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FORMER CANOPY FINANCIAL CO-FOUNDER PLEADS GUILTY TO $75 MILLION INVESTMENT FRAUD AND $18 MILLION MISAPPROPRIATION FROM CUSTODIAL HEATH CARE EXPENSE ACCOUNTS OF 1,600 CUSTOMERS

CHICAGO — A co-founder of Canopy Financial, Inc., a bankrupt health care transaction software company based here, pleaded guilty today to defrauding investors and clients of more than $93 million. The defendant, **Jeremy Blackburn**, Canopy's former president and chief operating officer, admitted his role in a fraud scheme that cheated investors of approximately $75 million, while at the same time misappropriating more than $18 million from customer accounts intended for health care savings and expenses. Blackburn pleaded guilty to one count of wire fraud in U.S. District Court, announced Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois; Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; and James Vanderberg, Special Agent-in-Charge of the U.S. Department of Labor Office of Inspector General in Chicago.

Blackburn, 37, of Bolingbrook, remains free on a $1 million bond pending sentencing, which was scheduled for March 8, 2011, by U.S. District Judge Ruben Castillo. His plea agreement contemplates a federal sentencing guideline range of 188-235 months in prison, and he faces a maximum penalty of 20 years in prison and a $250,000 fine. The Court also must order restitution and Blackburn agreed to a forfeiture judgment in the amount of $93,125,918.

A second defendant, **Anthony Banas**, 33, of Homer Glen, Canopy's chief technology officer, pleaded guilty to wire fraud in September and is scheduled to be sentenced on March 30, 2011.

According to Blackburn's plea agreement, both he and Banas used false information about Canopy's financial condition, including a bogus auditor's report and falsified bank statements, to fraudulently obtain approximately $75 million from several private equity investors in 2009. Approximately $39 million of that money was used to redeem shares of other Canopy investors, including approximately $1.6 million that went to Blackburn and $975,000 that went to Banas, while another $29 million obtained from investors was deposited into Canopy operating accounts. Blackburn and Banas also misappropriated Canopy operating funds for their own benefit.

Blackburn alone took approximately $6 million in unauthorized withdrawals and transfers from Canopy bank accounts during 2009. Blackburn generally directed a Canopy employee, or occasionally Banas, to make the funds transfers to his bank accounts, or to pay for his personal expenses, such as credit card balances, luxury car purchases, and funding his account with a private jet company. Among Blackburn's luxury car purchases with Canopy funds were the following: two 2010 Range Rover SUVs, a 2009 Bentley, a 2008 Lamborghini, a 2010 Lamborghini, a 2009 Rolls Royce Phantom, a 2009 Aston Martin DBS, a 2009 Bentley Continental, and a 2009 Ferrari 430. Blackburn also paid for personal home renovations, bought sports tickets and purchased jewelry and watches using misappropriated Canopy funds.

Blackburn admitted that he created phony bank statements during 2009 to conceal the transfer of more than $18 million from special health care accounts in which Canopy held funds as custodian for the benefit of more than 1,600 clients and customers to make payments to medical providers. The funds were transferred to Canopy's own operating accounts, as well as to benefit Blackburn and Banas personally.

In 2004, Blackburn, Banas and a third individual co-founded Canopy, which reportedly was one of the country's fastest-growing privately-held companies before it entered bankruptcy proceedings in November 2009. At that time, a special committee of outside directors reported information to federal law enforcement officials and continues to cooperate with the ongoing investigation, officials said. A civil enforcement action filed by the U.S. Securities and Exchange Commission against Canopy remains pending and law enforcement officials noted the ongoing cooperation of the SEC's Chicago Regional Office.

Canopy, which had offices in Chicago, Plainsboro, N.J., and San Francisco, developed and marketed software programs for banks and health care payers to administer and process payments involving health-related savings and spending accounts. Canopy's products related to expense tracking, online bill payment and claims processing for healthcare transactions.

According to Blackburn's plea agreement, in late 2008 and early 2009, Canopy's CEO and Blackburn discussed a proposal sell Canopy. The Canopy CEO encouraged Blackburn to present the company's board of directors with a bleak forecast of its performance, and they discussed the possibility of soliciting investors to provide capital for Canopy. The Canopy CEO also encouraged Blackburn to prepare optimistic financial statements to be provided, with the assistance of an investment banker, to prospective investors to induce investment in Canopy.

Blackburn then prepared false monthly operating reports inflating Canopy's revenue and distributed them to others knowing they would be used to solicit investors. Beginning in March

2009, in connection with the offer and sale of Series D preferred stock by Canopy, Blackburn and Banas made materially false representations to prospective investors about canopy's financial condition, including its revenues, profitability and total number of client accounts, and falsely represented to prospective investors that its financial statements had been audited by KPMG, the international network of audit, tax and consulting firms.

In addition to the phony audit report, Blackburn and Banas created falsified bank statements for the months of January through June 2009, purporting to show a Canopy account at Northern Trust Bank with monthly balances ranging between $5.7 million and $8.9 million. Blackburn admitted that these misrepresentations caused certain investors, including entities affiliated with Spectrum Equity Investors, to invest a total of nearly $75 million in shares of Canopy preferred stock in July and August 2009.

The government is being represented by Assistant U.S. Attorneys Stephanie Zimdahl and Manish Shah.

The prosecution falls under the umbrella of the Financial Fraud Enforcement Task Force, which includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit: www.StopFraud.gov.

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