Old PubliCARD Preferred Stock Interests, as applicable (including making a distribution of the appropriate amount of shares of New Common Stock to the record holders of the Old PubliCARD Common Stock with instructions that such record holders subsequently distribute such shares of New Common Stock to the applicable Holders of Allowed Old PubliCARD Common Stock Interests on whose behalf such record holders respectively hold the Old PubliCARD Common Stock).

(c) The Debtor shall pay the reasonable and customary fees, charges, and expenses (including the reasonable fees and expenses of its counsel) incurred by the Old PubliCARD Common Stock Transfer Agent in the performance of any function associated with the Plan during the period from and including the Petition Date until such time as all distributions provided for under the Plan to the Holders of Allowed Old PubliCARD Common Stock Interests and Allowed Old PubliCARD Preferred Stock Interests have been made, without application by or on behalf of such parties to the Bankruptcy Court and without notice and a hearing.

6.8. **Delivery of Distributions; Unclaimed Property; Undeliverable Distributions**.

(a) Except as may otherwise be provided herein, any distributions to Holders of Allowed Claims or Allowed Interests under this Plan shall be made: (i) at the addresses set forth either on the Schedules filed or as otherwise set forth on the Debtor's books and records or upon the applicable books and records of the Old PubliCARD Common Stock Transfer Agent (including any transfer ledger maintained thereby), or on the respective Proofs of Claim or Proofs of Interest (as applicable) filed by such Holders in the event that the addresses indicated thereon differ from those set forth on the Schedules filed or as otherwise set forth on the Debtor's books and records or upon the applicable books and records of the Old PubliCARD Common Stock Transfer Agent, including any transfer ledger maintained thereby (as applicable); or (ii) at the addresses set forth in any written notices of address change delivered to the Debtor or the Reorganized Debtor (if after the Effective Date) after the date of any related Proof of Claim or Proof of Interest.

(b) If the distribution to the Holder of any Allowed Claim or Allowed Interest is returned to the Reorganized Debtor as undeliverable, no further distribution shall be made to such Holder unless and until the Reorganized Debtor is notified in writing of such Holder's then current address. The Reorganized Debtor shall retain any such undeliverable distributions.

(c) Any Holder of an Allowed Claim or Allowed Interest who does not assert a claim for an undeliverable distribution by 5:00 p.m. prevailing Eastern Time on the date that is one year after the date by which such Holder was first entitled to such distribution shall no longer have any claim to, or interest in, such undeliverable distribution and shall be forever barred from receiving any distribution under the Plan.

(d) Nothing contained in the Plan shall require the Debtor or the Reorganized Debtor to attempt to locate any Holder of an Allowed Claim or Allowed Interest.

6.9. **Funding of Cash Distributions under the Plan**. Any funds necessary to make the Cash distributions required under the Plan and/or to fund the future obligations of the Reorganized Debtor shall be made from the Cash on hand of the Debtor and of the Reorganized Debtor or the future operations of the Debtor and the Reorganized Debtor (as applicable).

6.10. **Disputed Claims and Disputed Interests**.

(a) No distribution or payment shall be made on a Disputed Claim or a Disputed Interest until such Disputed Claim becomes an Allowed Claim or such Disputed Interest becomes an Allowed Interest (as applicable). On the Distribution Date, the distributions reserved for the Holders of Disputed Claims or Disputed Interests in each Class under the Plan shall be deposited in interest-bearing accounts maintained therein for the benefit of the Holders of Disputed Claims or Disputed Interests whose Claims or Interests are ultimately Allowed in the respective Classes in which the Disputed Claims or Disputed Interests are classified (each account a "**Disputed Claims or Interests Reserve**").

(b) Notwithstanding any other provisions of the Plan, the Reorganized Debtor (or any transfer or disbursing agent retained by the Reorganized Debtor pursuant to Plan Section 6.6(b)) shall withhold from the property to be distributed from the Plan and deposit in each Disputed Claims or Interests Reserve a sufficient amount of such withheld property to be distributed on account of the face amount of Claims or Interests that are Disputed Claims or Disputed Interests (as applicable) in such Class as of the Distribution Date for such Class under the Plan. For the purposes of this provision, the "face amount" of a Claim or Interest is (i) the amount set forth on the applicable Proof of Claim or Proof of Interest (as applicable) or such lower amount as may be determined in accordance with Plan Section 6.10(c), unless the Claim is filed in an unliquidated amount or (ii) if a Proof of Claim has been filed in an unliquidated amount, the amount determined in accordance with Plan Section 6.10(c).

(c) As to any Disputed Claim or Disputed Interest, if any, the Bankruptcy Court shall, upon motion by the Debtor or the Reorganized Debtor (as applicable), estimate the maximum allowable amount of such Disputed Claim or Disputed Interest and the amount to be placed in the Disputed Claims or Interests Reserve on account of such Disputed Claim or Disputed Interest (as applicable). Pending the Bankruptcy Court's ruling on any such estimation motion, the Debtor or the Reorganized Debtor (as applicable) shall only be required to place in the Disputed Claims or Interests Reserve account a sufficient amount of Cash or other consideration to be distributed on account of the estimated maximum allowable amount of such Disputed Claim or Disputed Interest set forth in such motion. If so authorized by order of the

Bankruptcy Court, any (i) Creditor whose Claim or (ii) Interest Holder whose Interest is so estimated by an Order of the Bankruptcy Court shall not have any recourse to the Debtor or to the Reorganized Debtor, any Assets theretofore distributed on account of any Allowed Claim or Allowed Interest (as applicable), or any other entity or property if the finally Allowed Claim of that Creditor or Allowed Interest of that Interest Holder (as applicable) exceeds that estimated maximum allowable amount. Instead, such Creditor or Interest Holder shall have recourse only to the undistributed assets (if any) in the applicable Disputed Claims or Interests Reserve for the Claim of that Creditor or the Interest of that Interest Holder (as applicable) and (on a pro rata basis with other Creditors or Interest Holders, as applicable, of the same Class who are similarly situated) to those portions (if any) of the Disputed Claims or Interests Reserve for other Disputed Claims or Disputed Interests of the same Class that exceed the ultimately allowed amount of such Claims or Interests (as applicable).

(d) All earnings on any Cash held in a Disputed Claims or Interests Reserve account (if any) shall be held in trust and shall be distributed only in the manner described in the Plan.

(e) At such time as all or any portion of a Disputed Claim becomes an Allowed Claim or a Disputed Interest becomes an Allowed Interest, the distributions reserved for such Disputed Claim or Disputed Interest (as applicable) or such portion, plus any earnings thereon (if any), shall be released from the appropriate Disputed Claims or Interests Reserve account and delivered to the Holder of such Allowed Claim or Allowed Interest in the manner as described in the Plan. At such time as all or any portion of any Disputed Class 1 or 2 Claim or Class 4 or Class 5 Interest is determined not to be an Allowed Claim, the distribution reserved for such Disputed Claim or Disputed Interest (as applicable) or such portion, plus any earnings thereon, shall be released from the appropriate Disputed Claims Reserve account and returned to the Reorganized Debtor. At such time as all or any portion of any Disputed Class 3 Claim is determined not to be an Allowed Claim, the distribution reserved for such Disputed Claim or such portion, plus any earnings thereon, shall be released from the appropriate Disputed Claims Reserve account and made available for redistribution, on a pro rata basis to the Holders of Allowed Claims of such Class.

(f) After the Confirmation Date, the Debtor, and, after the Effective Date, the Reorganized Debtor, shall have the authority to object to and litigate any Disputed Claims or Disputed Interests and shall have the authority to settle, compromise, resolve, or withdraw any objection to Disputed Claims or Disputed Interests, without the need for any Bankruptcy Court or other approval or any other or further notice.

(g) Except as otherwise provided in the Plan, if there exists any Disputed Administrative Claim, Disputed Tax Claim, or Disputed Class 1 or 2 Claim, the Reorganized Debtor shall withhold in a separate reserve account the "face amount" (as calculated under Plan Section 6.10(b)) of any such Disputed Claim until and to the extent such Claim is determined to be an Allowed Claim.

(h) The Reorganized Debtor shall obtain a bond with respect to any funds held in any Disputed Claims or Interests Reserve.

6.11. **Deadline for Determining the Record Holders of Interests**. At the close of business on the Distribution Date, the respective transfer records for the Old PubliCARD Preferred Stock and the Old PubliCARD Common Stock shall be closed, and there shall be no further changes in the record holders thereof after such date. Neither the Debtor, the Reorganized Debtor, any disbursing agent or transfer agent retained by the Reorganized Debtor pursuant to Plan Section 6.6(b), nor the Old PubliCARD Common Stock Transfer Agent shall have any obligation to recognize any transfer of the Old PubliCARD Preferred Stock Interests or the Old PubliCARD Common Stock Interests occurring after the Distribution Date, and such parties shall be entitled, instead, to recognize and deal for all purposes hereunder with only those record holders thereof as of the close of business on the Distribution Date.

6.12. **No Fractional Shares**. No fractional shares of New Common Stock will be issued or distributed under the Plan. Whenever any distribution to a particular Person would otherwise call for the distribution of a fraction of a share of New Common Stock, the actual distribution of shares of such stock will be rounded down to the next lower whole number. The total number of shares of New Common Stock distributed under the Plan will be adjusted as necessary to account for this rounding. No consideration will be provided in lieu of fractional shares of New Common Stock that are rounded down.

6.13. **No De Minimis Distributions**. Neither the Debtor, the Reorganized Debtor, nor any disbursing agent or transfer agent retained by the Reorganized Debtor pursuant to Plan Section 6.6(b) will distribute any New Common Stock to any Holders of an Allowed Interest represented by 100 or fewer shares of Old PubliCARD Common Stock. Any such Holder will have its Claim for such distribution discharged and will be forever barred from asserting any such claim against the Reorganized Debtor or its property. The Debtor estimates that, as a result of this Plan Section 6.13, approximately 1400 Holders of Old PubliCARD Common Stock will receive New Common Stock.

6.14. **Withholding and Reporting Requirements**. In connection with the Plan and all instruments issued in connection therewith and distributed thereunder, the Debtor, the Reorganized Debtor, any disbursing agent or transfer agent retained by the Reorganized Debtor pursuant to Plan Section 6.6(b), and the Old PubliCARD Common Stock Transfer Agent, as the case may be, shall comply with all applicable withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all distributions under the Plan shall be subject to any such withholding and reporting requirements.

6.15. **Direction to Parties**. From and after the Effective Date, the Reorganized Debtor may apply to the Bankruptcy Court for an order directing any necessary party to execute or deliver or to join in the execution or delivery of any instrument required to effect a transfer of property dealt with by the Plan and to perform any other act that is necessary for the consummation of the Plan, pursuant to Bankruptcy Code § 1142(b).

6.16. **Waiver of Avoidance Claims; Preservation of Other Causes of Action**.

(a) As of the Effective Date, all of the Debtor's and the Estate's Avoidance Claims shall be deemed to have been, and shall be, released and/or waived, and all Persons shall

hereby be enjoined from instituting and presenting in the name of the Debtor, or otherwise, any or all proceedings in order to collect, assert, or enforce any such Avoidance Claim of any kind.

(b) Except as otherwise set forth in the Plan (including Article IX and Section 6.16(a) hereof), in accordance with Bankruptcy Code § 1123(b), as of the Effective Date, the Reorganized Debtor shall retain all Causes of Action other than with respect to any Avoidance Claims, and shall have the power, subject to any applicable releases and/or waivers contained in the Plan, (i) to institute and present in the name of the Debtor, or otherwise, all proceedings that they may deem proper in order to collect, assert, or enforce any claim, right, or title of any kind in or to the Debtor's Assets or to avoid any purported Lien and (ii) to defend and compromise any and all actions, suits, or proceedings in respect of such Assets.

6.17. **Distribution Limitations**. Notwithstanding any other provision of the Plan to the contrary, no distribution shall be made on account of any Claim or Interest, or part thereof, (i) that is not an Allowed Claim or an Allowed Interest (as applicable) or (ii) that has been avoided or is subject to any objection. The sum total of the value of the distributions to be made on the Distribution Date to all Claims or Interests in a particular Class (if any) shall not exceed the aggregate amount of the Allowed Claims or Allowed Interests (as applicable) in such Class (if any), and the distribution to be made to each individual Holder of an Allowed Claim or an Allowed Interest shall not exceed the amount of such Holder's Allowed Claim or Allowed Interest (as applicable).

6.18. **Limitations on Amounts to Be Distributed to Holders of Allowed Insured Claims**. Distributions under the Plan to each Holder of an Allowed Insured Claim will be in accordance with the treatment provided under the Plan for the Class in which such Allowed Insured Claim is classified, but will be reduced to the extent that such Allowed Insured Claim is satisfied from proceeds payable to the Holder thereof under any pertinent insurance policies and applicable law. Nothing in this Section 6.18 will constitute a waiver of any claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, or liabilities that any entity may hold against any other entity, including the Debtor's insurance carriers.

## ARTICLE VII

## EXECUTORY CONTRACTS

7.1. **Rejection of Executory Contracts**.

(a) As of the Confirmation Date, but subject to the occurrence of the Effective Date, all Executory Contracts will be deemed rejected by the Debtor in accordance with the provisions and requirements of Bankruptcy Code §§ 365 and 1123, except those Executory Contracts that (i) have been assumed by order of the Bankruptcy Court, (ii) are the subject of a motion to assume pending on the Confirmation Date, or (iii) that are insurance policies assumed pursuant to Section 7.2 below. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such rejection pursuant to Bankruptcy Code §§ 365(a) and 1123.

(b) Each Person who is a party to an Executory Contract rejected under and pursuant to this Article VII shall be entitled to file, not later than 30 days after the entry of the

Confirmation Order (the "**Plan Rejection Bar Date**"), a Proof of Claim against the Debtor for alleged Rejection Claims. If no such Proof of Claim for a Rejection Claim is timely filed against the Debtor, any such Claim shall be forever barred and shall not be enforceable against the Debtor, the Reorganized Debtor, or the Estate or the Debtor's Assets. Objections to any such Proof of Claim shall be filed not later than 60 days after such Proof of Claim is filed (subject to any potential further extensions of such date as so ordered and approved by the Bankruptcy Court), and the Bankruptcy Court shall decide any such objections. Distributions shall be made no earlier than the later of (a) ten days after the expiration of the 60-day period (as such period may be extended by order of the Bankruptcy Court) for filing an objection in respect of any Proof of Claim filed pursuant to this Section 7.1(b), if no such objections are filed, and (b) ten days after the Claim has been allowed by a Final Order of the Bankruptcy Court.

(c) Notwithstanding anything to the contrary herein, the Plan Rejection Bar Date shall apply only to Rejection Claims with respect to those Executory Contracts that are to be rejected under and pursuant to the Plan. Any Holder of a Rejection Claim for an Executory Contract that is not to be rejected pursuant to this Plan, but whose Rejection Claim instead arises under an Executory Contract that either has already been rejected by an order of the Bankruptcy Court or is the subject of a separate motion to reject pending on the Confirmation Date, must file a Proof of Claim for such Rejection Claim by the date provided in any order relating to such Rejection Claim.

7.2. **Insurance Policies**. All insurance policies of the Debtor providing coverage to the Debtor and/or the Debtor's directors, officers, stockholders, members, agents, employees, representatives, and others for conduct in connection in any way with the Debtor, its assets, liabilities, and/or operations, to the extent such policies are Executory Contracts, shall be deemed assumed by the Debtor as of the Confirmation Date, subject to the occurrence of the Effective Date. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions pursuant to Bankruptcy Code §§ 365 and 1123 or otherwise, subject to the occurrence of the Effective Date. Whether such insurance policies are Executory Contracts or not, if they have not done so already, on or prior to the Effective Date, the Debtor shall cure any defaults (if any) under such insurance policies. Notwithstanding anything provided herein to the contrary, the Plan shall not be deemed in any way to diminish or impair the enforceability of any insurance policies that may cover claims against the Debtor or any other Person.

## ARTICLE VIII

## CONDITIONS PRECEDENT TO CONFIRMATION AND EFFECTIVENESS

8.1. **Conditions to Confirmation**. Confirmation of the Plan shall not occur unless and until the following conditions have been satisfied: (a) the Bankruptcy Court shall have entered an order approving the Disclosure Statement as containing adequate information pursuant to Bankruptcy Code § 1125, and such order shall not have been reversed, stayed, amended, or modified in any manner adverse to the Debtor or its Estate, and (b) the Confirmation Order shall be acceptable, in form and substance, to the Debtor and the Funding Party.

8.2. **Conditions to Effectiveness**. Notwithstanding any other provision of the Plan or the Confirmation Order, the Effective Date shall not occur, and the Plan shall not be binding on any Person, unless and until each of the following conditions has been (a) satisfied or (b) waived or modified pursuant to Section 8.3 of the Plan:

(a) The Confirmation Order (i) shall have been entered on the docket by the Clerk of the Bankruptcy Court in form and substance acceptable to the Debtor and the Funding Party and (ii) shall not have been reversed, stayed, amended, or modified in any manner adverse to the Debtor or its Estate or the Funding Party;

(b) The Plan Documents and all other documents provided for under, and reasonably necessary to effectuate the terms of, and actions contemplated under, the Plan (including the Contribution Agreement), shall be in form and substance acceptable to the Debtor and the Funding Party and shall have been executed and delivered by the parties thereto, unless such execution or delivery has been waived in writing by the parties benefited by such documents;

(c) All authorizations, consents, and regulatory approvals required (if any) in connection with the effectiveness of this Plan shall have been obtained; and

(d) The Contribution Agreement shall have been consummated.

8.3. **Waiver or Modification of Conditions**. The Debtor may, but shall have no obligation, to waive or modify in writing, at any time, any of the conditions set forth in this Plan Article VIII, without notice, without leave of or order of the Bankruptcy Court, and without any formal action other than proceeding to consummate the Plan.

## ARTICLE IX

## TITLE TO PROPERTY AND RELEASES

9.1. **Vesting of Property**. As of the Confirmation Date, but subject to the occurrence of the Effective Date and the Contribution Agreement, (a) the Reorganized Debtor shall continue to exist as a separate corporate entity with all the powers of corporations under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under applicable state law, and (b) all Assets of the Debtor (including, but not limited to, the Debtor's equity interests in any domestic or foreign subsidiary), wherever situated, shall vest in the Reorganized Debtor, subject to the provisions of the Plan and the Confirmation Order. Thereafter, the Reorganized Debtor may operate its business, incur debt and other obligations in the ordinary course of its business, and may otherwise use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Court. After the Effective Date, but retroactive to the Confirmation Date, all property retained by the Reorganized Debtor pursuant hereto shall be free and clear of all Claims, debts, Liens, security interests, obligations, encumbrances, and interests of Creditors and Interest Holders of the Debtor and all other Persons, except as contemplated by or provided in the Plan or the Confirmation Order and except for the obligation to perform according to the Plan and the Confirmation Order, and except for the respective claims, debts, Liens, security interests,

encumbrances, and interests of those Holders of Allowed Class 2 Claims whose Secured Claims the Debtor elects to Reinstate pursuant to Plan Section 4.3 (as opposed to the Debtor electing to (i) pay the amount of such Allowed Class 2 Claim in full, (ii) return the underlying collateral to such Class 2 Creditor, or (iii) otherwise satisfy such Allowed Claim in a manner provided for under Section 4.3 hereof).

9.2. **Discharge and Injunction**. *Pursuant to Bankruptcy Code § 1141(b) or otherwise, except as may otherwise be provided herein or in the Confirmation Order, upon the occurrence of the Effective Date, the rights afforded and the payments and distributions to be made under this Plan shall be in complete exchange for, and in full and unconditional settlement, satisfaction, discharge, and release of, any and all existing debts, Claims, and Interests of any kind, nature, or description whatsoever against the Debtor or any of the Debtor's Assets or other property, and shall effect a full and complete release, discharge, and termination of all Liens, security interests, or other Claims, interests, or encumbrances upon all of the Debtor's Assets and property. No Creditor or Interest Holder of the Debtor nor any other Person may receive any distribution from the Debtor, the Estate, the Reorganized Debtor, or the Assets, or seek recourse against, the Debtor, the Estate, the Reorganized Debtor, or any of the Assets that are to be distributed under the terms of the Plan, except for those distributions expressly provided for under the Plan. All Persons are precluded from asserting, against any property that is to be distributed under the terms of the Plan, any Claims, Interests, obligations, rights, Causes of Action, liabilities, or equity interests based upon any act, omission, transaction, or other activity of any kind or nature that occurred prior to the Confirmation Date, other than as expressly provided for in the Plan or the Confirmation Order, whether or not (a) a Proof of Claim or Proof of Interest based upon such debt or Interest (as applicable) is filed or deemed filed under Bankruptcy Code § 501; (b) a Claim or Interest based upon such debt or Interest (as applicable) is allowed under Bankruptcy Code § 502; or (c) the Holder of a Claim or Interest based upon such debt or Interest (as applicable) has accepted the Plan or is deemed to have accepted the Plan under Bankruptcy Code § 1126(f). Except as otherwise provided in the Plan or the Confirmation Order with respect to a Claim that is expressly Reinstated under the terms and conditions of the Plan, all Holders of Claims and Interests arising prior to the Effective Date shall be permanently barred and enjoined from asserting against the Debtor, the Estate, the Reorganized Debtor, its successors, or the Assets, any of the following actions on account of such Claim or Interest: (a) commencing or continuing in any manner any action or other proceeding on account of such Claim or Interest against property to be distributed under the terms of the Plan, other than to enforce any right to distribution with respect to such property under the Plan; (b) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against any of the property to be distributed under the terms of the Plan, other than as permitted under subclause (a) above; (c) creating, perfecting, or enforcing any Lien or encumbrance against any property to be distributed under the terms of the Plan; and (d) acting or proceeding in any manner, in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan.*

9.3. **No Waiver of Discharge**. Except as otherwise specifically provided herein, nothing in this Plan shall be deemed to waive, limit, or restrict in any way the discharge granted to the Debtor upon Confirmation of the Plan by Bankruptcy Code § 1141.

9.4. **Post-Consummation Effect of Evidences of Claims or Interests**. Except as otherwise expressly set forth in this Plan, any and all stock certificates and/or other evidences of Claims against, or Interests in, the Debtor shall, upon the Effective Date, represent only the right to participate in the distributions contemplated by the Plan, if any, and shall otherwise be cancelled and of no force and effect.

9.5. **Term of Injunctions or Stays**. Unless otherwise provided, all injunctions or stays provided for in this Case pursuant to Bankruptcy Code § 105, § 362, or otherwise, and in effect on the Confirmation Date, shall remain in full force and effect until the Effective Date.

9.6. **Releases by Holders of Claims and Interests**.

(a) *Except as otherwise provided herein, as of the Confirmation Date, but subject to the occurrence of the Effective Date, each Non-Debtor Releasing Party, in consideration of the obligations of the Debtor and the Reorganized Debtor under the Plan and the New Common Stock and the contracts, instruments, releases, agreements, and documents to be executed and delivered in connection with the Plan, and in consideration of the efforts of the Released Parties to facilitate the expeditious reorganization of the Debtor and the implementation of the restructuring contemplated by the Plan, shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged the Released Parties from any and all claims, obligations, rights, Causes of Action, or liabilities (including, but not limited to, any claims arising out of, or relating to, any alleged fiduciary or other duty; any alleged violation of any federal or state securities law or any other law relating to creditors' rights generally; any of the Released Parties' ownership of any securities of the Debtor; or any derivative claims asserted on behalf of a Debtor), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Non-Debtor Releasing Party ever had, now has, or may have that are based in whole or in part on any act, omission, transaction, or occurrence from the beginning of time through and including the Effective Date and in any way relating to the Debtor, this Case, or the Plan; the Disclosure Statement; the Plan Documents; the formulation, negotiation, preparation, dissemination, implementation, and/or administration of the Plan, the Disclosure Statement, and the Plan Documents; the confirmation and consummation of the Plan; the subject matter of, or the transactions or events giving rise to, any Claim or Interest of such Non-Debtor Releasing Party, any security previously issued by the Debtor; provided, however, that (i) this Section 9.6(a) shall not release, and the Non-Debtor Releasing Parties do not waive the right to enforce, the Debtor's or the Reorganized Debtor's duties, obligations, covenants, and agreements under (a) the Plan, (b) any settlement agreement approved by the Bankruptcy Court in this Case, or (c) the Plan Documents to be delivered under the Plan; (ii) the release set forth in this Section 9.6(a) is in addition to the discharge of Claims and termination of Interests provided in this Plan and under the Confirmation Order and the Bankruptcy Code; and (iii) nothing in this Section 9.6(a) shall be deemed to assert or imply any admission of liability on the part of any of the Released Parties.*

(b) *All Non-Debtor Releasing Parties shall be forever precluded from asserting any of the claims released pursuant to this Section 9.6 against any of the Released*

*Parties or any of the Released Parties' respective assets; and to the extent that any Non-Debtor Releasing Party receives monetary damages from any Released Party on account of any claim released pursuant to this Section 9.6, such Non-Debtor Releasing Party hereby assigns all of its right, title, and interest in and to such recovery to the Released Parties against whom such money is recovered.*

(c) Notwithstanding any provision of the Plan to the contrary, the releases contained in this Plan Section 9.6 shall not be construed as, or operate as a release of, or limitation on (i) any claims by the Non-Debtor Releasing Parties against the Released Parties that do not relate to or involve the Debtor or this Case, (ii) any claims, obligations, rights, causes of action, or liabilities by the Non-Debtor Releasing Parties against the Released Parties arising out of any action or omission to the extent that such action or omission is determined in a Final Order by a court of competent jurisdiction to have constituted willful misconduct or fraud, or (iii) objections to Claims or Interests.

9.7. **Release by the Debtor**. *Except as otherwise provided herein, as of the Confirmation Date, but subject to the occurrence of the Effective Date, the Debtor Parties, in consideration of the obligations of the Debtor and the Reorganized Debtor under the Plan and the New Common Stock and the contracts, instruments, releases, agreements, and documents to be executed and delivered in connection with the Plan, and in consideration of the efforts of the Released Parties to facilitate the expeditious reorganization of the Debtor and the implementation of the restructuring contemplated by the Plan, shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or hereafter arising, in law, equity, or otherwise, that such Debtor Party ever had, now has, or may have that are based in whole or in part on any act, omission, transaction, or occurrence taking place on or prior to the Effective Date and in any way relating to the Debtor, this Case, or the Plan; the Disclosure Statement; the Plan Documents; the formulation, negotiation, preparation, dissemination, implementation, and/or administration of the Plan, the Disclosure Statement, and the Plan Documents; the confirmation and consummation of the Plan; the subject matter of, or the transactions or events giving rise to, any Claim or Interest of such Debtor Party, or any security previously issued by the Debtor, provided, however, that such releases shall not apply to (i) any indebtedness of any Person to the Debtor for money borrowed by such Person or any other contractual obligation of any Person to the Debtor, (ii) any claims by the Debtor Releasing Parties against the Released Parties arising out of any action or omission to the extent that such action or omission is determined in a Final Order by a court of competent jurisdiction to have constituted willful misconduct or fraud, or (iii) any setoff or counterclaim that the Debtor may have or assert against any Person, provided that the aggregate amount thereof shall not exceed the aggregate amount of any Claims or Interests held or asserted by such Person against the Debtor. Holders of Claims and Interests against the Debtor shall be enjoined from commencing or continuing any action, employment of process, or act to collect, offset, or recover any such claim that could be brought on behalf of or in the name of the Debtor.*

9.8. **Injunction Related to Releases**. *The Confirmation Order will and shall be deemed to permanently enjoin the commencement or prosecution by any Person,*

*whether directly, derivatively, or otherwise, of any claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, or liabilities released pursuant to the Plan (including the releases set forth in this Article IX).*

9.9. **Exculpation**. No Released Party or director or officer appointed after the Petition Date shall have or incur, and each Released Party hereby is exculpated from, any liability to any Person for any act taken or not taken or any omission in connection with, arising from or relating to this Case (and the commencement or administration thereof); the Disclosure Statement, the Plan, or the formulation, negotiation, preparation, dissemination, implementation, or administration of any of the foregoing documents; the solicitation of votes in connection with confirmation of this Plan; the Plan Documents; the confirmation and/or consummation of this Plan; any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan; any other act taken or omitted to be taken in connection with, or in contemplation of, any of the restructuring or other transactions contemplated by this Plan; and the property to be distributed or otherwise transferred under this Plan; provided, however, that nothing in this Section 9.9 shall release any entity from any claims, obligations, rights, causes of action, or liabilities arising out of such entity's fraud, gross negligence, willful misconduct, criminal conduct, unauthorized use of confidential information that causes damages, or ultra vires acts, and nothing shall limit the liability of the Debtor's professionals to their client pursuant to any applicable code of professional conduct. Each Released Party shall be entitled reasonably to rely upon the advice of counsel with respect to its duties and responsibilities under this Plan and shall be fully protected in acting or refraining from acting in accordance with such advice.

9.10. **Limitations on Releases, Injunction, and Exculpation**. Nothing in the Conformation Order or this Plan shall effect a release of any claim by the United States Government or any of its agencies or any state or local authority whatsoever, including any claim arising under the Internal Revenue Code, environmental laws, or any criminal laws of the United States or any state or local authority, against the Released Parties, nor shall anything in the Confirmation Order or this Plan enjoin the United States Government or any state or local authority from bringing any claim, suit, action, or other proceeding against the Released Parties for any liability whatsoever, including any claim, suit, or action arising under the Internal Revenue Code, environmental laws, or any criminal laws of the United States or any state or local authority, nor shall anything in the Confirmation Order or this Plan exculpate any party from any liability to the United States Government or any of its agencies or any state or local authority whatsoever, including any liabilities arising under the Internal Revenue Code, environmental laws, or any criminal laws of the United States or any state or local authority, against the Released Parties.

## ARTICLE X

## RETENTION OF JURISDICTION

10.1. **Claims and Actions**. Following the Effective Date, the Bankruptcy Court shall retain such jurisdiction over this Case as is legally permissible, including such jurisdiction as is necessary to ensure that the intents and purposes of the Plan are carried out. The Bankruptcy Court shall also expressly retain jurisdiction: (a) to hear and determine all

Claims against, and Interests in, the Debtor; and (b) to enforce all Causes of Action that may exist on behalf of the Debtor that are not otherwise waived or released under the Plan.

10.2. **Retention of Additional Jurisdiction**. Following the Effective Date, the Bankruptcy Court shall also retain jurisdiction for the purpose of classification of Claims and Interests, the re-examination of Claims and Interests that have been allowed, and the dispositions of such objections as may be filed to any Claims or Interests, including Bankruptcy Code § 502(c) proceedings for estimation of Claims. The Bankruptcy Court shall further retain jurisdiction for the following additional purposes:

(a) to decide all questions and disputes regarding title to the respective Assets of the Debtor, all Causes of Action, controversies, disputes, or conflicts, whether or not subject to any pending action as of the Effective Date, between the Debtor and any other party, including any right to recover assets pursuant to the provisions of the Bankruptcy Code;

(b) to enforce and interpret the terms and conditions of the Plan and the Contribution Agreement;

(c) to enter such orders, including, but not limited to, such future injunctions as are necessary to enforce the respective title, rights, and powers of the Debtor, and to impose such limitations, restrictions, terms, and conditions on such title, rights, and powers as the Bankruptcy Court may deem necessary;

(d) to enter an order closing this Case;

(e) to correct any defect, cure any omission, or reconcile any inconsistency in the Plan, the Contribution Agreement, any other Plan Document, or the Confirmation Order as may be necessary to implement the intents and purposes of the Plan;

(f) to decide any and all objections to the allowance of Claims or Interests;

(g) to determine any and all applications for allowances of compensation and reimbursement of expenses and the reasonableness of any fees and expenses authorized to be paid or reimbursed under the Bankruptcy Code or the Plan;

(h) to determine any applications or motions pending on the Effective Date for the assumption and/or assignment or rejection of any Executory Contract and to hear and determine, and, if need be, to liquidate any and all Claims and/or disputes arising therefrom;

(i) to determine any and all applications, adversary proceedings, and contested matters that may be pending on the Effective Date;

(j) to consider any modification of the Plan, whether or not the Plan has been substantially consummated, and to remedy any defect or omission or to reconcile any inconsistency in any order of the Bankruptcy Court, to the extent authorized by the Plan or the Bankruptcy Court;

(k) to determine all controversies, suits, and disputes that may arise in connection with the interpretation, enforcement, or consummation of the Plan, any Plan Document, or the Contribution Agreement;

(l) to consider and act on the compromise and settlement of any Claim against or Cause of Action by or against the Debtor arising under or in connection with the Plan or any Plan Document;

(m) to issue such orders in aid of execution of the Plan as may be authorized by Bankruptcy Code § 1142;

(n) to protect any Person against any Claims or Interests released pursuant to Article IX of the Plan; and

(o) to determine such other matters or proceedings as may be provided for under Title 28 or any other title of the United States Code, the Bankruptcy Code, the Bankruptcy Rules, other applicable law, the Plan, or in any order or orders of the Bankruptcy Court, including, but not limited to, the Confirmation Order or any order that may arise in connection with the Plan or the Confirmation Order.

10.3. **Failure of Bankruptcy Court to Exercise Jurisdiction**. If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction, or is otherwise without jurisdiction over any matter arising out of this Case, including the matters set forth in this Article X, this Article X shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

## ARTICLE XI

## MISCELLANEOUS PROVISIONS

11.1. **Governing Law**. Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, and subject to the provisions of the Plan Documents and any other agreement or document entered into in connection with the Plan, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflicts of law thereof.

11.2. **Revocation or Withdrawal of the Plan**. The Debtor reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtor so revokes or withdraws the Plan, then the Plan shall be null and void and, in such event, nothing contained herein shall be deemed to (a) constitute a waiver or release of any Claims by or against, or any Interests in, the Debtor or any other Person, or (b) prejudice in any manner the rights of the Debtor or any Person in any further proceedings involving the Debtor.

11.3. **Successors and Assigns**. The rights, benefits, and obligations of any Person named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, the heirs, executors, administrators, successors, or assigns of such Person.

11.4. **Time**. In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply, and, among other things, the day of the act, event, or default from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is not a Business Day or, when the act to be done is the filing of a paper in court, a day on which weather or other conditions have made the clerk's office inaccessible, in which event the period runs until the end of the next day which is not one of the aforementioned days. When the period of time prescribed or allowed is less than eight calendar days, intermediate days that are not Business Days shall be excluded in the computation.

11.5. **Modification of the Plan**. The Debtor or the Reorganized Debtor, as the case may be, reserve the right to alter, amend, or modify the Plan prior to or after the entry of the Confirmation Order in accordance with Bankruptcy Code § 1127.

11.6. **Administrative Claims Bar Date**. The Holder of an Administrative Claim (except for an Administrative Claim based upon Professional Fees, the allowance and timing for filing of applications for Professional Fees being governed by Section 11.7 of this Plan) arising prior to the Effective Date (other than for goods or non-professional services provided to the Debtor during this Case in the ordinary course of the Debtor's business) must file a request for payment on or before 30 days after the Effective Date for such Administrative Claim to be eligible to be considered an Allowed Claim.

11.7. **Professional Fees**. No Professional Fees shall be paid except as specified herein or as allowed by an order of the Bankruptcy Court. All final applications for Professional Fees shall be filed with the Bankruptcy Court not later than thirty (30) days after the Effective Date. Without limiting the foregoing, the Reorganized Debtor will pay the amount it incurs after the Effective Date with respect to the reasonable fees, disbursements, expenses, or related support services of any Professional, as applicable (including the reasonable fees and expenses a Professional may incur following the Effective Date relating to its preparation and prosecution of an application for payment of Professional Fees), without application to, or order of, the Bankruptcy Court.

11.8. **Payment of Statutory Fees**. Prior to the Effective Date, the Debtor shall pay any fees, charges, or interest assessed against the Estate under 28 U.S.C. § 1930. Between the Effective Date and the entry of a final decree in this Case, the Reorganized Debtor shall pay any fees, charges, or interest assessed against the Estate under 28 U.S.C. § 1930 and, in connection therewith, shall assume responsibility for filing the necessary disbursement reports.

11.9. **Claims Objection Deadline**. Unless an earlier time is set by an order of the Bankruptcy Court, all objections to Claims or Interests must be filed by the Claims Objection Deadline; provided, however, that no such objections may be filed against any Claim or Interest after the Bankruptcy Court has determined by entry of a Final Order that such Claim or Interest is an Allowed Claim or Interest.

11.10. **Deletion of Certain Classes**. Any Class of Claims that is not occupied as of the date of the commencement of the Confirmation Hearing by an Allowed Claim

or a Claim temporarily allowed under Bankruptcy Rule 3018 shall be deemed deleted from the Plan for all purposes.

11.11. **Applicability of Bankruptcy Code § 1125**. The protection afforded by Bankruptcy Code § 1125(e) with regard to the solicitation of acceptances or rejections of the Plan shall apply to the fullest extent provided by law, and the entry of the Confirmation Order shall constitute the determination by the Bankruptcy Court that the Debtor and its respective officers, directors, partners, employees, members, agents, attorneys, accountants, financial advisors, investment bankers, dealer-managers, placement agents, and other professionals have acted in good faith and in compliance with the applicable provisions of the Bankruptcy Code pursuant to Bankruptcy Code § 1125(e) and therefore are not liable on account of such solicitation or participation for violation of any applicable law, rule, or regulation governing solicitation of acceptance or rejection of a plan or the offer, issuance, sale, or purchase of securities.

11.12. **Bankruptcy Code § 1145 and Other Exemptions**. Pursuant to Bankruptcy Code § 1145(a)(1), the issuance of the New Common Stock to the Holders of Interests shall be exempt from the registration requirements of the Securities Act and any state or local laws requiring registration for the offer or sale of securities. All such securities, when issued or sold, shall be freely transferable by the recipients thereof, subject to: (i) the provisions of Bankruptcy Code § 1145(b) relating to "underwriters," as defined therein; (ii) any restrictions contained in the terms of the securities themselves; or (iii) any restrictions on the securities that have been agreed to by the holder of the securities with respect thereto. Any securities to be issued to the Holders of Interests under the Plan shall be issued without further act or action under applicable law, regulation, order, or rule. The issuance of New Common Stock to the Funding Party or any investor therein pursuant to the Contribution Agreement shall not be exempt from the registration of the Securities Act or any state or local laws requiring registration for the offer or sale of securities by virtue of Bankruptcy Code § 1145(a)(1). To the maximum extent permitted by law, pursuant to Section 4(2) of the Securities Act, Regulation D of the Securities Act, Rule 701 promulgated under the Securities Act, or otherwise, the issuance of any shares of common stock of the Reorganized Debtor shall be exempt from the registration requirements of the Securities Act and any state or local laws requiring registration for the sale of securities.

11.13. **Bankruptcy Code § 1146(a) Exemption**. Pursuant to Bankruptcy Code § 1146(a), the issuance, transfer, or exchange of any security under the Plan; the making or delivery of any instrument of transfer pursuant to, in implementation of, or as contemplated by the Plan; and the revesting, transfer, assignment, or sale of any real or personal property the Debtor pursuant to, in implementation of, or as contemplated by the Plan or the Contribution Agreement shall not be taxed under any state or local law imposing a stamp tax, transfer tax, or similar tax or fee.

11.14. **Substantial Consummation**. On the Effective Date, the Plan shall be deemed to be substantially consummated under Bankruptcy Code §§ 1101 and 1127(b).

11.15. **Rules of Interpretation**. For purposes of the Plan: (i) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall

include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (ii) any reference in the Plan to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such from or substantially on such terms and conditions; (iii) any reference in the Plan to an existing document or exhibit filed, or to be filed, shall mean such document or exhibit, as it may have been or may be amended, modified, or supplemented in accordance with its terms; (iv) unless otherwise specified, all references in the Plan to Sections, Articles, and Exhibits are references to Sections, Articles, and Exhibits of or to the Plan; (v) the words "herein" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (vi) captions and headings and references to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (vii) the terms "including," "including, but not limited to," and "including, without limitation," shall be deemed interchangeable and given the same interpretation; and (viii) the rules of construction set forth in Bankruptcy Code § 102 shall apply.

11.16. **Severability**. Except as to terms which, if unenforceable, would frustrate the overall purposes of this Plan, should any provision in the Plan be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any or all other provisions of the Plan.

11.17. **Implementation**. The Debtor and the Old PubliCARD Common Stock Transfer Agent shall take all steps and execute all documents, including appropriate releases and certificates, reasonably necessary or appropriate to effectuate the provisions contained in this Plan.

11.18. **Inconsistency**. In the event of any inconsistency between the Plan and the Disclosure Statement, the provisions of the Plan shall govern; in the event of any inconsistency between the Plan and any Plan Document, the provisions of such Plan Document shall govern (except to the extent of any such inconsistencies that are adverse to the Debtor or the Reorganized Debtor, in which case the Plan shall govern).

11.19. **Service of Documents**. Any pleading, notice, or other document required by the Plan to be served on the Debtor or the Reorganized Debtor shall be sent by first class U.S. mail, postage prepaid, to:

PubliCARD, Inc.
75 Rockefeller Plaza, 16th Floor
New York, NY 10019
Attn: Joseph E. Sarachek

with a copy to:

Law Offices of David C. McGrail
676A Ninth Avenue #211
New York, New York 10036
Attn: David C. McGrail, Esq.

11.20. **Compromise of Controversies**. Pursuant to Bankruptcy Rule 9019, and in consideration of the classification, distribution, and other benefits provided under the Plan, the provisions of this Plan shall constitute a good faith compromise and settlement of all Claims or controversies resolved pursuant to the Plan (including, without limitation, as set forth in Article IX hereof). The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the compromises or settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute the Bankruptcy Court's determination that such compromises and settlements are in the best interests of the Debtor, the Reorganized Debtor, the Estate, and any Person holding Claims against or Interests in the Debtor.

11.21. **No Admissions**. Notwithstanding anything herein to the contrary, nothing contained in the Plan shall be deemed as an admission by an Person with respect to any matter set forth herein.

11.22. **Filing of Additional Documents**. On or before the Effective Date, the Debtor may file with the Bankruptcy Court such agreements and other documents as may be necessary and appropriate to effectuate and further evidence the terms and conditions of the Plan.

11.23. **Further Actions**. The Debtor Parties and the Funding Party shall be authorized to execute, deliver, file, or record such documents, contracts, instruments, certificates, releases, and other agreements and to take such other action as may be reasonably necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, any Plan Document, and the transactions contemplated herein and therein.

Dated: November 19, 2007

PUBLICARD, INC.
Debtor and Debtor-in-Possession

By: /s/ Joseph E. Sarachek
Joseph E. Sarachek
Chief Executive Officer

By: /s/ Jay S. Goldsmith
Jay S. Goldsmith
Director

By: /s/ Harry I. Freund
Harry I. Freund
Director

By: /s/ Emil Vogel
Emil Vogel
Director

By: /s/ Larry G. Schafran
Larry G. Schafran
Director

By: /s/ Clifford B. Cohn
Clifford B. Cohn
Director

**Submitted by:**

/s/ David C. McGrail
LAW OFFICES OF DAVID C. MCGRAIL
David C. McGrail
676A Ninth Avenue #211
New York, New York 10036

Counsel to PubliCARD, Inc.

# EXHIBIT 1

# AMENDED AND RESTATED BY-LAWS

# BYLAWS
# OF
# (a Delaware corporation)
# Chazak Value Corp.

## ARTICLE I
## STOCKHOLDERS

**1. CERTIFICATES REPRESENTING STOCK.** Certificates representing stock in the corporation shall be signed by, or in the name of, the corporation by the Chairperson or Vice-Chairperson of the Board of Directors, if any, or by the President or a Vice-President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the corporation. Any or all of the signatures on any such certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were such officer, transfer agent, or registrar at the date of issue.

Whenever the corporation shall be authorized to issue more than one class of stock or more than one series of any class of stock, and whenever the corporation shall issue any shares of its stock as partly paid stock, the certificates representing shares of any such class or series or of any such partly paid stock shall set forth thereon the statements prescribed by the General Corporation Law. Any restrictions on the transfer or registration of transfer of any shares of stock of any class or series shall be noted conspicuously on the certificate representing such shares.

The corporation may issue a new certificate of stock or uncertificated shares in place of any certificate theretofore issued by it, alleged to have been lost, stolen, or destroyed, and the Board of Directors may require the owner of the lost, stolen, or destroyed certificate, or such owner's legal representative, to give the corporation a bond sufficient to indemnify the corporation against any claim that may be made against it on account of the alleged loss, theft, or destruction of any such certificate or the issuance of any such new certificate or uncertificated shares.

**2. UNCERTIFICATED SHARES.** Subject to any conditions imposed by the General Corporation Law, the Board of Directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of the stock of the corporation shall be uncertificated shares. Within a reasonable time after the issuance or transfer of any uncertificated shares, the corporation shall send to the registered owner thereof any written notice prescribed by the General Corporation Law.

**3. FRACTIONAL SHARE INTERESTS.** The corporation may, but shall not be required to, issue fractions of a share. If the corporation does not issue fractions of a share, it shall (1) arrange for the disposition of fractional interests by those entitled thereto, (2) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or (3) issue scrip or warrants in registered form (either represented by a certificate or uncertificated) or bearer form (represented by a certificate) which shall entitle the

holder to receive a full share upon the surrender of such scrip or warrants aggregating a full share. A certificate for a fractional share or an uncertificated fractional share shall, but scrip or warrants shall not unless otherwise provided therein, entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the corporation in the event of liquidation. The Board of Directors may cause scrip or warrants to be issued subject to the conditions that they shall become void if not exchanged for certificates representing the full shares or uncertificated full shares before a specified date, or subject to the conditions that the shares for which scrip or warrants are exchangeable may be sold by the corporation and the proceeds thereof distributed to the holders of scrip or warrants, or subject to any other conditions which the Board of Directors may impose.

**4. STOCK TRANSFERS.** Upon compliance with provisions restricting the transfer or registration of transfer of shares of stock, if any, transfers or registration of transfers of shares of stock of the corporation shall be made only on the stock ledger of the corporation by the registered holder thereof, or by the registered holder's attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the corporation or with a transfer agent or a registrar, if any, and, in the case of shares represented by certificates, on surrender of the certificate or certificates for such shares of stock properly endorsed and the payment of all taxes due thereon.

**5. RECORD DATE FOR STOCKHOLDERS.** In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting. In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining the stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by the General Corporation Law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by the General Corporation Law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the

day on which the Board of Directors adopts the resolution taking such prior action. In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion, or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

**6. MEANING OF CERTAIN TERMS.** As used herein in respect of the right to notice of a meeting of stockholders or a waiver thereof or to participate or vote thereat or to consent or dissent in writing in lieu of a meeting, as the case may be, the term "share" or "shares" or "share of stock" or "shares of stock" or "stockholder" or "stockholders" refers to an outstanding share or shares of stock and to a holder or holders of record of outstanding shares of stock when the corporation is authorized to issue only one class of shares of stock, and said reference is also intended to include any outstanding share or shares of stock and any holder or holders of record of outstanding shares of stock of any class upon which or upon whom the certificate of incorporation confers such rights where there are two or more classes or series of shares of stock or upon which or upon whom the General Corporation Law confers such rights notwithstanding that the certificate of incorporation may provide for more than one class or series of shares of stock, one or more of which are limited or denied such rights thereunder; provided, however, that no such right shall vest in the event of an increase or a decrease in the authorized number of shares of stock of any class or series which is otherwise denied voting rights under the provisions of the certificate of incorporation, except as any provision of law may otherwise require.

**7. STOCKHOI DER MEETINGS.**

- TIME. The annual meeting shall be held on the date and at the time fixed, from time to time, by the directors, provided, that the first annual meeting shall be held on a date within thirteen months after the organization of the corporation, and each successive annual meeting shall be held on a date within thirteen months after the date of the preceding annual meeting. A special meeting shall be held on the date and at the time fixed by the directors.

- PLACE. Annual meetings and special meetings may be held at such place, either within or without the State of Delaware, as the directors may, from time to time, fix. Whenever the directors shall fail to fix such place, the meeting shall be held at the registered office of the corporation in the State of New York. The board of directors may also, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the Delaware General Corporation Law. If a meeting by remote communication is authorized by the board of directors in its sole discretion, and subject to guidelines and procedures as the board of directors may adopt, stockholders and proxyholders not physically present at a meeting of stockholders may, by means of remote communication participate in a meeting of stockholders and be deemed present in person and vote at a meeting of stockholders whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (a) the corporation

shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder, (b) the corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (c) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the corporation.

- CALL. Annual meetings and special meetings may be called by the directors or by any officer instructed by the directors to call the meeting.

- NOTICE OR WAIVER DE NOTICE. Written notice of all meetings shall be given, which shall state the place, if any, date, and hour of the meeting, the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called. The notice of an annual meeting shall state that the meeting is called for the election of directors and for the transaction of other business which may properly come before the meeting, and shall (if any other action which could be taken at a special meeting is to be taken at such annual meeting) state the purpose or purposes. The notice of any meeting shall also include, or be accompanied by, any additional statements, information, or documents prescribed by the General Corporation Law. Except as otherwise provided by the General Corporation Law, the written notice of any meeting shall be given not less than ten days nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the corporation. If a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time, place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. Whenever notice is required to be given under the Delaware General Corporation Law, certificate of incorporation or bylaws, a written waiver signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a stockholder at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the certificate of incorporation or these bylaws.

- STOCKHOLDER LIST. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least ten days prior to the meeting on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting or during ordinary business hours at the principal place of business of the corporation. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by this section or the books of the corporation, or to vote in person or by proxy at any meeting of stockholders.

- CONDUCT OF MEETING. Meetings of the stockholders shall be presided over by one of the following officers in the order of seniority and if present and acting – the Chairperson of the Board, if any, the Vice-Chairperson of the Board, if any, the President, a Vice-President, or, if none of the foregoing is in office and present and acting, by a chairperson to be chosen by the stockholders. The Secretary of the corporation, or in such Secretary's absence, an Assistant Secretary, shall act as secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present the chairperson of the meeting shall appoint a secretary of the meeting.

- PROXY REPRESENTATION. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after 3 years from its date, unless the proxy provides for a longer period. A stockholder may execute a writing authorizing another person or persons to act for such stockholder as proxy. Execution may be accomplished by the stockholder or such stockholder’s authorized officer, director, employee or agent signing such writing or causing such person’s signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature. A stockholder may also authorize another person or persons to act for such stockholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. If it is determined that such telegrams, cablegrams or other electronic transmissions are valid, the inspectors or, if

there are no inspectors, such other persons making the determination shall specify the information upon which they relied. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to Section 212(c) of the Delaware General Corporation Law may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission. A duly executed proxy shall be irrevocable if it states that it is irrevocable and, if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally.

- INSPECTORS. The directors, in advance of any meeting, may, but need not, appoint one or more inspectors of election to act at the meeting or any adjournment thereof. If an inspector or inspectors are not appointed, the person presiding at the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the directors in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, if any, before entering upon the discharge of duties of inspector, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of such inspector's ability. The inspectors, if any, shall determine the number of shares of stock outstanding and the voting power of each, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots, or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots, or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the person presiding at the meeting, the inspector or inspectors, if any, shall make a report in writing of any challenge, question, or matter determined by such inspector or inspectors and execute a certificate of any fact found by such inspector or inspectors. Except as may otherwise be required by subsection (e) of Section 231 of the General Corporation Law, the provisions of that Section shall not apply to the corporation.

- QUORUM. The holders of a majority of the outstanding shares of stock shall constitute a quorum at a meeting of stockholders for the transaction of any business. The stockholders present may adjourn the meeting despite the absence of a quorum.

- VOTING. Each share of stock shall entitle the holder thereof to one vote. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Any other action shall be authorized by a majority of the votes cast except where the General Corporation Law prescribes a different percentage of votes and/or a different exercise of voting power, and except as may be otherwise prescribed by the provisions of the certificate of incorporation and these Bylaws. In the election of directors, and for any other action, voting need not be by ballot.

**8. STOCKHOLDER ACTION WITHOUT MEETINGS.** Except as any provision of the General Corporation Law may otherwise require, any action required by the

General Corporation Law to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting of stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. A telegram, cablegram or other electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed and dated for the purposes of this section, provided that any such telegram, cablegram or other electronic transmission sets forth or is delivered with information from which the corporation can determine that the telegram, cablegram or other electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder or proxyholder and the date on which such stockholder or proxyholder or authorized person or persons transmitted such telegram, cablegram or electronic transmission. The date on which such telegram, cablegram or electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by telegram, cablegram or other electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper shall be delivered to the corporation by delivery to its principal place of business or an officer or agent of the corporation having custody of the book in which the proceedings of meetings of stockholders are recorded, to the extent and in the manner provided by resolution of the board of directors of the corporation.. Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. Action taken pursuant to this paragraph shall be subject to the provisions of Section 228 of the General Corporation Law.

## ARTICLE II
## DIRECTORS

**1. FUNCTIONS AND DEFINITION.** The business and affairs of the corporation shall be managed by or under the direction of the Board of Directors of the corporation. The Board of Directors shall have the authority to fix the compensation of the members thereof. The use of the phrase "whole board" herein refers to the total number of directors which the corporation would have if there were no vacancies.

**2. QUALIFICATIONS AND NUMBER.** A director need not be a stockholder, a citizen of the United States, or a resident of the State of Delaware. The initial Board of Directors shall consist of **two** persons. Thereafter the number of directors constituting the whole board shall be at least one. Subject to the foregoing limitation and except for the first Board of Directors, such number may be fixed from time to time by action of the stockholders or of the directors, or, if the number is not fixed, the number shall be **two**. The number of directors may be increased or decreased by action of the stockholders or of the directors.

**3. ELECTION AND TERM.** The first Board of Directors, unless the members thereof shall have been named in the certificate of incorporation, shall be elected by the incorporator or incorporators and shall hold office until the first annual meeting of stockholders and until their successors are elected and qualified or until their earlier resignation or removal. Any director may resign at any time upon notice given in writing or by electronic transmission to the corporation. Thereafter, directors who are elected at an annual meeting of stockholders, and directors who are elected in the interim to fill vacancies and newly created directorships, shall hold office until the next annual meeting of stockholders and until their successors are elected and qualified or until their earlier resignation or removal. Except as the General Corporation Law may otherwise require, in the interim between annual meetings of stockholders or of special meetings of stockholders called for the election of directors and/or for the removal of one or more directors and for the filling of any vacancy in that connection, newly created directorships and any vacancies in the Board of Directors, including unfilled vacancies resulting from the removal of directors for cause or without cause, may be filled by the vote of a majority of the remaining directors then in office, although less than a quorum, or by the sole remaining director.

**4. MEETINGS.**

- TIME. Meetings shall be held at such time as the Board shall fix, except that the first meeting of a newly elected Board shall be held as soon after its election as the directors may conveniently assemble.

- PLACE. Meetings shall be held at such place within or without the State of Delaware as shall be fixed by the Board.

- CALL. No call shall be required for regular meetings for which the time and place have been fixed. Special meetings may be called by or at the direction of the Chairperson of the Board, if any, the Vice-Chairperson of the Board, if any, of the President, or of a majority of the directors in office.

- NOTICE OR ACTUAL OR CONSTRUCTIVE WAIVER. No notice shall be required for regular meetings for which the time and place have been fixed. Written, oral, or any other mode of notice of the time and place shall be given for special meetings in sufficient time for the convenient assembly of the directors thereat. Whenever notice is required to be given under the Delaware General Corporation Law, certificate of incorporation or bylaws, a written waiver signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of any such person at a meeting shall constitute a waiver of notice of such meeting, except when such person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors need be specified in any written waiver of notice.

- QUORUM AND ACTION. A majority of the whole Board shall constitute a quorum except when a vacancy or vacancies prevents such majority, whereupon a majority of the directors in office shall constitute a quorum, provided, that such majority shall

constitute at least one-third of the whole Board. A majority of the directors present, whether or not a quorum is present, may adjourn a meeting to another time and place. Except as herein otherwise provided, and except as otherwise provided by the General Corporation Law, the vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board. The quorum and voting provisions herein stated shall not be construed as conflicting with any provisions of the General Corporation Law and these Bylaws which govern a meeting of directors held to fill vacancies and newly created directorships in the Board or action of disinterested directors.

Any member or members of the Board of Directors or of any committee designated by the Board may participate in a meeting of the Board, or any such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

- CHAIRPERSON OF THE MEETING. The Chairperson of the Board, if any and if present and acting, shall preside at all meetings. Otherwise, the Vice-Chairperson of the Board, if any and if present and acting, or the President, if present and acting, or any other director chosen by the Board, shall preside.

**5. REMOVAL OF DIRECTORS.** Except as may otherwise be provided by the General Corporation Law, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

**6. COMMITTEES.** The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of any such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation with the exception of any power or authority the delegation of which is prohibited by Section 141 of the General Corporation Law, and may authorize the seal of the corporation to be affixed to all papers which may require it.

**7. WRITTEN ACTION.** Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

## ARTICLE III
## OFFICERS

The officers of the corporation shall consist of a President, a Secretary, a Treasurer, and, if deemed necessary, expedient, or desirable by the Board of Directors, a Chairperson of the Board, a Vice-Chairperson of the Board, an Executive Vice-President, one or more other Vice-Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers with such titles as the resolution of the Board of Directors choosing them shall designate. Except as may otherwise be provided in the resolution of the Board of Directors choosing such officer, no officer other than the Chairperson or Vice-Chairperson of the Board, if any, need be a director. Any number of offices may be held by the same person, as the directors may determine.

Unless otherwise provided in the resolution choosing such officer, each officer shall be chosen for a term which shall continue until the meeting of the Board of Directors following the next annual meeting of stockholders and until such officer's successor shall have been chosen and qualified.

All officers of the corporation shall have such authority and perform such duties in the management and operation of the corporation as shall be prescribed in the resolutions of the Board of Directors designating and choosing such officers and prescribing their authority and duties, and shall have such additional authority and duties as are incident to their office except to the extent that such resolutions may be inconsistent therewith. The Secretary or an Assistant Secretary of the corporation shall record all of the proceedings of all meetings and actions in writing of stockholders, directors, and committees of directors, and shall exercise such additional authority and perform such additional duties as the Board shall assign to such Secretary or Assistant Secretary. Any officer may be removed, with or without cause, by the Board of Directors. Any vacancy in any office may be filled by the Board of Directors.

## ARTICLE IV
## CORPOR ATE SEAL

The corporate seal shall be in such form as the Board of Directors shall prescribe.

## ARTICLE V
## FISCAL YEAR

The fiscal year of the corporation shall be fixed, and shall be subject to change, by the Board of Directors.

## ARTICLE VI
## CONTROL OVER BYLAWS

Subject to the provisions of the certificate of incorporation and the provisions of the General Corporation Law, the power to amend, alter, or repeal these Bylaws and to adopt new Bylaws may be exercised by the Board of Directors or by the stockholders.

I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of the Bylaws of Chazak Value Corp., a Delaware corporation, as in effect on the date hereof.

Dated: _____, 2008

_____
Joseph Sarachek
Secretary of Chazak Value Corp.

# EXHIBIT 2

## AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

# STATE *of* DELAWARE
# CERTIFICATE *of* INCORPORATION
# A STOCK CORPORATION

.

**First:** The name of this Corporation is: Chazak Value Corp. _____
_____.

.

**Second:** Its registered office in the State of Delaware is to be located at _____
1209 Orange Street, in the City of Wilmington
County of New Castle Zip Code 19801. The registered agent in
charge thereof is The Corporation Trust Company.

**Third:** The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

.

**Fourth:** Chazak Value Corp. shall be prohibited from issuing nonvoting equity securities. The amount of the total stock of this corporation is authorized to issue is 60,000,000 shares (number of authorized shares) with a par value of $.01 per share.

.

**Fifth:** The name and mailing address of the incorporator are as follows:
Name: Marc B. Ross
Mailing Address: 75 Rockefeller Plaza, New York, NY 10019

.

**I, The Undersigned,** for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate, and do certify that the facts herein stated are true, and I have accordingly hereunto set my hand this _____day of _____,
A.D. 20 _____.
NAME:_____
(type or print)
BY:_____
(Incorporator)

# EXHIBIT 3

## PROPOSED FORM OF CONFIRMATION ORDER

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

| | | |
|---|---|---|
| In re: | ) | Chapter 11 |
| PUBLICARD, INC., | ) | Bankr. Case No.: 07-11517 (RDD) |
| Debtor. | ) | |

**ORDER CONFIRMING FIRST AMENDED PLAN OF REORGANIZATION OF DEBTOR PUBLICARD, INC.**

PubliCARD, Inc. (the "Debtor"), having filed with this Court its first amended plan of reorganization, dated November 19, 2007 (the "Plan"),[1] a true and correct copy of which is attached hereto as Exhibit 1 and is incorporated herein by reference; and the Debtor having solicited votes to accept or to reject the Plan from parties-in-interest that are impaired under the Plan and that were entitled to vote on the Plan in accordance with the requirements of Bankruptcy Code § 1126(b); and the Debtor having given due, proper, and adequate notice of the date, time, and place for the hearing to consider confirmation of the Plan and the deadline for objecting to same; and upon the affidavit of Kenneth L. Altman, President of The Altman Group, Inc., the Debtor's balloting agent, certifying compliance with this Court's Order (I) Approving Disclosure Statement, (II) Scheduling Hearing to Consider Plan Confirmation, (III) Establishing Deadline for Objecting to Plan, (IV) Approving Form of Ballots, Master Ballots, and Other Solicitation Forms, (V) Approving Voting Deadline, Voting Procedures, Tabulation Procedures, and Solicitation Procedures, and (VI) Approving Form and Manner of Notices and the tabulations of votes on the Plan; and a hearing to consider confirmation of the Plan and other matters relating to confirmation having been held before this Court on January 9, 2008 (the

"Confirmation Hearing") after due notice, and the parties-in-interest herein having had an opportunity to appear and be heard at such hearing; and this Court having considered the Plan; and based upon all other pleadings and papers heretofore filed herein, all proceedings heretofore had herein, and the record of the Confirmation Hearing; and after due deliberation and good and sufficient cause appearing therefor;

IT IS ORDERED THAT:

1. The Plan, a copy of which is attached hereto as Exhibit 1, is confirmed.

2. As provided in Plan Section 9.6(a), except as otherwise provided in the Plan, as of the Confirmation Date, but subject to the occurrence of the Effective Date, each Non-Debtor Releasing Party, in consideration of the obligations of the Debtor and the Reorganized Debtor under the Plan and the New Common Stock and the contracts, instruments, releases, agreements, and documents to be executed and delivered in connection with the Plan, and in consideration of the efforts of the Released Parties to facilitate the expeditious reorganization of the Debtor and the implementation of the restructuring contemplated by the Plan, shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged the Released Parties from any and all claims, obligations, rights, Causes of Action, or liabilities (including, but not limited to, any claims arising out of, or relating to, any alleged fiduciary or other duty; any alleged violation of any federal or state securities law or any other law relating to creditors' rights generally; any of the Released Parties' ownership of any securities of the Debtor; or any derivative claims asserted on behalf of a Debtor), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Non-

[1] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Plan.

Debtor Releasing Party ever had, now has, or may have that are based in whole or in part on any act, omission, transaction, or occurrence from the beginning of time through and including the Effective Date and in any way relating to the Debtor, this Case, or the Plan; the Disclosure Statement; the Plan Documents; the formulation, negotiation, preparation, dissemination, implementation, and/or administration of the Plan, the Disclosure Statement, and the Plan Documents; the confirmation and consummation of the Plan; the subject matter of, or the transactions or events giving rise to, any Claim or Interest of such Non-Debtor Releasing Party, any security previously issued by the Debtor; provided, however, that (i) Plan Section 9.6(a) shall not release, and the Non-Debtor Releasing Parties do not waive the right to enforce, the Debtor's or the Reorganized Debtor's duties, obligations, covenants, and agreements under (a) the Plan, (b) any settlement agreement approved by the Bankruptcy Court in this Case, or (c) the Plan Documents to be delivered under the Plan; (ii) the release set forth in Plan Section 9.6(a) is in addition to the discharge of Claims and termination of Interests provided in the Plan and under the Confirmation Order and the Bankruptcy Code; and (iii) nothing in Plan Section 9.6(a) shall be deemed to assert or imply any admission of liability on the part of any of the Released Parties.

3. As provided in Plan Section 9.6(b), all Non-Debtor Releasing Parties shall be forever precluded from asserting any of the claims released pursuant to Plan Section 9.6 against any of the Released Parties or any of the Released Parties' respective assets; and to the extent that any Non-Debtor Releasing Party receives monetary damages from any Released Party on account of any claim released pursuant to Plan Section 9.6, such Non-Debtor Releasing Party hereby assigns all of its right, title, and interest in and to such recovery to the Released Parties against whom such money is recovered.

4. As provided in Plan Section 9.6(c), notwithstanding any provision of the Plan to the contrary, the releases contained in Plan Section 9.6 shall not be construed as, or operate as a release of, or limitation on (i) any claims by the Non-Debtor Releasing Parties against the Released Parties that do not relate to or involve the Debtor or this Case, (ii) any claims, obligations, rights, causes of action, or liabilities by the Non-Debtor Releasing Parties against the Released Parties arising out of any action or omission to the extent that such action or omission is determined in a Final Order by a court of competent jurisdiction to have constituted willful misconduct or fraud, or (iii) objections to Claims or Interests.

5. As provided in Plan Section 9.7, except as otherwise provided in the Plan, as of the Confirmation Date, but subject to the occurrence of the Effective Date, the Debtor Parties, in consideration of the obligations of the Debtor and the Reorganized Debtor under the Plan and the New Common Stock and the contracts, instruments, releases, agreements, and documents to be executed and delivered in connection with the Plan, and in consideration of the efforts of the Released Parties to facilitate the expeditious reorganization of the Debtor and the implementation of the restructuring contemplated by the Plan, shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or hereafter arising, in law, equity, or otherwise, that such Debtor Party ever had, now has, or may have that are based in whole or in part on any act, omission, transaction, or occurrence taking place on or prior to the Effective Date and in any way relating to the Debtor, this Case, or the Plan; the Disclosure Statement; the Plan Documents; the formulation, negotiation, preparation,

dissemination, implementation, and/or administration of the Plan, the Disclosure Statement, and the Plan Documents; the confirmation and consummation of the Plan; the subject matter of, or the transactions or events giving rise to, any Claim or Interest of such Debtor Party, or any security previously issued by the Debtor, provided, however, that such releases shall not apply to (i) any indebtedness of any Person to the Debtor for money borrowed by such Person or any other contractual obligation of any Person to the Debtor, (ii) any claims by the Debtor Releasing Parties against the Released Parties arising out of any action or omission to the extent that such action or omission is determined in a Final Order by a court of competent jurisdiction to have constituted willful misconduct or fraud, or (iii) any setoff or counterclaim that the Debtor may have or assert against any Person, provided that the aggregate amount thereof shall not exceed the aggregate amount of any Claims or Interests held or asserted by such Person against the Debtor. Holders of Claims and Interests against the Debtor shall be enjoined from commencing or continuing any action, employment of process, or act to collect, offset, or recover any such claim that could be brought on behalf of or in the name of the Debtor.

6. As provided in Plan Section 9.8, this Confirmation Order will and shall be deemed to permanently enjoin the commencement or prosecution by any Person, whether directly, derivatively, or otherwise, of any claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, or liabilities released pursuant to the Plan (including the releases set forth in Plan Article IX).

7. As provided in Plan Section 9.9, no Released Party shall have or incur, and each Released Party and any director or officer appointed after the Petition Date hereby is exculpated from, any liability to any Person for any act taken or not taken or any omission in connection with, arising from or relating to this Case (and the commencement or administration

thereof); the Disclosure Statement, the Plan, or the formulation, negotiation, preparation, dissemination, implementation, or administration of any of the foregoing documents; the solicitation of votes in connection with confirmation of the Plan; the Plan Documents; the confirmation and/or consummation of the Plan; any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan; any other act taken or omitted to be taken in connection with, or in contemplation of, any of the restructuring or other transactions contemplated by the Plan; and the property to be distributed or otherwise transferred under the Plan; provided, however, that nothing in Plan Section 9.9 shall release any entity from any claims, obligations, rights, causes of action, or liabilities arising out of such entity's fraud, gross negligence, willful misconduct, criminal conduct, unauthorized use of confidential information that causes damages, or ultra vires acts, and nothing shall limit the liability of the Debtor's professionals to their client pursuant to any applicable code of professional conduct. Each Released Party shall be entitled reasonably to rely upon the advice of counsel with respect to its duties and responsibilities under the Plan and shall be fully protected in acting or refraining from acting in accordance with such advice.

8. As provided in Plan Section 9.10, nothing in this Conformation Order or the Plan shall effect a release of any claim by the United States Government or any of its agencies or any state or local authority whatsoever, including any claim arising under the Internal Revenue Code, environmental laws, or any criminal laws of the United States or any state or local authority, against the Released Parties, nor shall anything in this Confirmation Order or the Plan enjoin the United States Government or any state or local authority from bringing any claim, suit, action, or other proceeding against the Released Parties for any liability whatsoever, including any claim, suit, or action arising under the Internal Revenue Code,

environmental laws, or any criminal laws of the United States or any state or local authority, nor shall anything in this Confirmation Order or the Plan exculpate any party from any liability to the United States Government or any of its agencies or any state or local authority whatsoever, including any liabilities arising under the Internal Revenue Code, environmental laws, or any criminal laws of the United States or any state or local authority, against the Released Parties.

Dated: New York, New York
January __, 2008

_____
The Honorable Robert D. Drain
United States Bankruptcy Judge

# Exhibit 1

# EXHIBIT 4

# CONTRIBUTION AGREEMENT

# CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT (the "Agreement") is entered into as of the 26th day of October, 2007, by and between The 500 Group, LLC (the "Funding Party"), a New York entity, and PubliCARD, Inc., a Pennsylvania corporation (the "Debtor").

## W I T N E S S E T H:

WHEREAS, on May 17, 2007, the Debtor filed with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code.

WHEREAS, on October 26, 2007, the Debtor filed a plan of reorganization (the "Plan")[1] with the Bankruptcy Court.

WHEREAS, pursuant to the Plan, the Funding Party would receive 370,000 shares of New Common Stock, which shares would represent, as of the Effective Date, 90% of the outstanding shares of New Common Stock.

WHEREAS, in exchange for such New Common Stock and the releases and related provisions set forth in the Plan, the Funding Party wishes to contribute $500,000 to the Debtor on the Effective Date to allow the Debtor to satisfy its obligations under the Plan, among other things;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Funding Party and the Debtor hereby agree as follows:

1. Contribution. In exchange for the New Common Stock provided to the Funding Party under the Plan and the releases and related provisions set forth therein, the Funding Party shall contribute $500,000 to the Debtor on the Effective Date to allow the Debtor to satisfy its obligations under the Plan, among other things.

2. Acceptance. The Debtor hereby agrees to accept such contribution and to record such contribution as a capital contribution in a corresponding amount on its books and records.

3. Bankruptcy Court Approval. This Agreement shall be subject to Bankruptcy Court approval.

4. Authorization. Each party has the full power and authority to execute, deliver, and perform his or its obligations under this Agreement, subject to Bankruptcy Court approval.

---

[1] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Plan.

5. Binding Agreement. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors.

6. Choice of Law. This Agreement shall be construed and enforced in accordance with the internal laws of the State of New York.

7. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

8. Amendments. This Agreement may not be modified, amended, or terminated except by a written agreement executed by all of the parties hereto.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the date first above written.

**THE 500 GROUP, LLC**

By: /s/ Joseph E. Sarachek
Joseph E. Sarachek
Managing Member

**PUBLICARD, INC.**

By: /s/ Jay S. Goldsmith
Jay S. Goldsmith
Director

By: /s/ Harry I. Freund
Harry I. Freund
Director

By: /s/ Emil Vogel
Emil Vogel
Director

By: /s/ Larry G. Schafran
Larry G. Schafran
Director

By: /s/ Clifford B. Cohn
Clifford B. Cohn
Director

# EXHIBIT B

## PROJECTED FINANCIAL INFORMATION FOR THE REORGANIZED DEBTOR

**PubliCard, Inc.** **Exhibit B**

**Projected Consolidated Income Statement**

| | 12/31/2008 | 12/31/2009 | 12/31/2010 |
|---|---|---|---|
| Sales Revenues | 8,903,000 | 15,398,500 | 16,705,070 |
| Equity in Earnings of Subsidiaries | - | - | - |
| Management Fee | - | - | - |
| Net Sales | 8,903,000 | 15,398,500 | 16,705,070 |
| Cost of Goods Sold | | | |
| Product | 5,001,945 | 9,089,469 | 9,849,115 |
| Total COGS | 5,001,945 | 9,089,469 | 9,849,115 |
| COGS % | 56.18% | 59.03% | 58.96% |
| Gross Margin | 3,901,055 | 6,309,031 | 6,855,955 |
| | 43.82% | 40.97% | 41.04% |
| Selling, General and Administrative | | | |
| Sales and Marketing | 1,351,240 | 1,853,356 | 1,913,837 |
| Product Development | 533,983 | 555,343 | 577,556 |
| Administrative | 2,020,571 | 3,258,831 | 3,389,605 |
| Management Fee | - | - | - |
| Total SG&A | 3,905,794 | 5,667,530 | 5,880,998 |
| **Income from Operations** | (4,739) | 641,501 | 974,957 |
| Other Income (Expense) | | | |
| Amortization | (228,106) | (369,068) | (369,068) |
| Interest Income | 19,192 | 51,549 | 49,850 |
| Interest Expense | (74,084) | (87,383) | (61,320) |
| Other | - | - | - |
| Total Other Expenses | (282,998) | (404,902) | (380,538) |
| **Net Income (Loss) Before Taxes** | (287,737) | 236,599 | 594,419 |
| Income Tax Expense | 107,576 | (122,551) | (290,366) |
| **Net Income** | (180,161) | 114,048 | 304,053 |

**PubliCard, Inc.** **Exhibit B**

**Projected Consolidated Balance Sheet**

| | 12/31/2007 | 12/31/2008 | 12/31/2009 | 12/31/2010 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current Assets | | | | |
| Cash | $ 535,000 | $ 2,334,316 | $ 2,600,668 | $ 3,014,262 |
| Account Receivables | 325,000 | 1,707,500 | 1,772,600 | 1,920,700 |
| Inventory | 175,000 | 185,419 | 203,961 | 224,357 |
| Prepaid Expenses | 42,500 | 73,700 | 84,948 | 96,246 |
| Deferred Tax Asset | 400,000 | 513,473 | 390,922 | 259,183 |
| Total Current Assets | 1,477,500 | 4,814,408 | 5,053,099 | 5,514,748 |
| Other Assets | | | | |
| Property and Equipment | 1,248,325 | 1,478,325 | 1,583,325 | 1,688,325 |
| Accumulated Depreciation | (1,248,325) | (1,373,575) | (1,439,825) | (1,526,700) |
| Net Property and Equipment | - | 104,750 | 143,500 | 161,625 |
| Goodwill | 871,435 | 3,462,560 | 3,093,492 | 2,724,424 |
| Investment in Infineer | - | - | - | - |
| Investment in Target Co. | - | - | - | - |
| **TOTAL ASSETS** | $ 2,348,935 | $ 8,381,718 | $ 8,290,091 | $ 8,400,797 |
| **LIABILITIES** | | | | |
| Accounts Payable | $ 500,300 | $ 856,742 | $ 910,067 | $ 966,278 |
| Accrued Expenses | 799,300 | 1,039,477 | 1,077,337 | 1,120,412 |
| Bank Line of Credit | 450,000 | 1,207,094 | 910,234 | 458,974 |
| Income Tax Payable | - | - | - | 158,627 |
| Other | 60,000 | - | - | - |
| Total Current Liabilities | 1,809,600 | 3,103,313 | 2,897,638 | 2,704,291 |
| Due to PubliCard | - | - | - | - |
| **TOTAL LIABILITIES** | 1,809,600 | 3,103,313 | 2,897,638 | 2,704,291 |
| **EQUITY** | | | | |
| Common Equity | 3,667 | 43,021 | 43,021 | 43,021 |
| APIC | 785,668 | 5,665,545 | 5,665,545 | 5,665,545 |
| Retained Earnings | - | (180,161) | (66,113) | 237,940 |
| Accumulated Other Profit/(Loss) | (250,000) | (250,000) | (250,000) | (250,000) |
| **TOTAL EQUITY** | 539,335 | 5,278,405 | 5,392,453 | 5,696,506 |
| **TOTAL LIABILITIES & EQUITY** | $ 2,348,935 | $ 8,381,718 | $ 8,290,091 | $ 8,400,797 |

**PubliCard, Inc.** **Exhibit B**
**Projected Consolidated Statement of Cash Flows**

| | 12/31/2008 | 12/31/2009 | 12/31/2010 |
|---|---|---|---|
| **NET INCOME (LOSS)** | (180,161) | 114,048 | 304,053 |
| **Adjustments to reconcile net income to net cash provided by (used in) Operating Activities** | | | |
| Equity in the Earnings of Subsidiaries | - | - | - |
| Deferred Tax Asset | (113,473) | 122,551 | 131,739 |
| Amortization | 228,106 | 369,068 | 369,068 |
| Depreciation | 25,250 | 66,250 | 86,875 |
| Change in: | | | |
| Accounts receivable | (1,382,500) | (65,100) | (148,100) |
| Inventory | (10,419) | (18,542) | (20,396) |
| Prepaid Expenses | (31,200) | (11,248) | (11,298) |
| Accounts Payable | 356,442 | 53,325 | 56,211 |
| Accrued Expenses | 240,177 | 37,860 | 43,075 |
| Income Tax Payable | - | - | 158,627 |
| Other | (60,000) | - | - |
| **Cash provided by (used in) Operating Activities** | (927,778) | 668,212 | 969,854 |
| **Cash provided by (used in) Investing Activities** | | | |
| Capital Expenditures | (30,000) | (105,000) | (105,000) |
| Investment in Target Co. | (1,000,000) | - | - |
| | - | - | - |
| **Cash provided by (used in) Investing Activities** | (1,030,000) | (105,000) | (105,000) |
| **Cash provided by (used in) Financing Activities** | | | |
| Repayment of amounts due to PubliCard | - | - | - |
| Additional Paid in Capital | 3,000,000 | - | - |
| Net borrowings under Line of Credit | 757,094 | (296,860) | (451,260) |
| Other | - | - | - |
| **Cash provided by (used in) Financing Activities** | 3,757,094 | (296,860) | (451,260) |
| Change in cash and equivalents | 1,799,316 | 266,352 | 413,594 |
| Beginning Cash | 535,000 | 2,334,316 | 2,600,668 |
| Ending Cash | 2,334,316 | 2,600,668 | 3,014,262 |

**PubliCard, Inc. Consolidated**
**Valuation Analyses**

**Exhibit B**

| **Discounted Cash Flows** | | **2008** | **2009** | **2010** |
|---|---|---|---|---|
| Operating Income | | (4,739) | 641,501 | 974,957 |
| Depreciation | | 25,250 | 66,250 | 86,875 |
| Issuance of Stock | | 3,000,000 | - | - |
| Investment in Target Co. | | (1,000,000) | - | - |
| Interest Payments | | (54,892) | (35,834) | (11,470) |
| Cap Ex | | (30,000) | (105,000) | (105,000) |
| Cash Taxes | | - | - | (160,448) |
| Change in Non-Cash Net Working Capital | | (130,406) | (300,565) | (654,996) |
| Free Cash Flow | | 1,805,213 | 266,352 | 129,918 |
| | | | | |
| Discount Rate | | 18% | 19% | 20% |
| | | $ 1,800,203 | $ 1,782,170 | $ 1,764,495 |
| Terminal Value 2010 @ | 4.4x | 2,610,911 | 2,545,642 | 2,482,529 |
| | | **$ 4,411,115** | **$ 4,327,811** | **$ 4,247,024** |
| | | | | |
| Free Cash Flow | | 1,805,213 | 266,352 | 129,918 |
| Discount Rate | | 18% | 19% | 20% |
| | | $ 1,800,203 | $ 1,782,170 | $ 1,764,495 |
| Terminal Value 2010 @ | 4.9x | 2,907,606 | 2,834,919 | 2,764,635 |
| | | **$ 4,707,809** | **$ 4,617,089** | **$ 4,529,130** |
| | | | | |
| Free Cash Flow | | 1,805,213 | 266,352 | 129,918 |
| Discount Rate | | 18% | 19% | 20% |
| | | $ 1,800,203 | $ 1,782,170 | $ 1,764,495 |
| Terminal Value 2010 @ | 5.4x | 3,204,300 | 3,124,196 | 3,046,741 |
| | | **$ 5,004,504** | **$ 4,906,366** | **$ 4,811,235** |

# EXHIBIT C

# HYPOTHETICAL LIQUIDATION ANALYSIS

**PubliCARD, Inc.**
**Case No. 07-11517**
**Liquidation Analyses**

**Exhibit C**

| | Chapter 7 Liquidation | Under Proposed Plan |
|---|---|---|
| ***Assets:*** | | |
| Cash | $ 35,000 | $ 35,000 |
| Prepaid Insurance | 15,000 | 15,000 |
| Deposits/Retainers | 15,000 | 15,000 |
| Investment in Infineer Ltd. | - | - |
| Plan Funding | | 500,000 |
| **Total Assets available for administrative, priority and unsecured claims** | 65,000 | 565,000 |
| ***Administrative Claims*** | | |
| U.S. Trustee quarterly fees (Estimated) | 1,000 | 1,000 |
| J. Sarachek (2) | 52,500 | 52,500 |
| M. Ross (2) | 14,300 | 14,300 |
| Debtor's Attorney | 20,000 | 20,000 |
| Accrued Insurance | 15,000 | 15,000 |
| Accrued Professional Fees | 38,500 | 38,500 |
| Accounts Payable | 24,800 | 24,800 |
| *Other fees incurred upon liquidation - Estimated:* | | |
| Chapter 7 Trustee | 1,950 | |
| Trustee Attorney's fees | 10,000 | |
| **Total Administrative Claims** | **178,050** | **166,100** |
| ***Secured Claims*** | | |
| None | - | |
| **Total Secured Claims** | **-** | **-** |
| ***Priority Claims*** | | |
| Commonwealth of PA | 1,200 | 1,200 |
| New York City | 4,950 | 4,950 |
| New York State | 196 | 196 |
| **Total Priority Claims** | **6,346** | **6,346** |
| **Assets to fund the Reorganized Debtor** | - | **332,554** |
| **Assets available for general unsecured claims** | **$ (119,396)** | **$ 60,000** |
| **General Unsecured Claims (3)** | | |
| Kaye Scholer | $ 269,210 | $ 269,210 |
| Other potential claims | 50,000 | 50,000 |
| IRS | 20,274 | 20,274 |
| State of Illinois | 30,674 | 30,674 |
| NYS Department of Finance | 18,304 | 18,304 |
| Kingery and Crouse | 7,518 | 7,518 |
| Iron Mountain | 2,345 | 2,345 |
| Continental | 1,586 | 1,586 |
| **Total** | **$ 399,911** | **$ 399,911** |
| **Recovery to General Unsecured Creditors** | 0% | 15% |
| **Recovery Available to Preferred Equity Holders** | 0% | > 6% |
| **Recovery Available to Common Equity Holders** | 0% | 6% |

(1) This Liquidation Analysis is based upon estimates and financial information as of November 30, 2007.

(2) Mr. Sarachek has agreed to defer half of his monthly compensation until the confirmation date. Mr. Ross, has agreed to defer all his salary through the confirmation date.

(3) Includes face amount of claim, or stipulated amount, as applicable. The Debtor reserves the right to object to claims in this case.

If you have any questions, please call 1-800-206-0007.