

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
Greenbelt Division**

In re:)	
)	
SENATE ACCEPTANCE CORPORATION)	Chapter 11
SENATE INSURANCE AGENCY, INC.)	Case No: 13-30244-DER
)	<i>Substantively Consolidated</i>
Debtors.)	
)	

**DISCLOSURE STATEMENT WITH RESPECT TO
CHAPTER 11 TRUSTEE'S FIRST AMENDED PLAN OF LIQUIDATION
FOR THE ESTATES OF SENATE ACCEPTANCE
CORPORATION AND SENATE INSURANCE AGENCY, INC.**

ARTICLE I. INTRODUCTION

Janet M. Nesse, in her capacity as Chapter 11 Trustee (the "Chapter 11 Trustee") for the substantively consolidated debtors Senate Acceptance Corporation ("Senate Acceptance") and Senate Insurance Agency, Inc. ("Senate Insurance," and collectively with Senate Acceptance, the "Debtors") submits this disclosure statement (the "Disclosure Statement") pursuant to Bankruptcy Code section 1125, for use in the solicitation of votes on the Chapter 11 Trustee's First Amended Plan of Liquidation for the Estates of Senate Acceptance Corporation and Senate Insurance Agency, Inc. (the "Plan"). A copy of the Plan is annexed as Exhibit A to this Disclosure Statement.

This Disclosure Statement sets forth certain information regarding the Debtors' prepetition operating and financial history, the reason why they were placed in bankruptcy, and significant events that have occurred during these Chapter 11 Cases. This Disclosure Statement also describes terms and provisions of the Plan, certain effects of Confirmation of the Plan, and the manner in which Distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that Holders of Claims entitled to vote under the Plan must follow for their votes to be counted.

Except as otherwise provided herein, capitalized terms not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Plan. Unless otherwise noted herein, all dollar amounts provided in this Disclosure Statement and in the Plan are given in United States dollars.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN DOCUMENTS RELATED TO THE PLAN, CERTAIN EVENTS IN THESE CHAPTER 11 CASES AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE CHAPTER 11 TRUSTEE BELIEVES THAT SUCH SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY

REFERENCE TO THE FULL TEXT OF SUCH DOCUMENTS. THE CHAPTER 11 TRUSTEE DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING FINANCIAL INFORMATION, IS WITHOUT ANY INACCURACY OR OMISSION.

THE CHAPTER 11 TRUSTEE BELIEVES THAT THE PLAN WILL ENABLE THE ESTATES TO ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE ESTATES AND THE HOLDERS OF ALL CLAIMS. ACCORDINGLY, THE CHAPTER 11 TRUSTEE URGES HOLDERS OF CLAIMS TO VOTE TO ACCEPT THE PLAN.

ARTICLE II. PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Notice to Holders of Claims and Interests

This Disclosure Statement will be transmitted to Holders of Claims that are entitled to vote on the Plan. A discussion and listing of those Holders of Claims that are entitled to vote on the Plan and those Holders of Claims that are not entitled to vote on the Plan is provided herein. The primary purpose of this Disclosure Statement is to provide adequate information to enable such Claimholders to make a reasonably informed decision with respect to the Plan prior to exercising their right to vote to accept or reject the Plan.

The Bankruptcy Court has been asked to approve this Disclosure Statement as containing information of a kind and in sufficient and adequate detail to enable such Claimholders to make an informed judgment with respect to acceptance or rejection of the Plan. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT (WHEN SUCH APPROVAL IS OBTAINED) DOES NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN, OR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

WHEN AND IF CONFIRMED BY THE BANKRUPTCY COURT, THE PLAN WILL BIND ALL HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS, WHETHER OR NOT SUCH HOLDERS ARE ENTITLED TO VOTE OR DID VOTE ON THE PLAN AND WHETHER OR NOT HOLDERS RECEIVE OR RETAIN ANY DISTRIBUTIONS OR PROPERTY UNDER THE PLAN. THUS, YOU ARE ENCOURAGED TO READ THE PLAN AND THIS DISCLOSURE STATEMENT CAREFULLY. IN PARTICULAR, ALL HOLDERS OF IMPAIRED CLAIMS WHO ARE ENTITLED TO VOTE ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS EXHIBITS CAREFULLY AND IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

This Disclosure Statement contains important information about the Plan, the Debtors' businesses and operations, considerations pertinent to acceptance or rejection of the Plan and developments concerning these Chapter 11 Cases.

THIS DISCLOSURE STATEMENT IS THE ONLY DOCUMENT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE PLAN. No solicitation of

votes may be made except after distribution of this Disclosure Statement, and no person has been authorized to distribute any information concerning the Debtors other than the information contained herein.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES AND ASSUMPTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS. Except as otherwise specifically and expressly stated herein, this Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Disclosure Statement. The Chapter 11 Trustee does not anticipate that any amendments or supplements to this Disclosure Statement will be distributed to reflect such occurrences. Accordingly, the delivery of this Disclosure Statement shall not under any circumstance imply that the information herein is correct or complete as of any time *subsequent* to the date hereof.

THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN AUDITED BY A CERTIFIED PUBLIC ACCOUNTING FIRM AND HAS NOT BEEN PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

B. Holders of Claims Entitled to Vote

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired *and* that are in a class that will receive a distribution under a proposed chapter 11 plan are entitled to vote to accept or reject a proposed chapter 11 plan. Classes of claims in which the holders of claims are unimpaired under a chapter 11 plan are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan. Classes of claims or interests that receive no distribution on account of their claims or interests are deemed to have rejected the plan and are not entitled to vote to accept or reject the plan.

Under Bankruptcy Code section 1124, a class of claims or interests is deemed to be “impaired” under a plan unless (i) the plan leaves unaltered the legal, equitable and contractual rights to which such claim or interest entitled the holder thereof or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults.

In addition, a holder of an impaired claim or interest which is entitled to receive or retain property under a plan may vote to accept or to reject a plan only if the claim or interest is “allowed” for purposes of voting, which means generally that no party in interest has objected to such claim or interest or, if no proof of claim was filed, that such claim or interest has not been scheduled by the debtor as contingent, unliquidated or disputed.

Thus, the Holder of a Claim against the Debtors that is Impaired under the Plan is entitled to vote to accept or reject the Plan if (i) the Plan provides a Distribution in respect of such Claim, (ii)(a) the Claim has been scheduled by the Chapter 11 Trustee on behalf of a Debtor (and such claim is not scheduled at zero or as disputed, contingent or unliquidated) or (b) the Claimholder has filed a Proof of Claim on or before the Bar Date applicable to such Holder, pursuant to Bankruptcy

Code sections 502(a) and 1126(a) and Bankruptcy Rules 3003 and 3018, and (iii) (a) no objection to the Claim has been timely filed or any timely objection been withdrawn, dismissed or denied by Final Order, or (b) pursuant to Bankruptcy Rule 3018(a), upon application of the Holder of the Claim with respect to which there has been an objection, the Bankruptcy Court temporarily allows the Claim in an amount that the Bankruptcy Court deems proper for the purpose of accepting or rejecting the Plan.

C. Acceptance of the Plan

The Bankruptcy Code defines “acceptance” of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the claims that cast ballots for acceptance or rejection of the plan. Acceptance of a plan by a class of interests requires acceptance by at least two-thirds (2/3) of the number of shares in such class that cast ballots for acceptance or rejection of the plan.

Bankruptcy Code section 1129(b) permits the confirmation of a plan notwithstanding the non-acceptance of a plan by one or more impaired classes of claims or interests. Under that section, a plan may be confirmed by a bankruptcy court if it does not “discriminate unfairly” and is “fair and equitable” with respect to each non-accepting class.

After approval of this Disclosure Statement by the Bankruptcy Court, a copy of the Plan will be mailed to all creditors, all parties-in-interest entitled to vote pursuant to § 1126 of the Bankruptcy Code, and within the manner specified by Bankruptcy Rule 3017(d), accompanied by a ballot. Pursuant to § 1126(a) of the Bankruptcy Code, any holder of an Allowed Claim or an Allowed Interest may accept or reject the Plan. However, approval or rejection of the Plan is measured by Classes of Claims and interests rather than by each Claim holder or interest holder. A Class of Claims or interests which is not impaired by the Plan is conclusively presumed to have accepted the Plan. Accordingly, no Class of Claims that is unimpaired by the Plan need submit a ballot for voting.

If this Disclosure Statement is approved, then pursuant to § 1128 of the Code and Bankruptcy Rules 2002(b), 3017 and 3018, the Court shall conduct a hearing to consider confirmation of the Plan on twenty eight (28) days notice to creditors and parties in interest, unless shortened by order of the Bankruptcy Court. A party-in-interest may object to the confirmation of the Plan. The date by which objections must be filed to the confirmation of the Plan and by which votes must be submitted shall be established at a date and in a manner as determined by the Bankruptcy Court.

ARTICLE III. HISTORY, OPERATIONS, AND STRUCTURE OF THE DEBTORS

A. History of the Debtors

Prior to the filing of these bankruptcy cases, Senate Acceptance provided premium financing for automobile insurance policies purchased from various insurance carriers through Senate Insurance. Typically, customers of Senate Insurance electing to finance their policies signed a premium finance agreement with Senate Acceptance, which (1) granted Senate

Acceptance (i) a security interest in the policy, and (ii) power of attorney to cancel the policy upon default; and (2) assigned any refunds to Senate Acceptance. Additionally, Senate Acceptance had several affiliated acceptance corporations, including Presidential Acceptance Corporation and Congress Acceptance Corporation. The insurance policies were typically sold to low income customers who could not afford to pay a full insurance premium from an insurance company. Many of these customers were considered high risk and had poor credit and/or poor driving records.

When a policy premium is financed, Senate Acceptance was responsible for paying the premium to the insurance carrier between seven (7) and thirty (30) days after issuance of the policy. The customer policyholder was typically responsible for paying the balance of the premium to Senate Acceptance in monthly installments over one year with interest at an average rate of between twenty-five and twenty-eight percent (25-28%). Approximately forty percent (40%) of customers' policies were cancelled for default or otherwise. Thus, the Debtors derived cash flow chiefly from two sources: (i) monthly loan payments made by customers; and (ii) refunds of unearned premiums on insurance policies that were cancelled.

Geary B. Katz ("Mr. Katz") was the president, chief executive officer, and sole or controlling shareholder of both Senate Acceptance and Senate Insurance. In addition to the Debtors, Mr. Katz owned and operated Laurel Insurance Corporation ("**Laurel**"), which also sold insurance policies. Mr. Katz owned Congress Acceptance Corporation ("**Congress Acceptance**"), and 50% of Presidential Acceptance Corporation ("**Presidential Acceptance**"), entities that provided premium financing to insurance customers. Mr. Katz operated both of those entities. Mr. Katz also owned and controlled Congress Motor Club, Inc. ("**Congress Motor**"), which assessed additional fees to customers to join a "car club." Finally, Mr. Katz was the 50% member of Middleview Holdings, LLC ("**Middleview**"), which owned 352 Main Street in Laurel, Maryland, where all of the Debtor Related Companies (as defined below) operated their businesses (together, Laurel Insurance, Presidential Acceptance, Congress Acceptance, Congress Motor and Middleview, the "Debtor Related Entities"). The other 50% shareholder of Presidential Acceptance and Middleview was Jonathan Friedlander, who also acted as general counsel to the Debtors and the Debtor Related Entities.

Senate Acceptance was privately financed through loans made by numerous private individuals and entities. Such lenders have filed approximately \$81 million of claims against Senate Acceptance. Senate Acceptance appears to have engaged in a pattern and practice of borrowing funds from such lenders to fund existing debt service and payoff on existing promissory notes and/or to pay premiums due to insurance carriers on automobile policies.

Additionally, the Debtor obtained accounts receivable financing from Python Financial Solutions, Inc. ("Python"), which has asserted a \$425,775.00 claim against the Debtors, which it asserts is secured by all of the Debtors' assets.

Prior to these Chapter 11 cases, the Debtors fell behind on paying the insurance premiums associated with policies that it sold and financed. The funds from the sales of such policies were often used to fund the lavish lifestyle of Mr. Katz, as well as payments to investors in order to assure a stream of new investors. On December 12, 2013, the Maryland Insurance

Administration summarily suspended the license of Mr. Katz, Senate Insurance and Laurel Insurance to sell insurance in Maryland. *See Maryland Insurance Administration v. Geary B. Katz, Senate Insurance Agency, Inc. and Laurel Insurance Corporation*, Case No. MIA-2013-12-101, before the Maryland Insurance Commissioner.

The Debtors did not maintain current financial statements or other records, such as a profit and loss statement, balance sheet, cash flow statement, key performance indicator reports. Financial records were typically prepared years behind schedule. The Chapter 11 Trustee hired a forensic accountant to help decipher the Debtors' financial records.

ARTICLE IV. CHAPTER 11 CASES

A. Involuntary Petition and Appointment of Chapter 11 Trustee

On December 2, 2013 (the "Senate Acceptance Petition Date"), CMS Family IV LLC, Charles M. Steiner, the Nioma Cohen Trust f/b/o Ronna Cohen, the Sheldon Monsein Living Trust, the Judith Monsein Living Trust and Lauren Miller (the "Petitioning Creditors") filed an involuntary petition (the "Senate Acceptance Involuntary Petition") under chapter 7 of the Bankruptcy Code against Senate Acceptance. Simultaneously, the Petitioning Creditors filed a motion to appoint an interim trustee for Senate Acceptance, citing, *inter alia*, Senate Acceptance's depletion of assets, failure to keep adequate records, and ongoing subscription of insurance policies without the ability to fund them (the "Trustee Motion," Senate Acceptance, Docket No. 3). The Petitioning Creditors also filed a motion to expedite, which was heard on December 4, 2013, and denied. Then Court then scheduled a hearing on the Trustee Motion for December 9, 2013.

On December 8, 2013, Senate Acceptance filed a motion to convert its case to Chapter 11. Subsequently, the hearing on the Trustee Motion was continued until December 16, 2013. On December 12, 2013, the Court converted the Senate Acceptance case to Chapter 11. On December 13, 2013, the Court entered its Consent Order Directing Appointment of Chapter 11 Trustee (the "Trustee Order", Senate Acceptance, Docket No. 29). The Trustee Order also acted as an order for relief under Section 303 of the Bankruptcy Code. On December 19, 2013, the Office of the United States Trustee moved to appoint the Chapter 11 Trustee as chapter 11 trustee. Senate Acceptance Docket No. 35. On December 23, 2013, the Court approved the Chapter 11 Trustee's appointment as Chapter 11 Trustee.

B. Filing of Involuntary Petition against Geary Katz

On January 8, 2014, three creditors filed a Chapter 7 involuntary petition against the Debtors' owner, Mr. Katz, commencing case no. 14-10356-DER. Katz, Docket No. 1. On January 9, 2014, those creditors filed a motion to appoint an interim trustee, citing Mr. Katz's fraud and lavish spending. Katz, Docket No. 3.

On January 21, 2014, Mr. Katz filed a motion to convert his case to Chapter 11, which was granted on January 23, 2014. Katz, Docket Nos. 15, 17. On January 24, 2014, the Court entered its Consent Order Resolving Emergency Motion for Appointment of an Interim Trustee Pursuant to 11 U.S.C. § 303(g), which resolved the Katz Trustee Motion by, *inter alia*,

unconditionally assigning all of Mr. Katz's executive powers, voting, and management rights in Senate Insurance and the Debtor Related Companies to the Chapter 11 Trustee and requiring Mr. Katz to cooperate with the Chapter 11 Trustee regarding their management. Katz, Docket No. 23. Thus, the Chapter 11 Trustee is now in control of the Debtor Related Companies.

On February 6, 2014, the Chapter 11 Trustee moved to consolidate Mr. Katz's case with Senate Acceptance's case. That motion was denied by the Court after a hearing on March 21, 2014. On March 25, 2014, the Chapter 11 Trustee moved to convert Mr. Katz's case to Chapter 7. Katz, Docket No. 119. On April 14, 2014, the Court entered a Consent Order Converting Case to Case Under Chapter 7. Katz, Docket No. 144. Michael G. Wolff has been appointed as the Chapter 7 Trustee for Mr. Katz's bankruptcy estate.

C. Creditors Committee

On January 31, 2014, the Office of the United States Trustee appointed (1) Gary C. Becker; (2) Adam Steiner, managing director of CMS Family IV, LLC; (3) Douglas Monsein, Trustee of the Doug Monsein Family Trust; (4) Jonathan L. Hazman; and (5) Stuart Soberman to the Official Committee of Unsecured Creditors (the "Committee"). Gary C. Becker serves as chairperson of the Committee. The Committee has not engaged counsel.

D. Filing of Senate Insurance Case and Substantive Consolidation with Senate Acceptance case

On February 5, 2014, the Chapter 11 Trustee caused Senate Insurance to file Chapter 11 bankruptcy, commencing case no. 14-11743-DER. On March 28, 2014, the Court entered an order granting the Chapter 11 Trustee's motion for substantive consolidation of the Senate Insurance case with the Senate Acceptance Case. Senate Acceptance, Docket No. 186.

E. Stay of Litigation

An immediate effect of the filing of the Debtors' bankruptcy petitions was the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoins the commencement or continuation of all collection efforts by Creditors, the enforcement of Liens against property of the Debtors and their estates, and the continuation of litigation against the Debtors. The automatic stay remains in effect, unless modified by the Bankruptcy Court, until dismissal of these cases, or consummation of a plan of reorganization or liquidation.

F. Order Limiting Notice

On June 6, 2014, the Court entered an order authorizing the Chapter 11 Trustee to provide limited notice of administrative matters [Docket No. 256], except for matters of which notice must be given to all creditors pursuant to Bankruptcy Rule 2002 of the Federal Rules of Bankruptcy Procedure, by providing notice to the following entities:

1. The Office of the United States Trustee;
2. Members of the Committee and any counsel which it hires; and

3. All other entities requesting special notice by filing a written request with the Clerk and serving a copy of said request on counsel for the Chapter 11 Trustee.

G. Retention of Professionals

The Chapter 11 Trustee has obtained court approval of the engagement of the following professionals:

1. **Stinson:** On January 24, 2014, the Court entered an order authorizing the Chapter 11 Trustee to employ Stinson Leonard Street LLP (“Stinson”) as bankruptcy counsel. Senate Acceptance, Docket No. 89. On September 2, 2014, the Court approved \$443,144.60 in fees for Stinson and \$5,757.62 in expenses. Senate Acceptance, Docket No. 328.

2. **McNamee Hosea:** On February 4, 2015, the Court entered an order authorizing the Chapter 11 Trustee to employ McNamee, Hosea, Jernigan, Kim, Greenan & Lynch, P.A. (“McNamee Hosea”) as replacement bankruptcy counsel. Senate Acceptance, Docket No. 374. On May 26, 2015, the Court approved \$53,700.00 in fees for McNamee Hosea and \$568.68 in expenses. Senate Acceptance, Docket No. 407. On January 8, 2016, the Court approved an additional \$115,882.50 in fees for McNamee Hosea and \$690.20 in expenses. Senate Acceptance, Docket No. 468.

3. **ICS:** On March 18, 2014, the Court entered an order authorizing the Chapter 11 Trustee to employ I. C. Systems, Inc. (“ICS”) to assist in the collection of accounts receivable, and authorizing ICS to be paid 40% of its collections without further application. Docket No. 176. ICS is paid out of collections, and no amounts are now due to ICS.

4. **Stout Risius Ross:** On March 14, 2014, the Court entered an order approving the retention of Victor Y. Lipnitsky and Stout Risius Ross, Inc. as forensic accountants for the estate. Docket No. 172. On September 2, 2014, the Court approved \$75,657.00 in fees for Victor Y. Lipnitsky and Stout Risius Ross, Inc. and \$879.19 in expenses. Senate Acceptance, Docket No. 327. On March 19, 2015, the Court approved an additional \$24,988.50 in fees for Victor Y. Lipnitsky and Stout Risius Ross, Inc. and \$168.49 in expenses. Senate Acceptance, Docket No. 385.

5. **Strauss:** On February 28, 2014, the Court entered an order approving the retention of Larry Strauss and the firm of Larry Strauss, Esq. & Associates (collectively, “Strauss”) as accountants for the estate, specifically to prepare tax returns. Docket No. 160. On August 29, the Court approved \$42,711.00 in fees for Strauss, and \$85.00 in expenses. Senate Acceptance, Docket No. 327. On March 19, 2015, the Court approved an additional \$ 26,156.00 in fees for Strauss and \$255.00 in expenses. Senate Acceptance, Docket No. 386.

6. **Cole Schotz:** After the Senate Acceptance Involuntary Petition was filed, but before the Chapter 11 Trustee was appointed, Senate Acceptance engaged the law firm of Cole, Schotz, Meisel, Forman & Leonard, P.A. (“Cole Schotz”) to represent it as a

debtor. Senate Acceptance provided Cole Schotz a \$59,000 retainer. Cole Schotz incurred \$37,072 in fees and \$342.23 in connection with its representation of Senate Acceptance, and obtained court authority to apply its retainer to its fees. Senate Acceptance, Docket No. 112. The Chapter 11 Trustee does not believe Cole Schotz is owed any additional fees or expenses.

H. Exclusivity: Upon appointment of the Chapter 11 Trustee, the Debtors' exclusive period to file a Chapter 11 plan terminated. *See* 11 U.S.C. § 1121(c)(1). Any party in interest may now file a plan. *Id.*

I. Sale of Assets: On June 6, 2014, the Court approved, after an auction, the sale of substantially all of the Debtors' business assets, including but not limited to its business name, all promotional materials, client list, leases, and office furniture, including computers, to EZ Insurance Group, LLC for \$550,000. The sale price is to be paid as follows: \$125,000.00 at closing; \$175,000.00 in year one in twelve equal increments of \$14,583.33; \$175,000.00 in year two in twelve equal increments of \$14,583.33; and \$75,000.00 in year three in twelve equal increments of \$6,250.00. Docket No. 255.

J. Adversary Proceedings

The Chapter 11 Trustee has filed the following adversary proceedings against third parties:

Defendant	Case Number	Demand Amount	Result
American Express Company	14-00285	\$1,149,911.00	Settled for \$290,000.00
Wells Fargo Bank, National Association	14-00331	\$35,979.00	Settled for \$9,635.00
Discover Bank	14-00332	\$80,018.00	Dismissed voluntarily
Gabrielle Katz	14-00282	\$81,948.00	Settled along with adversary proceedings against Garrett Katz and Gregory Katz for aggregate amount of \$120,000.00
Garrett Katz	14-00283	\$586,582.00	See above
Gregory Katz	14-00284	\$460,016.00	See above
Donald C. Grau; Grau & Co., LLC	15-00651	\$1,000,000.00	Settled for \$22,000, Awaiting Payment

Bruce Mogol; Kahn Berman Solomon Taubel & Mogol, PA	15-00652	\$1,000,000.00	Pending
Howard Saperstein; Lynne Saperstein; Howard M. Saperstein; PA, PSP; and Howard M. Saperstein, PA	15-00653	\$530,000.00	Pending
Jerome Friedlander, Doris Friedlander Marital Trust, Doris Friedlander Residuary Trust, Doris Friedlander, Robert Friedlander, Gary Friedlander, Jerome Friedlander Irrevocable Trust 2011, Jerome Freidlander Revocable Trust, Jerom Friedlander Irrevocable Trust 2012, Friedlander Family, LLP	15-00654	\$500,000.00	Settled for \$240,000, Awaiting Payment
Jonathan K Friedlander	15-00655	\$3,000,000.00	Settled for \$100,000, Awaiting Payment

K. Abandonment of Documents

On August 28, 2014, the Court entered a consent order authorizing the Chapter 11 Trustee to abandon all hard copies of documents from the Debtors from the 2009 calendar year and any and all previous calendar years, with the exception of Debtors' bank records, income tax returns, and financial statements; all records of Presidential Acceptance Corporation, all files with a reference to Peter Harvey; all accounts payable files from 2008 forward, including all files containing (a) copies of checks or promissory notes payable to any of the children of Geary Katz or (b) any other documents purporting to reflect transfers of money between such children and either of the Debtors; and all files with a reference to "EXCHANGE". Senate Acceptance, Docket No. 321. The Chapter 11 Trustee continues to maintain electronic copies of the Debtors' records. All customer records that are required to be retained are being maintained by the purchaser of the assets of SIA, EZ Insurance Group, LLC.

L. Life Insurance Policy

On June 24, 2015, the Chapter 11 Trustee obtained Court authority to surrender Senate Insurance's adjustable life insurance policy with American General Life Insurance Company on the life of Mr. Katz, which has a cash surrender value of \$100,336.17. Senate Acceptance, Docket No. 432.

M. Rejection of Leases

In connection with the Chapter 11 Trustee's closing of Senate Insurance's Wheaton, Maryland location, the Court approved Senate Insurance's rejection of its commercial real estate lease with Riverdale Shopping Center L.P. for the property located at 11252 Georgia Avenue, Wheaton, MD 20902, as well as the associated lease with Advance Business Systems for copying equipment and with Verizon for telephone equipment effective May 1, 2014, and authorized the counterparties to those leases to file claims for rejection damages no later than thirty days after May 30, 2014. Senate Acceptance, Docket No. 243.

N. Summary of Claims Process and Bar Date**1. *Schedules and Statements of Financial Affairs***

The Chapter 11 Trustee filed Schedules of Assets and Liabilities and Statements of Financial Affairs (collectively, the "Schedules and Statements") with the Bankruptcy Court on February 19, 2014 (Senate Insurance Dkt. No. 16 and 19; Senate Acceptance Dkt. Nos. 104 and 106). Among other things, the Schedules and Statements set forth, to the extent of the Chapter 11 Trustee's knowledge, the Claims of known Creditors against the Debtors as of the Petition Date, based upon the Debtors' books and records.

2. *Claims Bar Date and Proofs of Claim*

The Bankruptcy Court established May 5, 2014 as the general bar date for filing nongovernmental Proofs of Claim against Senate Acceptance (the "Senate Acceptance General Bar Date"). Governmental Units were required to file proofs of claim by June 2, 2014 (the "Senate Acceptance Governmental Bar Date"). Notice of the Senate Acceptance General Bar Date and the Senate Acceptance Governmental Bar Date was mailed to Creditors on January 11, 2014. Senate Acceptance Docket No. 74.

The Bankruptcy Court established June 16, 2014 as the general bar date for filing nongovernmental Proofs of Claim against Senate Insurance (the "Senate Insurance General Bar Date"). Governmental Units were required to file proofs of claim by August 4, 2014 (the "Senate Insurance Governmental Bar Date"). Notice of the Senate Insurance General Bar Date and the Senate Insurance Governmental Bar Date was mailed to Creditors on February 9, 2014. Senate Insurance Docket No. 9.

ARTICLE V. SUMMARY OF THE PLAN

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE, CLASSIFICATION, TREATMENT AND IMPLEMENTATION OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT, AND TO THE EXHIBITS ATTACHED THERETO. THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN WILL CONTROL

THE TREATMENT OF CREDITORS AND INTEREST HOLDERS UNDER THE PLAN AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTOR.

A. Purpose and Effect of the Plan

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize or liquidate its business for the benefit of its creditors and shareholders. The Chapter 11 Trustee has filed the Plan as a means to maximize the value of the Debtors' Estates for the benefit of creditors.

The following is a summary of the significant provisions of the Plan. The Plan contemplates the immediate full payment of certain Allowed Administrative claims, Allowed Tax Claims, Allowed Priority claims, and Allowed Secured claims, and full payment over time of certain Allowed Tax Claims. The Plan provides for Pro Rata distributions of remaining Available Cash to holders of Trade Claims and Individual Lender Claims.

All statements made below are general in nature and are qualified in their entirety by reference to the complete terms of the Plan attached hereto. Creditors and parties-in-interest are urged to read the entire Plan and consult with their respective counsel, accountants, and business advisors in order to fully understand the Plan.

The Plan, upon confirmation by the Bankruptcy Court, shall be legally binding upon the Debtors, their creditors, and other parties-in-interest designated by § 1141(a) of the Bankruptcy Code. It is essential that Creditors fully understand the Plan in order to make an informed decision with respect to the treatment of their respective Claims or Interests. Unless otherwise defined herein, all capitalized terms shall have the respective meanings assigned in the Plan. In the event that any disclosure herein provided appears to conflict with an express provision of the Plan, the explicit terms of the Plan, as incorporated as an integral element of the Disclosure Statement, are controlling.

The Chapter 11 Trustee believes the Plan provides for the greatest and earliest feasible return to the holders of Allowed Claims in a fair and equitable manner. The following is a summary of the Plan and a brief description of the treatment of the Classes of Claims and Interests.

B. Classification and Treatment of Claims and Interests

1. Unclassified Claims: Under the plan, administrative claims and priority tax claims are unclassified, meaning they are not placed in any specific class. The Debtors have two known administrative claims: professional fees, and post-petition expenses. The Debtors also have priority tax claims. The following is an explanation of how such claims shall be treated under the plan.

(a) Administrative Claims

1. Allowed Administrative Expense Claims Other than Professional Fee Claims

An Administrative Expense Claim that is not a Professional Fee Claim will be allowed only if: on or before the Administrative Expense Claim Bar Date, the Person holding the Claim both filed with the Bankruptcy Court a motion or application requesting that the Chapter 11 Trustee (prior to the Effective Date) or the Liquidating Trustee (after the Effective Date) pay the Claim and served the motion or application on the Chapter 11 Trustee (prior to the Effective Date), the Liquidating Trustee (after the Effective Date), the Creditors' Committee (prior to the Effective Date), the Monitoring Committee (after the Effective Date) and the U.S. Trustee. Persons seeking allowance of an Administrative Expense Claim under this paragraph shall be required to file a notice that the deadline to object to such allowance shall be the Administrative Expense Claims Objection Deadline. The Plan provides, however, that the Liquidating Trustee may elect, with the Advice and Consultation of the Monitoring Committee, to deem an Administrative Expense Claim (other than a Professional Fee Claim) incurred in the ordinary course of the Debtors' businesses to be treated as an Allowed Administrative Expense Claim in accordance with the terms and conditions of the particular transaction that gave rise to the Claim without requiring the Person holding such Administrative Expense Claim to file a request for payment.

Any objection to an Administrative Expense Claim must be filed by the Administrative Expense Claims Objection Deadline. In the event that an objection is timely filed to an Administrative Expense Claim, the Bankruptcy Court shall determine the allowed amount of such Administrative Expense Claim.

a. Allowed Professional Fee Claims

Allowed Professional Fee Claims are (i) Claims under Bankruptcy Code sections 326, 327, 328, 330, 331, 503(b), or 1103 for compensation for services rendered by the Chapter 11 Trustee or any of the Professionals, or related expenses, incurred after the date of the Order for Relief but prior to the Effective Date (except that Claims for compensation for services rendered to Senate Insurance Agency, Inc. between the date of the Order for Relief and February 5, 2014 shall not be considered Professional Fee Claims) on behalf of the Estates; or (ii) Claims either under

Bankruptcy Code section 503(b)(4) for compensation for professional services rendered or under Bankruptcy Code section 503(b)(3)(D) for related expenses incurred after the date of the Order for Relief but prior to the Effective Date in making a substantial contribution to the Estates. The Chapter 11 Trustee anticipates that there will be additional Allowed Professional Fee Claims of approximately \$300,000.00.

Parties asserting Professional Fee Claims must file Final Fee Applications no later than twenty-one (21) days after the Effective Date. Final Fee Applications will be noticed in accordance with the Bankruptcy Rules and Local Rules. Objections, if any, shall be filed in accordance with the Bankruptcy Rules and Local Rules and served on the Professional whose Final Fee Application is being objected to, the Liquidating Trustee, the Monitoring Committee, and the Office of the U.S. Trustee. Failure to properly object to a Final Fee Application constitutes a waiver of a party's right to object to a Final Fee Application.

- (b) **Priority Tax Claims:** A Priority Tax Claim means a Claim of a Governmental Unit of the kind specified in Bankruptcy Code sections 502(i) or 507(a)(8). The Trustee has identified approximately \$413,000 in potential priority tax claims asserted against the Debtors. Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, at the sole option of the Liquidating Trustee, each holder of an Allowed Priority Tax Claim shall receive from the Liquidation Trust, in full and complete settlement, satisfaction and discharge of its Allowed Priority Tax Claim: (a) Cash in an amount equal to such Allowed Priority Tax Claim on, or as soon thereafter as is reasonably practicable, the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or (b) equal quarterly Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at the federal judgment rate in effect on the Petition Date, over a period not to end later than five (5) years after the Petition Date, which shall begin on, or as soon thereafter as is reasonably practicable, the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim. Holders of Priority Tax Claims will be paid in full on account of such Claims and are not entitled to vote on this Plan.

2. Impaired Claims entitled to vote: Impaired classes of claims entitled to vote include Classes 2a, 2b, 3 and 4. The following is an explanation of the treatment of these classes of claims.

a) Class 2a - Secured Claims of Python

Class 2a consists of the Secured claim of Python Financial Solutions, Inc. in the Debtors' accounts receivables. In full satisfaction, settlement, release and discharge of and in exchange for the Secured Claim of Python Financial Solutions, Inc. against the Debtors, the Estates, the Liquidating Debtors, the Chapter 11 Trustee, the Creditors Committee, the Liquidating Trust, and the Monitoring Committee, In full satisfaction, settlement, release and discharge of and in exchange for the Secured Claim of Python Financial Solutions, Inc. against the Debtors, the Estates, the Liquidating Debtors, the Chapter 11 Trustee, the Creditors Committee, the Liquidating Trust, and the Monitoring Committee, Python Financial Solutions, Inc. shall receive Cash in the amount of \$150,000 on the Effective Date, and 75% of the payments paid by EZ Insurance Group, LLC after August 15, 2016. The Trustee and Python shall jointly pursue (1) remaining accounts receivable of the Debtors and the Debtor Related Companies; (2) the claims of the Debtors and the Debtor Related Companies against Paramount Insurance Agency; and (3) the claims of the Debtors and the Debtor Related Companies against the bond for Congress Motor Club, Inc. Python shall be paid 50% of proceeds of all the claims listed in this paragraph. Python shall have a Class 3 Trade Claim for all amounts due in excess of the amounts paid to it pursuant to the paragraphs listed above.

Class 2a is impaired under this Plan and Holders of Class 2a Claims are entitled to vote to accept or reject the Plan.

b) Class 2b – Secured Claims of Landlords

Class 2b consists of the Secured Claims of a Landlord based upon a security deposit. In full satisfaction, settlement, release and discharge of and in exchange for the Secured Claim of any Landlord against the Debtors, the Estates, the Liquidating Debtors, the Chapter 11 Trustee, the Creditors Committee, the Liquidating Trust, and the Monitoring Committee, on the Effective Date, each holder of a Secured Claim of a Landlord which is secured by a security deposit shall be authorized to apply that security deposit to its Secured Claim. Class 2b is impaired under this Plan and Holders of Class 2b Claims are entitled to vote to accept or reject this Plan.

c) Class 3 - Allowed Trade Claims

Class 3 consists of Trade Claims, which are defined as all Claims against the Debtors which are not Secured Claims, Priority Claims, Individual Lender Claims or Intercompany Claims. The Chapter 11 Trustee has identified approximately \$2 million in Trade Claims asserted against the Debtors. Except to the extent that a holder of a Trade Claim agrees to a different treatment, in full

and complete settlement, satisfaction and discharge of its Trade Claim against the Debtors, the Estates, the Liquidating Debtors, the Chapter 11 Trustee, the Creditors Committee, the Liquidating Trust, and the Monitoring Committee, each holder of a Trade Claim shall receive from the Liquidation Trust a Pro Rata share of any distribution made by the Liquidating Trustee from the General Assets. The Liquidating Trustee shall make annual Distributions of Available Cash to Holders of Class 3 Claims. Class 3 is impaired under this Plan and is holders of Class 3 Claims entitled to vote to accept or reject this Plan.

d) Class 4 – Individual Lender Claims

Class 4 consists of Individual Lender Claims. An “Individual Lender Claim” is a Claim based on a loan, advance or other investment to or in the Debtors, except that the Claim of Python Financial Solutions, Inc. shall not be deemed to be an Individual Lender Claim. The term Individual Lender does not include Creditors holding claims based on services performed for the Debtors, goods provided to the Debtors, or property leased to the Debtors.

Except to the extent that a holder of an Individual Lender Claim agrees to a different treatment, in full satisfaction, settlement, release and discharge of and in exchange for Individual Lender Claims against the Debtors, the Estates, the Liquidating Debtors, the Chapter 11 Trustee, the Creditors Committee, the Liquidating Trust, and the Monitoring Committee, each Holder of an Allowed Individual Lender Claim shall receive the following treatment:

Option 1: On the Effective Date, each holder of an Individual Lender Claim shall convey and shall be deemed to have assigned any and all of its Individual Lender Direct Causes of Action, including the rights to prosecute, compromise and settle such Individual Lender Direct Causes of Action, and the rights to any proceeds therefrom, to the Liquidation Trust. In exchange, each Holder of an Allowed Individual Lender Claim shall receive (i) a Pro Rata share of any distribution made by the Liquidating Trustee from the General Assets, and (ii) a Pro Rata share of any Distribution made by the Liquidating Trustee from the Individual Lender Asset Pool;

OR

Option 2: Each Holder of an Allowed Individual Lender Claim shall receive a Pro Rata share of any Distribution made by the Liquidating Trustee from the General Assets; but shall not receive a Pro Rata share of any Distribution made by the Liquidating Trustee from the Individual Lender Asset Pool and shall not be deemed to have assigned its Individual Lender Direct Causes of Action to the Liquidation Trust.

The term “Individual Lender Direct Cause of Action” includes any and all claims, demands, rights, actions, causes of action and suits of any Individual Lender, of

any kind or character whatsoever, known or unknown, suspected or unsuspected, matured or unmatured, whether arising prior to, on or after the Petition Date, in contract or in tort, at law or in equity or under any other theory of law, relating in any way to that Individual Lender's Individual Lender Claim which any Individual Lender could assert directly against any certain financial institutions as described more fully in the Plan.

Each Holder of an Individual Lender Claim may, on such Holder's Ballot, elect either Option 1 or Option 2. Each Holder of an Allowed Individual Lender Claim that does not submit a Ballot by the Ballot Date, or that submits a Ballot by the Ballot Date but fails to affirmatively elect on that Ballot the treatment set forth in Option 2 shall be deemed to have elected the treatment specified in Option 1 with respect to its Allowed Individual Lender Claim and Individual Lender Direct Causes of Action.

The rights to payment of Jerome Friedlander, Doris Friedlander Marital Trust, Doris Friedlander Residuary Trust, Doris Friedlander, Robert Friedlander, Gary Friedlander, Jerome Friedlander Irrevocable Trust 2011, Jerome Friedlander Revocable Trust, Jerome Friedlander Irrevocable Trust 2012, and Friedlander Family LLP shall be subordinated to the extent provided by the Chapter 11 Trustee's settlement with those parties.

The Trustee will not pursue Causes of Action against holders of Individual Lender Claims to recover payments made to such Individual Lender on account of such Individual Lender Claim. The Trustee will not object to any Individual Lender Claim who selects Option 1 on the grounds that the holder of any Individual Lender Claim received interest payments.

The Liquidating Trustee shall make annual Distributions of Available Cash to Holders of Class 4 Claims, including Distributions of Available Cash in the Individual Lender Asset Pool to Holders of Class 4 Claims who select Option 1 as described above.

3. Unimpaired Classes and Classes Deemed to Accept the Plan

a) Class 1 ("Class 1"): Non-Tax Priority Claims

Class 1 consist of claims entitled to priority under 11 U.S.C. § 507 other than taxes. The Chapter 11 Trustee does not believe there are any Class 1 Claims. To the extent any claims exist and are allowed, holders of such claims shall receive, on the Effective Date, in full and complete settlement, satisfaction and discharge of their Allowed Non-Tax Priority Claim (i) Cash equal to the unpaid portion of such Allowed Non-Tax Priority Claim or (ii) such other treatment as to which such Holder and the Debtors shall have agreed upon in writing. Class 1 is unimpaired under this Plan and is conclusively presumed to have accepted this Plan and, therefore, Holders of Class 1 Claims are not entitled to vote to accept or

reject this Plan.

4. Impaired classes deemed to reject the Plan.

a) Class 5 – Intercompany Claims

All Class 5 Intercompany Claims shall be deemed to have been eliminated, cancelled, and/or extinguished by the entry of the Substantive Consolidation Orders and Holders of Class 5 Claims shall not be entitled to, and shall not receive or retain any property or interest in property on account of such Claims. Class 5 is impaired under this Plan and is conclusively presumed to have rejected this Plan and, therefore, Holders of Class 5 Claims are not entitled to vote to accept or reject the Plan.

b) Class 6 – Interests

Class 6 Interests will receive and retain no value under the Plan, and all Class 6 Interests will be eliminated, cancelled, and/or extinguished on the Effective Date. Class 6 is impaired under this Plan and is conclusively presumed to have rejected this Plan and, therefore, Holders of Class 6 Interests are not entitled to vote to accept or reject the Plan.

C. Means for Implementation of the Plan

1. Liquidation Trust

On the Effective Date, the Liquidation Trust shall be established pursuant to the Liquidation Trust Agreement, attached to the Plan as Exhibit A, for the purposes of, *inter alia*, (a) administering all of the Assets of the Debtors and the Estates conveyed to the Liquidation Trust, including the Individual Lender Direct Causes of Action, (b) resolving all Claims, and (c) making all Distributions to the Beneficiaries provided for under the Plan.

a. Funding of the Liquidation Trust

- i.** On the Effective Date, all of the Assets of the Debtors and the Estates, and any Individual Lender Direct Causes of Action assigned pursuant to the procedures outlined in the Plan, as well as the rights and powers of the Debtors, the Estates, the Liquidating Debtors and the Chapter 11 Trustee, shall automatically vest in the Liquidation Trust for the benefit and on behalf of the Beneficiaries (the “Liquidation Trust Assets”). The Liquidation Trust shall succeed to all of the Debtors’ and the Estates’ rights, title, and interest in the Assets and the Debtors will have no further interest in or with respect thereto.
- ii.** The Liquidation Trust Assets will be treated for tax purposes as being transferred by the Debtors to the Beneficiaries pursuant to the Plan in

exchange for their Allowed Claims, and any Individual Lender Direct Causes of Action assigned pursuant to the procedures outlined in the Plan, and then by the Beneficiaries to the Liquidation Trust in exchange for the beneficial interests in the Liquidation Trust. Thus, for tax purposes, the Beneficiaries shall be treated as the grantors and owners of the Liquidation Trust.

- iii. As soon as possible after the Effective Date, but in no event later than ninety (90) days thereafter, (i) the Liquidating Trustee shall determine the fair market value of the Liquidation Trust Assets, and Individual Lender Direct Causes of Action assigned to the Liquidation Trust, as of the Effective Date, based on her good faith estimation, and advise the Monitoring Committee of such estimated valuation and (ii) the Liquidating Trustee shall apprise the Beneficiaries of such estimated valuation by notice mailed to the address of such Beneficiary set forth in any request for notice filed with the Court; or if no such request has been filed, such address set forth in any proof of claim filed, and, if no claim has been filed, such address set forth in the schedules, if any. The Chapter 11 Trustee shall have no other or further obligation to notify Beneficiaries of the estimated value of the Liquidation Trust Assets. The valuation shall be used consistently by all parties (including, without limitation, the Debtors, the Liquidation Trust, the Liquidation Trustee and the Beneficiaries) for all federal income tax.

b. Administration of Assets

The Liquidation Trust Assets will be administered by the Liquidating Trustee pursuant to the terms of this Plan and the Liquidation Trust Agreement. The Liquidation Trust, acting through the Liquidating Trustee pursuant to the terms of this Plan and the Liquidation Trust Agreement, shall be authorized to exercise and perform the rights, powers and duties held by the Estates, including without limitation the exclusive authority as the Estates' representative under section 1123(b)(3) of the Bankruptcy Code, to provide for the prosecution, settlement, adjustment, retention and enforcement of claims and interests of the Estates, including but not limited to the Causes of Action and Individual Lender Direct Causes of Action, the authority to administer the Claims resolution process, and the authority to exercise all rights and powers under sections 506(c), 544-551, 1106, 1107 and 1108 of the Bankruptcy Code and Rule 2004 of the Bankruptcy Rules

c. Conclusion of Services of the Chapter 11 Trustee and Creditors Committee

Except as provided below in this Article V.D., on the Effective Date, the duties, responsibilities and services of the Chapter 11 Trustee shall conclude. On and after the Effective Date, the Debtors' and the Liquidating Debtors' affairs will be

managed by the Liquidating Trustee, pursuant to the terms of the Plan and the Liquidation Trust Agreement. The Chapter 11 Trustee shall turn over to the Liquidating Trustee all property of the Estates, including without limitation all business and financial records of the Estates. The Chapter 11 Trustee shall continue to serve after such date with respect to (i) all the applications filed pursuant to section 330 and 331 of the Bankruptcy Code seeking payment of fees and expenses incurred by any Professional, (ii) any post-confirmation modifications to, or motions seeking the enforcement of, the provisions of this Plan or the Confirmation Order (iii) to immediately effectuate any transition from the Chapter 11 Trustee to the Liquidation Trustee consistent with the terms of the Plan; and (iv) to file any required post-Confirmation reports.

d. Liquidating Trustee

i. Identity

On the Effective Date, Janet M. Nesse will be appointed the Liquidating Trustee, as trustee of the Liquidation Trust.

ii. Responsibilities of the Liquidating Trustee

1. The responsibilities of the Liquidating Trustee are more thoroughly set forth in the Liquidation Trust Agreement, and, subject to Advice and Consultation with the Monitoring Committee as to Consultation Matters, shall include, without limitation: (i) prosecuting and/or settling the Causes of Action and Individual Lender Direct Causes of Action; (ii) prosecuting and/or settling objections to, and estimations of, Claims; (iii) liquidating the remaining property of the Estates, and providing for the distribution of the net sale proceeds thereof, in accordance with the provisions of the Plan; (iv) calculating and implementing all Distributions required under the Plan; (v) filing all required tax returns, and paying taxes and all other obligations on behalf of the Liquidating Debtors from Estate funds; (vi) managing the wind down of the Liquidating Debtors, and otherwise administering the Liquidating Debtors; (vii) conferring with the Monitoring Committee to provide regular status updates as described in the Plan; (viii) establishing at her discretion the Plan Reserves, subject to the availability of funds; and (ix) such other responsibilities as may be vested in the Liquidating Trustee pursuant to the Confirmation Order or the Liquidation Trust Agreement, or as may be necessary and proper to carry out the provisions of the Plan.

2. The Liquidating Trustee and the Monitoring Committee shall use their best good faith efforts to confer in person or telephonically on a monthly basis or at such other intervals as the parties may mutually agree. At such meetings, the Liquidating Trustee shall provide updates regarding the current status of and various issues and strategies concerning (i) the litigation and/or settlement of the Causes of Action and Individual Lender Direct Causes of Action, (ii) the Claims resolution process, including the allowance of, objection to and litigation and/or settlement of any and all Claims, (iii) the proposed distributions on Allowed Claims, (iv) the creation of proposed Plan Reserve Accounts, (v) professional fee and expense reimbursement requests by the Liquidating Trustee and her professionals and the

Monitoring Committee and its professionals, (vi) the current financial status of the Liquidation Trust, and (vii) various other Case related issues and strategies. The Liquidating Trustee shall use the Liquidating Debtors' Cash on hand or Cash in a designated Plan Reserve Account to pay the premiums on such bond.

iii. Powers and Authority of Liquidating Trustee

The powers and authority of the Liquidating Trustee shall be set forth in the Liquidation Trust Agreement, and shall include without limitation and without further Bankruptcy Court approval the power (i) to invest funds of the Estates, and withdraw funds of the Estates, make Distributions, incur obligations for reasonable and necessary expenses in liquidating and converting any remaining assets of the Liquidating Debtors to Cash and pay taxes and other obligations owed by the Debtors and/or the Liquidating Debtors from funds held by the Liquidating Trustee in accordance with the Plan; (ii) to engage and compensate employees and professionals to assist the Liquidating Trustee with respect to her responsibilities, including, but not limited to, any Professionals employed by the Chapter 11 Trustee and creditors; (iii) to prosecute, compromise and/or settle claims, Causes of Action, and Individual Lender Direct Causes of Action and objections to Disputed Claims on behalf of the Liquidating Debtors and the Estates; (iv) to liquidate any remaining assets, and provide for the Distributions in accordance with the provisions of the Plan; (v) to manage the continued liquidation of the Liquidating Debtors' assets, and to otherwise administer the Liquidating Debtors; (vi) to stand in the shoes of the Debtors and assert or waive attorney client and other privileges; (vii) to interpret the Plan in the Liquidating Trustee's reasonable discretion; (viii) to borrow from the beneficiaries of the Trust, such funds as are necessary to fund litigation of the Individual Lender Direct Causes of Action secured by the Individual Lender Asset Pool; and (ix) such other powers and authority as may be vested in or assumed by the Liquidating Trustee by any Court Order or as may be necessary, appropriate or incident to the performance of her duties under the Plan and the Liquidation Trust Agreement. Subject to Advice and Consultation with the Monitoring Committee, the Liquidating Trustee, on behalf of the Debtors, the Liquidating Debtors and the Estates, shall have discretion to pursue, not pursue or settle, any and all Causes of Action, Individual Lender Causes of Action, and objections to Claims, as she determines is in the best interests of the Liquidating Debtors and the Estates. The Liquidating Trustee shall, pursuant to Bankruptcy Rule 7025(c), be substituted as plaintiff in all pending actions commenced by the Chapter 11 Trustee and the Confirmation Order shall provide for such substitution.

The Liquidating Trustee shall have the power and authority to prosecute, compromise and/or settle Individual Lender Direct Causes of Action assigned pursuant to the procedures outlined above, subject to the Advice and Consultation of the Monitoring Committee. All proceeds of any Individual Lender Direct Causes of Action shall be placed in a segregated bank account known as the "Individual Lender Asset Pool." The Liquidating Trustee has the power and authority to engage employees and professionals to assist in the prosecution of the Individual Lender Direct Causes of Action, provided however, that all payments to any professionals engaged to prosecute the Individual Lender Direct Causes of Action shall be paid exclusively from the Individual Lender Asset Pool, subject to the exception that in the event that the Chapter 11 Trustee or her professionals engage any expert witnesses or similar consultant to assist in the prosecution of the Individual Lender Direct Causes of Action, the Liquidating Trustee may pay

all fees incurred by such witness or consultant from the General Assets of the Liquidation Trust. In the event that the Liquidating Trustee pays any witness or consultant from the General Assets of the Liquidation Trust, the Liquidating Trustee shall reimburse the Liquidating Trust for such payment from the assets of the Individual Lender Asset Pool if and when the Individual Lender Asset Pool has sufficient assets to make such reimbursement.

The Liquidating Trustee shall have the power and authority to use the assets of the Individual Lender Asset Pool to establish Plan Reserves for the payment of the Post-Effective Date Expenses of pursuing the Individual Lender Direct Causes of Action and for the payment of Disputed Individual Lender Claims. All other funds in the Individual Lender Asset Pool shall be deemed to be Available Cash.

iv. Retention of Professionals

The Liquidating Trustee may, without further order of the Bankruptcy Court, employ various professionals, including, but not limited to, counsel, expert witnesses, consultants, and financial advisors, as needed to assist her in fulfilling her obligations under the Plan, and on whatever fee arrangement she deems appropriate, including, without limitation, hourly fee arrangements and contingency fee arrangements. Professionals engaged by the Liquidating Trustee shall not be required to file applications for compensation in order to receive the compensation provided for herein. If the Liquidating Trustee has any objection to an application for compensation submitted to her by a Professional, the Liquidating Trustee and the Professional which has submitted the application to which the Liquidating Trustee has raised the objection parties may mutually agree to submit the dispute to binding arbitration or, if the parties do not mutually agree to arbitration, then they may file a motion with the Bankruptcy Court to decide the matter.

v. Liquidating Trustee Compensation

In addition to the reimbursement for actual out-of-pocket expenses incurred by the Liquidating Trustee, the Liquidating Trustee shall be entitled to receive reasonable compensation for services rendered on behalf of the Liquidation Trust which compensation shall be calculated as follows:

The Liquidating Trustee shall be entitled to compensation calculated in the same manner as provided under section 326(a) of the Bankruptcy Code, less the amount of compensation already paid to the Chapter 11 Trustee and the Liquidating Trustee. The Liquidating Trustee shall not be required to file an application for compensation in order to receive the trustee compensation provided for herein, provided, however, the Liquidating Trustee shall provide copies of her monthly invoices to the Monitoring Committee. Upon submission of a monthly invoice by the Liquidating Trustee to the Monitoring Committee, the Monitoring Committee shall have ten (10) Business Days to object in writing (sent to the Liquidating Trustee) to the payment of such invoice. Such objection shall state the amount of fees and/or disbursements which are disputed and the grounds therefor. If no written objection is made to such invoice, the Liquidating Trustee may proceed to pay such invoice from Available Cash or a designated Plan Reserve Account. If a written objection is timely made, the Liquidating Trustee may proceed to

pay any portion of such invoice as to which no objection has been made from Available Cash or a designated Plan Reserve Account, and the Liquidating Trustee and the Monitoring Committee shall promptly meet and confer in an attempt to resolve such disputes. If the objection is withdrawn or resolved, the Liquidating Trustee may proceed to pay the remainder of such invoice (subject to adjustment if the withdrawal or resolution of the objection was based upon a consensual reduction of the amount in dispute) from Available Cash on hand or a designated Plan Reserve Account. If the objection is not withdrawn or resolved, the parties may mutually agree to submit the dispute to binding arbitration or, if the parties do not mutually agree to arbitration, then they may file a motion with the Bankruptcy Court to decide the matter.

vi. Successor Liquidating Trustee

In the event that the Liquidating Trustee resigns, is removed, or otherwise ceases to serve as Liquidating Trustee, the Monitoring Committee shall select a successor Liquidating Trustee within ten (10) Business Days of such resignation, removal or other cessation of service by the incumbent Liquidating Trustee, subject to Bankruptcy Court approval. Any successor Liquidating Trustee shall be subject to the same qualifications and shall have the same rights, powers, duties and discretion, and otherwise be in the same position, as the originally named Liquidating Trustee. References herein to the Liquidating Trustee shall be deemed to refer to any successor Liquidating Trustee acting hereunder. The Liquidating Trustee may be removed only for cause in accordance with Bankruptcy Code section 324(a), including, but not limited to, breach of her duties under the Plan, and only by order of the Bankruptcy Court.

vii. Termination of Liquidation Trust

The duties, responsibilities and powers of the Liquidating Trustee shall terminate in accordance with the terms of the Liquidation Trust Agreement after all of the Liquidation Trust's assets have been liquidated and after all Distributions have been made to Holders of Allowed Claims and the Liquidating Trustee obtains an order for final decree.

viii. Records

The Liquidating Trustee shall maintain good and sufficient books and records of account relating to the Cash and other assets of the Liquidation Trust, the management thereof, all post-Effective Date transactions undertaken by the Liquidating Trustee, all expenses incurred by or on behalf of the Liquidating Trustee after the Effective Date, and all Distributions contemplated or effectuated under the Plan.

e. The Monitoring Committee

i. Formation and Responsibilities

The Monitoring Committee is established to provide Advice and Consultation to the Liquidating Trustee. The Monitoring Committee shall consist of (i) a designee of the Senate Lenders Litigation Trust, and two Creditors (or their designated representatives) to be identified by the Creditors' Committee at the Confirmation Hearing. Approval of a majority of the

members of the Monitoring Committee shall be required for the Monitoring Committee to act. In the event that a member of the Monitoring Committee resigns or is removed, the remaining members of the Monitoring Committee shall select another Creditor (or its designated representative) as a successor to serve in the place of the resigning or removed member. Members of the Monitoring Committee may be removed for cause, including, but not limited to, breach of their duties under the Plan, and only by order of the Bankruptcy Court.

The Monitoring Committee shall provide Advice and Consultation to the Liquidating Trustee regarding all Consultation Matters as more specifically set forth in the Plan. Except for (a) reimbursement of reasonable expenses, and (b) indemnification, the members of the Monitoring Committee shall receive no other compensation or other payment for the performance of their duties hereunder. The Monitoring Committee may adopt by-laws with respect to its operation so long as such by-laws are consistent with the terms of this Plan. The Monitoring Committee shall provide a copy of its bylaws, if any, to the Liquidating Trustee.

ii. Advice and Consultation: Resolution of Disputes

Except in the case of urgent matters that dictate a shorter time frame, the Liquidating Trustee will use reasonable best efforts to provide the Monitoring Committee at least three (3) Business Days in which to provide Advice and Consultation concerning Consultation Matters and the Monitoring Committee will use reasonable best efforts to provide such Advice and Consultation within the three (3) Business Day period. In addition to the foregoing, the Liquidating Trustee and the Chair Person of the Monitoring Committee may communicate directly or through counsel at their discretion. In the event that the Monitoring Committee objects within such three (3) Business Day Period (or shorter period in the case of urgent matters) to a proposed course of action with respect to any Consultation Matters, the parties will confer and attempt to resolve such dispute within three (3) Business Days after such objection is raised ("Settlement Conference"). If the parties are unable to resolve their dispute consensually, the Monitoring Committee may file an objection to the proposed action with the Bankruptcy Court, provided it does so within three (3) Business Days after the Settlement Conference. Failure to timely object as provided herein shall constitute a waiver of such objection. In the event that an objection is timely filed, actions other than settlements shall be determined by the business judgment standard, and settlements shall be determined by the standard for approval of a settlement under Bankruptcy Rule 9019 and applicable case law.

iii. Termination of the Monitoring Committee

The duties, responsibilities and powers of the Monitoring Committee shall terminate in accordance with the terms of the Liquidation Trust Agreement after all of the Liquidation Trust Assets have been liquidated and after all Distributions have been made to Holders of Allowed Claims and the Liquidating Trustee obtains an order for final decree.

2. Substantive Consolidation

Pursuant to the Substantive Consolidation Orders, to the extent not already so provided, on the Effective Date, (i) all Intercompany Claims by, between and among the Debtors shall be deemed eliminated, (ii) all Assets and liabilities of the

Debtors shall be deemed merged or treated as if they were merged with the Assets and liabilities of every other Debtor, (iii) any obligation of a Debtor and all guarantees thereof by one or more of the other Debtors shall be deemed to be one obligation of the substantively consolidated Liquidating Debtors, (iv) the Interests shall be cancelled, (v) each Claim filed or to be filed against any Debtor shall be deemed filed against the Liquidating Debtors and shall be deemed a single Claim against and a single obligation of the Liquidating Debtors; and (vi) all Claims based upon guarantees of collection, payment, or performance made by the Debtors as to the obligations of another Debtor shall be released and of no further force and effect.

3. Disputed Claims Procedure:

Unless otherwise ordered by the Bankruptcy Court or provided for in the Plan, the Liquidating Trustee will have the exclusive right, subject to Advice and Consultation with the Monitoring Committee as to Consultation Matters, except with respect to applications for the allowance of compensation and reimbursement of expenses of professionals under sections 330 and 503 of the Bankruptcy Code, to object to the allowance of Claims. The Liquidating Trustee may, subject to the Advice and Consultation of the Monitoring Committee, bring, compromise and settle any objections to Claims without the approval of the Bankruptcy Court. At such time as a Disputed Claim is resolved by Final Order and is Allowed or is settled by the Liquidating Trustee, with the Advice and Consultation of the Monitoring Committee, the Holder thereof will receive, as soon as practicable thereafter, the Distributions to which such Holder is then entitled under this Plan.

No preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches shall prevent the Liquidating Trustee from objecting to any Claim, except where such Claim is specifically allowed in the Plan or other Final Order.

4. Treatment Of Executory Contracts And Unexpired Leases

Except as otherwise provided in the Confirmation Order, this Plan, or any other Plan Document, on the Effective Date, the estates will be deemed to have rejected any and all agreements that any and all of the Debtors executed before the Effective Date -- other than agreements that were previously assumed or rejected either by a Final Order or under Bankruptcy Code section 365 -- to the extent that these agreements constitute executory contracts or unexpired leases under Bankruptcy Code section 365. On the Effective Date, the Confirmation Order will constitute a Court order approving this rejection.

To the extent provided in the Confirmation Order, the Plan, or any other Plan Document entered into after the Petition Date or in connection with this Plan, the Confirmation Order shall constitute an order under Bankruptcy Code section 365 assuming, as of the Effective Date, those executory contracts and unexpired leases

identified in such documents as being assumed. To the extent provided in the Confirmation Order, this Plan, or any other Plan Document entered into after the Petition Date or in connection with this Plan, the Confirmation Order shall constitute an order under Bankruptcy Code section 365 assigning, as of the Effective Date, those executory contracts and unexpired leases identified in such documents as being assigned.

a. Bar Date for Rejection Damage Claims

Any Rejection Damage Claims arising from the rejection under the Plan of an executory contract or an unexpired lease must be filed with the Court and served on the Liquidating Trustee and her counsel within thirty (30) days after the Effective Date. Any Rejection Damage Claims that are not timely filed and served will be forever barred and unenforceable and the Persons holding these Claims will be barred from receiving any Distributions under the Plan on account of their Rejection Damage Claims. The Liquidating Trustee reserves the right to object to any such Rejection Damage Claims; provided, however, that any such objections must be served and filed not later than the Claims Objection Deadline.

5. Officers: Pursuant to 11 U.S.C. § 1129(a)(5)(A)(i), the Chapter 11 Trustee hereby discloses that no individual will serve as an officer, director or voting trustee of any Debtor. The Chapter 11 Trustee will serve as the Liquidating Trustee of the Debtors' estates.

D. Conditions to Confirmation and Consummation of the Plan

1. Conditions to Confirmation

The following are conditions precedent to the occurrence of the Confirmation Date, each of which must be satisfied or waived in writing in accordance with the Plan:

- a.** An order finding that the Disclosure Statement contains adequate information pursuant to Bankruptcy Code section 1125 shall have been entered by the Bankruptcy Court; and
- b.** A Confirmation Order in form and substance, reasonably acceptable to the Chapter 11 Trustee shall have been entered by the Bankruptcy Court.

2. Conditions to Effective Date

The Plan will not be consummated or become binding unless and until the Effective Date Occurs. The Effective Date will be the first Business Day after the following conditions have been satisfied:

- a.** Fourteen (14) days have passed since the Confirmation Date;
- b.** The Confirmation Order is not stayed;

- c. The Chapter 11 Trustee has filed a notice with the Bankruptcy Court that the Effective Date has occurred.

3. Waiver of Conditions

Each of the conditions set forth in the Plan, except for entry of the Confirmation Order, may be waived in whole or in part by the Chapter 11 Trustee. The failure to satisfy or waive any condition to the Effective Date may be asserted by the Chapter 11 Trustee as a basis to not consummate this Plan regardless of the circumstances giving rise to the failure of such condition to be satisfied. The failure of the Chapter 11 Trustee to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right that may be asserted at any time.

4. Consequences of Non-Occurrence of Effective Date

In the event that the Effective Date does not timely occur, the Chapter 11 Trustee reserves all rights to seek orders from the Bankruptcy Court directing that the Confirmation Order be vacated, that the Plan be null and void in all respects, and/or that any settlement of Claims provided for in the Plan be null and void. In the event that the Bankruptcy Court shall enter an order vacating the Confirmation Order, the time within which the Chapter 11 Trustee may assume and assign or reject all executory contracts and unexpired leases not previously assumed, assumed and assigned, or rejected, shall be extended for a period of thirty (30) days after the date the Confirmation Order is vacated, without prejudice to further extensions.

E. Non-Discharge of the Debtors

In accordance with Bankruptcy Code section 1141(d), the Confirmation Order will not discharge Claims against the Debtors. However, no Person holding a Claim may receive any payment from, or seek recourse against, any assets that are to be distributed under this Plan other than assets required to be distributed to that Person under the Plan. As of the Effective Date, all Persons are precluded from asserting against any of the Liquidation Trust Assets or any property that is to be distributed under this Plan any Claims, rights, causes of action, liabilities, or Interests based upon any act, omission, transaction, or other activity that occurred before the Confirmation Date except as expressly provided for in the Plan or in the Confirmation Order. Nothing herein shall prevent a Creditor from seeking to recover a Claim from non-Liquidating Trust Assets, except Individual Lender Direct Causes of Action assigned to the Liquidating Trust pursuant to the procedures described in the Plan.

F. Confirmation Without Acceptance of All Impaired Classes: The “Cramdown” Alternative

Under the Plan, Class 6 will reject the Plan. In view of the rejection by such Holders, the Chapter 11 Trustee will seek confirmation of the Plan pursuant to the “cramdown” provisions set forth in section 1129(b) of the Bankruptcy Code.

G. Injunction

All injunctions or stays provided for in the Cases under Bankruptcy Code section 105 or 362, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

Upon the Effective Date, following injunction shall apply.

As of the Effective Date, all Persons that have held, hold, or may hold Claims (including, but not limited to, Administrative Expense Claims) or Interests are permanently enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind on account of any such Claim, Administrative Expense Claim or Interest against the Debtors, the Liquidating Debtors, the Chapter 11 Trustee, the Creditors' Committee, the Liquidating Trustee, and the Monitoring Committee, or the members of the Monitoring Committee, and their respective firms, companies, shareholders, members, partners, officers, directors, employees, professionals, representatives, successors and assigns (the "Estate Parties"), including, but not limited to, any Claims, Administrative Expense Claims and Interests based upon any act or omission, transaction, or other activity of any kind, type or nature that occurred in connection with the Cases prior to the Confirmation Date; (ii) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against the Estate Parties arising from any matter related to the Cases; (iii) creating, perfecting, or enforcing any encumbrance of any kind against the Estate Parties or against the property, or interests in property, of the Estate Parties with respect to any such Claims (including, but not limited to, Administrative Expense Claims) or Interests; and (iv) asserting any defense or right of setoff, subrogation, or recoupment of any kind against any obligation due from the Estate Parties or against the property, or interests in property, of the Estate Parties with respect to any such Claim (including, but not limited to, Administrative Expense Claims) or Interest. Provided however, and notwithstanding anything to the contrary in this paragraph, (i) nothing shall impair the rights of a defendant to a Cause of Action from asserting a right of setoff, subrogation, or recoupment as an affirmative defense, (ii) nothing shall impair the rights of Creditors to defend any Claim objection or receive treatment provided under the Plan, (iii) nothing shall prohibit Persons from filing Administrative Expense Claims on or before the Administrative Expense Claims Bar Date, and (iv) nothing shall relieve the Estate Parties from their obligations under the Plan.

For the avoidance of doubt, and notwithstanding any other provision contained in the Plan or the Confirmation Order, nothing in the Plan or the Confirmation Order shall release or enjoin the prosecution of any claims or Causes of Action held by the Debtors, the Estates or the Liquidation Trust.

H. Indemnification Obligations

Except as otherwise provided in the Plan or any contract, instrument, release, or other agreement or document entered into in connection with the Plan, or as set forth below, any and all indemnification obligations that the Debtors have pursuant to a contract, instrument, agreement, certificate of incorporation, by-law, comparable organizational document or any other document, or applicable law, including the Indemnification Obligations, shall be rejected as of the Effective Date, to the extent executory. Nothing in the Plan shall be deemed to release the Debtors'

Insurers from any claims that might be asserted by counter-parties to contracts or agreements providing the indemnification by and of the Debtors, to the extent of available coverage.

From and after the Effective Date, the Chapter 11 Trustee, the Liquidating Trustee, the Monitoring Committee, and the members of the Monitoring Committee, and their respective firms, companies, shareholders, members, partners, officers, directors, employees, professionals, representatives, successors, and assigns (collectively, the “Indemnified Parties” and each an “Indemnified Party”) shall be indemnified by the Liquidating Trust, to the fullest extent permissible by applicable law, from and against any and all claims, debts, dues, accounts, actions, suits, causes of action, bonds, covenants, judgments, damages, attorneys’ fees and defense costs and other assertions of liability arising out of any such Indemnified Parties’ good faith exercise of what such Indemnified Party reasonably understands to be its powers or the discharge of what such Indemnified Party reasonably understands to be its duties conferred by the Plan, the Liquidation Trust Agreement, or by any order of the Bankruptcy Court entered pursuant to, or in furtherance of, this Plan, applicable law, or otherwise (except only for actions or omissions to act to the extent determined by a Final Order of a court of competent jurisdiction to be due to their own respective fraud, gross negligence or intentional misconduct), including without limitation, acts or omissions concerning pursuing, not pursuing or settling the Causes of Action, sales of assets, or objections to Claims, on and after the Effective Date. The foregoing indemnification shall also extend to matters directly or indirectly, in connection with, arising out of, based on, or in any way related to (i) the Plan; (ii) the services to be rendered pursuant to the Plan; (iii) the Liquidation Trust Agreement or any other document or information, whether verbal or written, referred to herein or supplied to or by the Liquidating Trustee; and/or (iv) the pre-Effective Date acts and omissions of the Creditors’ Committee and the Chapter 11 Trustee and their respective firms, companies, shareholders, members, partners, officers, directors, employees, professionals, representatives, successors and assigns. The Liquidating Trustee, with the Advice and Consultation of the Monitoring Committee, shall, on demand, advance or pay promptly out of Available Cash or a Plan Reserve Account set up specifically for this purpose if such an account is established by the Liquidating Trustee, on behalf of each Indemnified Party, reasonable attorneys’ fees and other expenses and disbursements which such Indemnified Party would be entitled to receive pursuant to the foregoing indemnification obligation; provided, however, that any Indemnified Party receiving any such advance shall execute a written undertaking to repay such advance amounts if a court of competent jurisdiction ultimately determines that such Indemnified Party is not entitled to indemnification hereunder due to the fraud, gross negligence or intentional misconduct of such Indemnified Party. The Liquidating Trustee may in her discretion, subject to Advice and Consultation with the Monitoring Committee, obtain insurance to cover the indemnity obligations of the Liquidation Trust, the premiums, fees and other costs of which shall be paid from the Liquidation Trust Assets.

I. Retention of Jurisdiction

Under Bankruptcy Code sections 105(a) and 1142, and notwithstanding entry of the Confirmation Order, substantial consummation of the Plan and occurrence of the Effective Date, the Bankruptcy Court shall retain jurisdiction over all matters arising out of, and related to, the Cases, the Plan and the Plan Documents to the fullest extent permitted by law, including, among other things, jurisdiction to:

- a.** Allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim, the resolution of any objections to the allowance or priority of Claims or Interests and the determination of requests for the payment of claims entitled to priority under Bankruptcy Code section 507(a)(2), including compensation of any reimbursement of expenses of parties entitled thereto;
- b.** Hear and determine all applications for compensation and reimbursement of expenses of Professionals under this Plan or under Bankruptcy Code sections 330, 331, 503(b), 1103, and 1129(a)(4); provided, however, that from and after the Effective Date, the retention and payment of the fees and expenses of the Professionals of the Debtor, whose employment is continued by the Liquidating Trustee, may be made in the ordinary course of business without the approval of the Bankruptcy Court;
- c.** Hear and determine all matters with respect to the assumption or rejection of any executory contract or unexpired lease to which either or both Debtors are parties or with respect to which either Debtor may be liable, and to hear, determine and, if necessary, liquidate any Claims arising therefrom;
- d.** Effectuate performance of and payments under the provisions of this Plan;
- e.** Hear and determine any and all adversary proceedings, motions, applications and contested or litigated matters arising out of, under or related to the Cases, this Plan, or any Plan Document;
- f.** Enter such orders as may be necessary or appropriate to execute, implement or consummate the provisions of this Plan and all contracts, instruments, releases and other agreements or documents created in connection with this Plan, the Disclosure Statement or the Confirmation Order;
- g.** Hear and determine disputes arising in connection with the interpretation, implementation, consummation or enforcement of this Plan, including disputes arising under agreements, documents or instruments executed in connection with this Plan;
- h.** Consider any modifications of this Plan, cure any defect or omission or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;
- i.** Issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with implementation, consummation, or enforcement of this Plan or the Confirmation Order;

- j.** Enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason reversed, stayed, revoked, modified or vacated;
- k.** Hear and determine any matters arising in connection with or relating to this Plan, the Disclosure Statement, the Confirmation Order, the Plan Documents or any contract, instrument, release or other agreement or document created in connection with this Plan, the Disclosure Statement, the Confirmation Order, or any Plan Document;
- l.** Enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Cases;
- m.** Except as otherwise limited herein, recover all Assets of the Debtor and property of the Estate, wherever located;
- n.** Hear and determine matters concerning state, local and federal taxes in accordance with Bankruptcy Code sections 346, 505 and 1146;
- o.** Hear and determine motions for Bankruptcy Rule 2004 examinations;
- p.** Hear and determine all matters related to the property of the Estates from and after the Confirmation Date;
- q.** Hear and determine any Causes of Action, and any Individual Lender Direct Cause of Action;
- r.** Hear and determine all disputes involving the existence, nature or scope of the injunctions, indemnification, exculpation and releases granted pursuant to this Plan;
- s.** Hear and determine all matters related to the property of the Estate from and after the Confirmation Date;
- t.** Hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, provisions of the Bankruptcy Code;
- u.** Enforce all orders previously entered by the Bankruptcy Court;
- v.** Dismiss the Cases; and
- w.** Enter a final decree closing the Cases.

ARTICLE VI. CERTAIN FACTORS TO BE CONSIDERED

The Holders of Claims against the Debtors should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or to reject the Plan.

A. General Considerations

The Plan sets forth the means for satisfying the Claims against the Debtor. The Plan provides for the creation of a Liquidation Trust that will fund litigation that will be used to make payments on claims.

B. Certain Bankruptcy Considerations

Even if all Impaired voting Classes vote in favor of the Plan and, with respect to any Impaired Class deemed to have rejected the Plan, the requirements for “cramdown” are met, the Bankruptcy Court may choose not to confirm the Plan. Bankruptcy Code section 1129 requires, among other things, a showing that the value of Distributions to dissenting Holders of Claims and Interests may not be less than the value such Holders would receive if the Debtor was liquidated under chapter 7 of the Bankruptcy Code. See Section VIII.D. Although the Chapter 11 Trustee believes that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

The Plan provides for certain conditions that must be fulfilled prior to Confirmation of the Plan and the Effective Date. As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions in the Plan will be met (or waived) or that the other conditions to Confirmation, if any, will be satisfied. If a chapter 7 liquidation were to occur, there is a substantial risk that the value of the Debtors’ Estates would be substantially eroded to the detriment of all stakeholders.

C. Administrative and Priority Claims

As the number and amount of Priority Tax Claims and Administrative Claims are presently unknown to the Chapter 11 Trustee, it is possible that, if the actual number and amount of Priority Tax Claims and Administrative Claims exceeds the Chapter 11 Trustee’s estimates, the amount of the Available Cash to be distributed will be diminished. As set forth elsewhere in the Plan and the Disclosure Statement, the Chapter 11 Trustee reserves her right to seek to dismiss or convert these Chapter 11 Cases.

D. Tax Consequences

THE FOLLOWING IS INTENDED TO BE ONLY A SUMMARY OF SELECTED FEDERAL AND STATE INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH, AND RECEIPT OF TAX ADVICE FROM, A TAX PROFESSIONAL. THE SELECTED FEDERAL AND STATE TAX CONSEQUENCES THAT ARE DESCRIBED HEREIN AND OTHER FEDERAL, STATE

AND LOCAL TAX CONSEQUENCES THAT ARE NOT ADDRESSED HEREIN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. SUCH TAX CONSEQUENCES MAY ALSO VARY BASED ON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF AN ALLOWED CLAIM OR EQUITY INTEREST IN THE DEBTORS. ACCORDINGLY, AS NOTED ABOVE, EACH HOLDER OF AN ALLOWED CLAIM OR EQUITY INTEREST IS STRONGLY ADVISED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF THE PLAN.

THE CHAPTER 11 TRUSTEE DOES NOT INTEND TO REQUEST A TAX RULING FROM THE INTERNAL REVENUE SERVICE OR ANY OTHER TAXING AUTHORITY WITH RESPECT TO ANY OF THE TAX CONSEQUENCES OF THE PLAN. CONSEQUENTLY, THE INTERNAL REVENUE SERVICE OR ANOTHER TAXING AUTHORITY MAY DISAGREE WITH AND MAY CONTEST ONE OR MORE OF THE TAX CONSEQUENCES DESCRIBED HEREIN TO THE DEBTORS, CREDITORS OR TO THE EQUITY HOLDERS.

A. Federal Income Tax Consequences to the Debtors

During the bankruptcy Cases, most of the Debtors' Assets were sold, and the proceeds of the sales have already been partially distributed. The federal and state income tax consequences with respect to the Debtors' Asset sales and the Debtors' other tax items have been or will be reflected on federal and/or state income tax returns filed or to be filed by the Chapter 11 Trustee. Depending on the Debtors' federal and state income tax classification status, the sales gains and other tax items of the Debtors may result in tax liability to the Debtors.

B. Federal Income Tax Consequences to Creditors

The character, amount and timing of income, gain or loss the Holders of Allowed Claims may recognize as a consequence of the Distributions under the Plan will depend upon, among other things, (i) the manner in which the Claim or interest was acquired, (ii) the length of time the Claim was held, (iii) whether the Claim was acquired at a discount, (iv) whether the Holder of an Allowed Claim has taken a bad debt deduction for the Claim, (v) whether the Holder has previously included accrued but unpaid interest with respect to the Claim, (vi) the Holder's method of tax accounting, (vii) whether the Claim is an installment obligation under the tax laws, and (viii) the type of consideration received or deemed received by the Holder in exchange for its Claim. Therefore, Holders of Allowed Claims should consult their tax advisors for information that may be relevant to their particular situations and circumstances and the particular tax consequences to such Holders as a result thereof.

Depending on the nature of the Claim, the Liquidating Debtors may be required to file information returns with the appropriate taxing agencies to report payments to the Holders of Allowed Claims. In order to make Distributions, the Liquidating Trustee will require that Holders of Allowed Claims provide certain federal income taxpayer information, such as the Holder's taxpayer identification number. Should the Holder fail to do so within sixty (60) days of the request, the Liquidating Trustee may withhold and bar any Distribution to that Holder, and the other Holders' proportionate shares of the amount to be distributed will be recalculated.

ARTICLE VII. FEASIBILITY OF THE PLAN AND BEST INTERESTS OF CREDITORS

A. Feasibility of the Plan

The Bankruptcy Code requires that Confirmation of a plan is not likely to be followed by the liquidation, or the need for further financial reorganization of the Debtors. The Plan contemplates that all remaining Assets of the Debtors will be liquidated, and that the Estates' Causes of Action will, where appropriate, be prosecuted, and that the proceeds of the foregoing ultimately will be distributed to the Holders of Allowed Claims pursuant to the terms of the Plan. Since no further financial reorganization of the Debtors will be possible, the Chapter 11 Trustee believe that the Plan meets the feasibility requirement.

B. Acceptance of the Plan

As a condition to confirmation of the Plan, the Bankruptcy Code requires that an impaired class must vote to accept the Plan.

Bankruptcy Code Section 1126(c) defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject a plan. Thus, Impaired Classes under the Plan will have voted to accept the Plan only if two-thirds (2/3) in amount and a majority in number actually voting in each Class cast their Ballots in favor of acceptance. Holders of Claims who fail to vote for the Plan are not counted as either accepting or rejecting that Plan.

C. Best Interests Test

As noted above, even if a plan is accepted by the holders of each class of claims and interests, the Bankruptcy Code requires a bankruptcy court to determine that such plan is in the best interests of all holders of claims or interests that are impaired by that plan and that have not accepted that plan. The "best interests" test, as set forth in Bankruptcy Code section 1129(a)(7), requires a bankruptcy court to find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

This analysis requires the Bankruptcy Court to determine what the Holders of Allowed Claims and Allowed Interests in each impaired Class would receive from the liquidation of the Debtors' Assets and properties in the context of a chapter 7 liquidation case. The cash that would be available for distribution to creditors in a chapter 7 case would consist of the net proceeds from the prosecution of the Causes of Action, including the pending litigation against the parties listed on **Exhibit B** attached hereto, the net proceeds from the liquidation of any other remaining Assets and the Cash on hand in the Estate (approximately \$500,000, plus \$362,000 in recoveries that are anticipated before confirmation, plus 25% of the remaining payments due from EZ Insurance Group, LLC). Such cash amount would be reduced by the amount of costs

and expenses of the chapter 7 liquidation, including the statutory commissions of a chapter 7 trustee and fees of professionals engaged by the chapter 7 trustee to prosecute the litigations, liquidate any other remaining Assets, and perform other services incidental to the liquidation process. These chapter 7 expenses would be payable in full from the liquidation proceeds before the balance of those proceeds would be available to pay unpaid administrative expenses incurred during the chapter 11 case, and prepetition priority and General Unsecured Claims.

As stated above, given the uncertain nature of the outcome of any litigation, the Chapter 11 Trustee cannot provide a reliable estimate of either the projected recoveries from the Causes of Action or the projected professional expenses to be incurred in connection therewith, as those amounts are dependent upon the resolution of Claims which have been contested by the Defendants. The course of the litigation that will ensue, including the length of time and the extent of activities by the parties on each side, is not susceptible of ready prediction. What can be said is the Estates have the potential to recover various potential avoidable transfers. The prospects for predicting the net recoveries from avoidance actions and other adversary proceedings that may be brought, including against the parties identified on **Exhibit B** attached hereto, are not susceptible at this time to reliable valuation.

While at first blush one might expect that, all other things being equal, the value of the net litigation recoveries would be the same whether those Claims were prosecuted by the Liquidating Trustee after confirmation of the Plan, or by a trustee appointed in a chapter 7 case, the Chapter 11 Trustee strongly believes that there is a material risk that the net proceeds of litigation would be substantially less in a chapter 7 case due to several factors. First, upon conversion of the Case to chapter 7, an interim trustee would be appointed who, by virtue of having no prior involvement in the Case, would be completely unfamiliar with the complicated legal and factual matters implicated by the Debtors' fraudulent pre-petition activities. In contrast, the Liquidating Trustee, Janet M. Nesse, by having served as Chapter 11 Trustee, has had extensive ongoing involvement in the investigation and prosecution of the Causes of Action as well as additional potential adversary proceedings that may be initiated in the future. Therefore, the prosecution of the Causes of Action would likely be put on hold for a significant period of time while the chapter 7 trustee familiarizes him or herself with these highly complex matters. There would also be additional expense as new professionals familiarized themselves with the factual and legal matters and the history of the Case. The Chapter 11 Trustee strongly believes that the loss of continuity and added expense would detrimentally affect the successful prosecution of the litigation and the amount of the ultimate recoveries by the Creditors in this Case.

The Chapter 11 Trustee also strongly believes that the substantial delay in the prosecution of the Causes of Action that is likely to occur as a result of conversion of the Case to chapter 7 would be prejudicial because (i) recoveries would inevitably be delayed (and thus their present value reduced), (ii) witnesses and documents may no longer be available with the passage of time, and finally (iii) the defendants might dissipate their assets which otherwise might be available to satisfy any judgments rendered in favor of the Estates.

Based on the foregoing, the Chapter 11 Trustee strongly believes that the prospects for recoveries by Holders of Allowed Claims would be significantly enhanced by Confirmation of

the Plan and, conversely, would be significantly diminished if this chapter 11 Case were converted to a chapter 7 liquidation.

ARTICLE VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Chapter 11 Trustee believes that the Plan affords Holders of Claims the potential for a better realization on the Debtors' Assets than a chapter 7 liquidation, and, therefore, is in the best interests of such Holders.

If, however, the requisite acceptances of voting Classes of Claims are not received, or no Plan is confirmed and consummated, the theoretical alternatives include: (a) formulation of an alternative plan or plans of liquidation; (b) liquidation of the Debtors under chapter 7 of the Bankruptcy Code; or (c) dismissal of the Debtors' cases under 11 U.S.C § 1112.

A. Alternative Plans

If the requisite acceptances are not received or if the Plan is not confirmed, the Chapter 11 Trustee or any other party in interest could attempt to formulate and propose a different plan or plans of reorganization or liquidation.

With respect to an alternative liquidation plan, the Chapter 11 Trustee has explored various other alternatives in connection with the extensive negotiation process involved in the formulation and development of the Plan. The Chapter 11 Trustee believes that the Plan enables Creditors to realize the greatest possible value under the circumstances, and, as compared to any other plan of liquidation, has the greatest chance to be confirmed and consummated.

B. Liquidation under Chapter 7

If no Plan is confirmed, the Chapter 11 Cases may be converted to a case under chapter 7 of the Bankruptcy Code. As discussed above, the Chapter 11 Trustee does not believe that unsecured creditors would receive a greater distribution under Chapter 7 of the Bankruptcy Code than they would under the Plan.

C. Dismissal of the Chapter 11 Cases

If no Plan is confirmed, the Chapter 11 Trustee or other parties in interest may seek dismissal of the Chapter 11 Cases pursuant to Bankruptcy Code section 1112. Without limitation, dismissal of the Chapter 11 Cases would terminate the automatic stay and might allow certain Creditors to foreclose on their Liens on certain of the Debtor's remaining assets. Further, dismissal of the case would result in Mr. Katz (or his Chapter 7 trustee) being given control of the Debtors and Debtor Related Companies, and would require the Chapter 11 Trustee to return certain payments she has received in settlement of avoidance actions. Accordingly, the Chapter 11 Trustee believes that dismissal of the Chapter 11 Cases would further reduce the value of the Debtors' remaining assets, create a race to the Courthouse, and would lower the return to Creditors.

ARTICLE IX. THE SOLICITATION AND VOTING PROCEDURE

A. Parties in Interest Entitled to Vote

Under Bankruptcy Code section 1124, a class of claims or interests is deemed to be “impaired” under a plan unless (i) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder thereof or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

In general, a holder of a claim or interest may vote to accept or to reject a plan if (i) the claim or interest is “allowed,” which means generally that no party in interest has objected to such claim or interest, and (ii) the claim or interest is impaired by the plan. If, however, the holder of an impaired claim or interest will not receive or retain any distribution under the plan on account of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan, and, accordingly, holders of such claims and interests do not actually vote on the plan. If a claim or interest is not impaired by the plan, the Bankruptcy Code deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests are not entitled to vote on the plan.

B. Classes Impaired and Unimpaired under the Plan

Under the Plan, Classes 1 is Unimpaired and are presumed under Bankruptcy Code section 1126(f) to have accepted the Plan, and their votes to accept or to reject the Plan will not be solicited. Classes 2a, 2b, 3 and 4 are Impaired under the Plan and are entitled to vote on the Plan, subject to the limitations set forth above. Classes 5 and 6 are Impaired and are presumed under Bankruptcy Code section 1126(f) to have rejected the Plan, and their votes to accept or to reject the Plan will not be solicited. Pursuant to Bankruptcy Code section 1123(a)(1), Administrative Claims and Priority Tax Claims are not classified and are not entitled to vote on the Plan.

ARTICLE X. FURTHER INFORMATION

A. Further Information; Additional Copies

If you have any questions or require further information about the voting procedure for voting your Claim or about the packet of material you received, or if you wish to obtain an additional copy of the Plan, the Disclosure Statement, or any exhibits or appendices to such documents (at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d)), please contact counsel for the Chapter 11 Trustee:

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ARTICLE XI. RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Chapter 11 Trustee believes that confirmation and consummation of the Plan is preferable to all other alternatives.

Dated: September 14, 2016

Respectfully submitted,

/s/ Janet M. Nesse
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