IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF MICHIGAN

In re:	Case No. 08-09092
GAINEY CORPORATION, et al.[1]	Chapter 11 Petition Date: October 14, 2008 Jointly Administered Honorable James D. Gregg
Debtors	
_____/	

FIRST AMENDED DISCLOSURE STATEMENT WITH RESPECT TO THE JOINT PLAN OF REORGANIZATION OF THE DEBTORS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

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Dated: October 13, 2009

[1] The Debtors are Gainey Corporation (Case No. 08-09092), Gainey Transportation Services, Inc. (Case No. 08-09094), Super Service, Inc. (Case No. 08-09096), Freight Brokers of America, Inc. (Case No, 08-09109), Lester Coggins Trucking, Inc. (Case No. 08-09095), and Gainey Insurance. Services, Inc. (Case No. 08-09097).

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SECTION I: INTRODUCTION

On October 14, 2008, Debtors filed their Voluntary Petitions under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Western District of Michigan in Grand Rapids, Michigan. The Debtors were assigned case numbers 08-09092 (Gainey Corporation), 08-09094 (Gainey Transportation Services, Inc.), 08-09096 (Super Service, Inc.), 08-09109 (Freight Brokers of America, Inc.), 08-09095 (Lester Coggins Trucking, Inc.), and 08-09097 (Gainey Insurance Services, Inc.). Each case was assigned to the Honorable James D. Gregg. The Debtors' Chapter 11 Cases are jointly administered under Chapter 11 of the Bankruptcy Code, but have not been substantively consolidated. The Debtors are continuing to operate their businesses in the ordinary course of business as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

The Debtors, under the applicable provision of the Bankruptcy Code and certain orders of the Bankruptcy Court, were afforded an exclusive period within which to file a Chapter 11 plan. Within the deadline established by the Bankruptcy Court, on June 1, 2009, the Debtors filed their Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the **"Debtors' Plan"**) and their Disclosure Statement With Respect to their Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the **"Debtors' Disclosure Statement"**) pursuant to section 1125 of Title 11 of the Bankruptcy Code for use by holders of Claims and Equity Interests in the Debtors in connection with (i) the solicitation of acceptances of the Debtors' Plan (as the same may be amended from time to time); and (ii) the hearing to consider confirmation of the Debtors' Plan (the "**Confirmation Hearing**").

Wachovia Bank, National Association, is one of the Debtors' secured creditors pursuant to a certain prepetition loan agreement with the Debtors (**"Wachovia"**). On November 7, 2008, the Office of the United States Trustee appointed the Official Committee of Unsecured Creditors in these cases (**"Committee"**). Because the Debtors were unable to obtain confirmation of Debtors' Plan on or prior to July 15, 2009, the Debtors' exclusive right to seek confirmation expired, thereby permitting the filing of other Chapter 11 plans by parties in interest. As a result, on August 4, 2009, the Committee and Wachovia filed the Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code of the Official Committee of Unsecured Creditors and Wachovia Bank, National Association, as a Prepetition Lender under the Prepetition Loan Documents (the "**Joint Creditor Plan**"). In conjunction with the filing of the Joint Creditor Plan, the Committee and Wachovia also filed on August 4, 2009 their Disclosure Statement With Respect to the Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the **"Joint Creditor Disclosure Statement"**) pursuant to section 1125 of Title 11 of the Bankruptcy Code for use by holders of Claims and Equity Interests in the Debtors in connection with (i) the solicitation of acceptances of the Joint Creditor Plan (as the same may be amended from time to time); and (ii) for the Confirmation Hearing. After the Joint Creditor Plan was filed, Wachovia withdrew it support for the Joint Creditor Plan.

The Debtors, with the concurrence of the Committee and Wachovia, filed now filed their First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (herein the **"First Amended Plan"** or the "**Plan**") and their First Amended Disclosure Statement With Respect to their Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the

"**First Amended Disclosure Statement**") pursuant to section 1125 of Title 11 of the Bankruptcy Code for use by holders of Claims and Equity Interests in the Debtors in connection with (i) the solicitation of acceptances of the First Amended Plan (as the same may be amended from time to time); and (ii) the hearing to consider confirmation of the First Amended Plan. As a result of the filing of the First Amended Plan and First Amended Disclosure Statement, the Committee has withdrawn the Joint Creditor Plan.

Unless otherwise defined herein, all capitalized terms contained herein have the meanings ascribed to them in the First Amended Plan.

THE FIRST AMENDED PLAN IS PROPOSED BY THE DEBTORS AND CONSTITUTES A SEPARATE PLAN FOR EACH DEBTOR. THE ESTATES OF THE DEBTORS HAVE NOT BEEN CONSOLIDATED, SUBSTANTIVELY OR OTHERWISE. EXCEPT AS SPECIFICALLY SET FORTH IN THE FIRST AMENDED PLAN, NOTHING IN THE FIRST AMENDED PLAN OR THIS FIRST AMENDED DISCLOSURE STATEMENT WILL CONSTITUTE OR BE DEEMED TO BE AN ADMISSION THAT ONE OF THE DEBTORS IS SUBJECT TO OR LIABLE FOR ANY CLAIM AGAINST ANOTHER DEBTOR. EXCEPT AS EXPRESSLY PROVIDED IN THE FIRST AMENDED PLAN, THE CLASSIFICATIONS OF CLAIMS AND EQUITY INTERESTS SET FORTH IN THE FIRST AMENDED PLAN WILL BE DEEMED TO APPLY WITH RESPECT TO EACH FIRST AMENDED PLAN PROPOSED FOR EACH DEBTOR.

The First Amended Disclosure Statement describes certain aspects of the First Amended Plan, the Debtors' operations, significant events occurring in the Debtors' Chapter 11 Cases and other related matters.

For a complete understanding of the First Amended Plan, you should read the First Amended Disclosure Statement, the First Amended Plan, and any and all exhibits and/or schedules thereto and the other documents referred to herein and therein in their entirety. The Exhibits to the First Amended Disclosure Statement have been provided on the compact disc that accompanies this document. If you cannot access the documents on the compact disc, you may contact the Debtors' counsel for copies of the documents.

The Debtors believe that acceptance of the First Amended Plan is in the best interests of all holders of Claims against and Equity Interests in the Debtors.

A ballot for the acceptance or rejection of the First Amended Plan is enclosed with the First Amended Disclosure Statement and submitted to the holders of the Claims that the Debtors believe are entitled to vote to accept or reject the First Amended Plan.

The purpose of the First Amended Disclosure Statement is to provide adequate information, within the meaning of section 1125(a) of the Bankruptcy Code, of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtors, to the creditors and holders of Equity Interests of the Debtors, so that such creditors and holders of Equity Interests may make an informed judgment about the First Amended Plan.

No person is authorized in connection with the First Amended Plan or solicitation of acceptances of the First Amended Plan to give any information or to make any representations other than those contained in the First Amended Disclosure Statement, its exhibits and any court-approved solicitation materials. If such representations or information are given or made, such representations or information should not be relied upon. The delivery of the First Amended Disclosure Statement will not under any circumstances imply that all the information contained herein is correct as of any time subsequent to the date hereof.

The First Amended Disclosure Statement describes various transactions contemplated under the First Amended Plan but is not a substitute for the First Amended Plan. The terms of the First Amended Plan shall govern in case of any inconsistency between the First Amended Plan and the First Amended Disclosure Statement. The definitions of the First Amended Plan are incorporated by reference in the First Amended Disclosure Statement. Defined terms are capitalized.

You are urged to study the First Amended Plan in full and to consult with your legal counsel and tax advisors about the First Amended Plan and its impact upon your legal rights, including possible tax consequences. Please read the First Amended Disclosure Statement and its exhibits carefully before voting on the First Amended Plan.

The statements contained in the First Amended Disclosure Statement are made as of the date hereof and, except in connection with the description of the First Amended Plan, are based upon the Debtors' First Amended Disclosure Statement. Delivery of the First Amended Disclosure Statement in connection with the First Amended Plan shall not create an implication that there has been no change in the information set forth herein since the date of the First Amended Disclosure Statement and the date that the materials relied upon in preparation of the First Amended Disclosure Statement were compiled.

The First Amended Disclosure Statement may not be relied upon for any purpose other than to determine whether to vote in favor of or against the First Amended Plan, and nothing contained herein shall constitute an admission of any fact or of liability by any party, or be admissible in any proceedings involving the Debtors or involving any legal effect of the reorganization of the Debtors. Certain of the information contained in the First Amended Disclosure Statement, by its nature, is in the manner of projections, which may prove to be different from actual results.

The information contained in the First Amended Disclosure Statement has been taken from the Debtors' management, except where other sources are identified. The management of the Debtors authorizes no representations concerning the Debtors or the First Amended Plan other than those in the First Amended Disclosure Statement and accompanying documents. You should not rely on any representations or inducements made by any person to secure your vote other than those contained in the First Amended Disclosure Statement. The management of the Debtors has made great efforts to be accurate in this First Amended Disclosure Statement in all material respects and believe that the contents of this First Amended Disclosure Statement are complete and accurate. However, neither the Debtors' management, nor any other party that

consents hereto, can or does warrant or represent that the information contained herein is without inaccuracy.

SECTION II: LEGAL REQUIREMENTS

2.1 Voting Procedures

Under the Bankruptcy Code, the only classes that are entitled to vote to accept or reject the First Amended Plan are classes of Claims or Equity Interests that are impaired under the First Amended Plan. Accordingly, classes of Claims or interests that are *not* impaired are not entitled to vote on the First Amended Plan. The First Amended Plan contains both impaired and unimpaired Classes of Claims as follows:

Impaired Classes Allowed to Vote

Class II	Other Secured Claims
Class III	Lender Secured Claims
Class V	Unsecured Liability Claims
Class VI	Lender Unsecured Claims
Class VII	Other Unsecured Claims

Unimpaired Classes

Class I	Other Priority Claims
Class IV	Insurer Secured Claims

In addition, four Classes are Impaired, but are not allowed to vote under the terms of the First Amended Plan, and are deemed to have rejected the First Amended Plan. These Classes consist of Class VIII, Intercompany Unsecured Claims, Class IX, Subordinated Insider Unsecured Claims, Class X, Gainey Equity Interests, and Class XI, Affiliate Equity Interests.

Creditors that may hold Claims in more than one impaired Class are entitled to vote separately in each Class. Such a creditor will receive a separate ballot for all of its Claims in each Class and should complete and sign each ballot separately. A creditor who asserts a Claim in more than one Class and who has not been provided with sufficient ballots may photocopy the ballot received and submit multiple ballots; provided each ballot clearly identifies the appropriate Class to which each ballot pertains.

Unless otherwise ordered by the Bankruptcy Court, votes on the First Amended Plan will be counted only with respect to Claims: (a) that are listed on the Debtors' Schedules *other* than as disputed, contingent or unliquidated; (b) for which a Proof of Claim was filed on or before March 23, 2009, the last date set by the Bankruptcy Court for the filing of proofs of Claim (except for any Claims expressly excluded from that requirement or which are Allowed by Bankruptcy Court order), or which are expressly Allowed under specific terms of the First Amended Plan, either generally, or for purposes of voting only. In addition, any vote by a holder of a Claim will not be counted if such Claim has been disallowed or is the subject of an

unresolved objection, absent an order of the Bankruptcy Court allowing such Claim for voting purposes pursuant to section 502 of the Bankruptcy Code and Bankruptcy Rule 3018.

Voting on the First Amended Plan by each holder of a Claim in an impaired Class is important. After carefully reviewing the First Amended Plan and First Amended Disclosure Statement, each holder of such a Claim should vote on the enclosed Ballot either to accept or to reject the First Amended Plan, and then return the Ballot as directed on the Ballot by the deadline established by the Bankruptcy Court.

Any Ballot that does not appropriately indicate acceptance or rejection of the First Amended Plan will not be counted, subject to Bankruptcy Court review of the same. A Ballot that is not received by the deadline will not be counted, subject to Bankruptcy Court review of the same. If a Ballot is damaged, lost, or missing, the replacement Ballot may be obtained by sending a written request to the Debtors' attorney.

By signing and returning the Ballot, each holder of a Claim entitled to vote will also be confirming that (i) such holder and/or agents acting on its behalf has read the First Amended Disclosure Statement and the First Amended Plan; (ii) such holder and/or agents acting on its behalf has had the opportunity to ask questions of and receive answers from the Debtors concerning the terms of the First Amended Plan and related matters; (iii) the Debtors have made available to such holder or its agents all documents or information relating to the First Amended Plan; and (iv) except for information provided by the Debtors or their agents in writing, such holder has not relied on any statements made or other information received from any person with respect to the First Amended Plan.

2.2 Waivers of Defects, Irregularities, Etc.

All questions as to the validity, form, eligibility, acceptance and revocation or withdrawal of Ballots will be determined by the Debtors. The Debtors have the right, in consultation with the Committee and the Administrative Agent (as defined in Section 3.4(a)(i) of the First Amended Disclosure Statement), to reject any and all Ballots reasonably determined by them to not be in proper form, and/or if the acceptance of such Ballot would, in their opinion or the opinion of their counsel, be unlawful. The Debtors, in consultation with Committee and the Administrative Agent, reserve the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. Unless waived, any defects or irregularities in connection with the delivery of a Ballot must be cured within such time as the Bankruptcy Court orders. The Debtors will not be under any duty to provide notification of defects or irregularities with respect to Ballots, nor will the Debtors incur any liability for failing to provide any such notification. Unless otherwise ordered by the Bankruptcy Court, defective or irregular Ballots will not be deemed to have been delivered until corrected or waived. As indicated in Section 3.3 below, withdrawals of Ballots must be submitted timely to be effective. The Debtors, in consultation with the Committee and the Administrative Agent, will have the right to challenge or contest the validity of any such withdrawal. The Bankruptcy Court will retain jurisdiction to resolve any disputes regarding any of the foregoing matters.

2.3 Withdrawal of Ballots

Any party who delivers a valid Ballot for the acceptance or rejection of the First Amended Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Debtors before the date the Ballots are due. A notice of withdrawal is valid if it (i) contains the description of the Claim(s) to which it relates and the aggregate principal amount represented by such Claim(s); (ii) is signed by the withdrawing party in the same manner as the Ballot being withdrawn; (iii) contains a certification that the withdrawing party owns the Claim(s) and possesses the right to withdraw the Ballot; and (iv) is received by the Debtors in a timely manner. Unless ordered by the Bankruptcy Court, any attempts to withdraw a Ballot except as set forth above will be ineffective.

2.4 Confirmation

Section 1129(a) of the Bankruptcy Code establishes conditions for the confirmation of a plan. The findings required for confirmation include the following: (i) the plan classifies claims and equity interests in a permissible manner; (ii) the plan complies with applicable provisions of the Bankruptcy Code; (iii) the Debtors complied with applicable provisions of the Bankruptcy Code; (iv) the plan has been accepted by the requisite votes of holders of claims (except to the extent that confirmation is available under section 1129(b) of the Bankruptcy Code); (v) the plan has been proposed in good faith and not by any means forbidden by law; (vi) the disclosure requirements of section 1125 of the Bankruptcy Code have been made; (vii) the plan is feasible and confirmation will likely not be followed by liquidation or the need for further reorganization of the Debtors, unless such liquidation or reorganization is proposed in the plan; (viii) the plan is in the best interests of all holders of claims in an impaired class by providing to such holders on account of their claims property of a value that is not less than the amount that such holder would receive or retain in a Chapter 7 liquidation, unless each holder of a claim in such class has accepted the plan; (ix) all fees and expenses payable under section 1930 of the Bankruptcy Code have been paid or the plan provides for their payment on its effective date; (x) if applicable, the plan provides for the continuation after the effective date of all retiree benefits, as defined under section 1114 of the Bankruptcy Code, at the level established before confirmation for the duration of the period that the debtor has obligated itself to provide such benefits.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds (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 reject the plan. Thus, a class will have voted to accept a plan if two-thirds (2/3) in amount and a majority in number actually voting cast their ballots in favor of acceptance.

This description is non-exhaustive. Parties are encouraged to seek independent legal counsel to answer any questions concerning the Chapter 11 process and/or the requirements for confirmation.

2.5 Best Interests of Creditors Test

Before the First Amended Plan may be confirmed, the Bankruptcy Court must find (with certain exceptions) that the First Amended Plan provides, with respect to each Class, that each holder of a Claim or Equity Interest in such Class either (i) has accepted the First Amended Plan

or (ii) will receive or retain under the First Amended Plan property of a value, as of the Effective Date, that is not less than the amount that such person would receive or retain if the Debtors liquidated under Chapter 7 of the Bankruptcy Code. This requirement is discussed in more detail in Section 5.1 of the Disclosure Statement.

In a Chapter 7 liquidation, creditors and interest holders are paid from available assets generally in the following order, with no junior class receiving any payments until all amounts due to the senior classes are paid in full: (i) secured creditors; (ii) administrative and priority unsecured creditors; (iii) unsecured creditors; (iv) subordinated creditors; and (v) equity interest holders.

The Debtors have prepared a Liquidation Analysis to show the anticipated distribution to creditors in a liquidation of the Debtors under Chapter 7 of the Bankruptcy Code. As demonstrated by the Liquidation Analysis described in Section 5.1 hereof, the Debtors anticipate that creditors would receive less in a Chapter 7 liquidation than they would under the First Amended Plan. The Debtors therefore submit that the First Amended Plan meets the "best interests" requirement of the Bankruptcy Code.

2.6 The Plan Must Be Feasible

To be confirmed, the First Amended Plan must also be feasible, meaning that it is not likely to be followed by an unplanned liquidation or further financial restructuring, unless proposed in the First Amended Plan. Feasibility of the First Amended Plan is discussed in more specific detail in Section 6.3 of this Disclosure Statement. The Debtors believe the First Amended Plan is feasible.

2.7 Plan Modifications

The Debtors reserve the right to modify the First Amended Plan at any time before the Confirmation Hearing, as more fully set forth in the First Amended Plan. In addition, the Debtors reserve the right to revoke their support for the First Amended Plan at any time before the Confirmation Hearing, as set forth more fully in the terms of the First Amended Plan.

2.8 Nonconsensual Confirmation

The Bankruptcy Code contains provisions for confirmation of a plan even if the plan is not accepted by all creditors, as long as one impaired class accepts the plan, pursuant to the so-called "cram-down" provisions of section 1129(b) of the Bankruptcy Code. Generally a plan may be confirmed pursuant to the cram-down provisions if it satisfies a number of criteria, including that the plan does not unfairly discriminate against and is fair and equitable to those impaired creditors in a class that did not accept the plan.

In general, the requirement that a plan "does not discriminate unfairly" means that a dissenting class must be treated equally with respect to other classes of equal rank. A plan may also provide for different treatment for different classes if the claims or interests in such classes have different priorities or characteristics, and a plan does not discriminate unfairly if claims or

interests in different classes but with similar priorities and characteristics receive or retain property of a similar value under a plan.

By establishing separate Classes for the holders of each type of Claim and Equity Interest and by treating each holder of a Claim and Equity Interest in each such Class the same, the Debtors submit that the First Amended Plan does not "discriminate unfairly" with respect to any Class of Claims or Equity Interests. With respect to Classes of Claims which are not entitled to vote under the terms of the First Amended Plan, and which are therefore deemed to have rejected the Plan, the Debtors believe the Plan is fair and equitable, and request, under the First Amended Plan, that the Bankruptcy Court confirm the First Amended Plan under section 1129(b) of the Bankruptcy Code. The Debtors believe that the holders of Claims and Equity Interests who are deemed to have rejected the First Amended Plan will not object to confirmation of the First Amended Plan.

However, should an impaired Class that is eligible to vote under the First Amended Plan vote to reject the First Amended Plan, the Debtors retain the right to seek to amend the First Amended Plan or to seek to confirm the First Amended Plan (as proposed or as amended) under section 1129(b) of the Bankruptcy Code, by demonstrating that the First Amended Plan is fair and equitable. The "fair and equitable" standard, also known as the "absolute priority rule," has different meanings with respect to secured and unsecured claims. With respect to secured claims, for a plan to be fair and equitable, the plan may provide, among other things, that the holder of such claims retain the liens securing those claims to the extent of the allowed amount of such claims, and that such holder receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property. Alternatively, a plan may provide for the realization by the holders of secured claims of the indubitable equivalent of such claims, or provide for the sale of the property securing such claim under certain conditions. With respect to a class of unsecured creditors, a plan may be found to be fair and equitable if it provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date, equal to the allowed amount of the claim, or if it provides that the holder of a claim or equity interest that is junior to the claims of such class will not receive or retain distributions or interests under the plan on account of such junior claim or equity interest.

SECTION III: THE DEBTORS AND THEIR BUSINESS; IMPORTANT PRE-PETITION EVENTS

3.1 The Debtors' Business

The Debtors, each of which is a privately held Michigan corporation (other than LCT, which is a Florida corporation), primarily provide nationwide over the road trucking, freight-hauling, and related freight brokerage and logistics services. The Debtors serve a variety of industries, arranging for and providing shipping services throughout the United States and in certain provinces of Canada.

The Debtors' primary line of business is the delivery of logistics, brokering, and over the road freight hauling services to their customers. Logistics services consist of providing the

customers with services relating to the pickup and delivery of freight, and the handling of the associated paperwork, including (without limitation and where applicable) addressing customs clearance and related services. Brokerage services involve arranging for the means of shipment of various products of the Debtors' customers and facilitating the delivery of goods through alternative carriers, whether in conjunction with hauling services provided by Debtors or otherwise. The Debtors' primary freight hauling business consists of actual "over the road" transportation services, which in turn breaks down into "Dry Van Freight" and "Refrigerated Freight". The Debtors provide many alternate forms of shipping at various pricing options, including traditional point to point shipping, dedicated service for ongoing customers which effectively provides customers with a "private fleet" of dedicated trucks and drivers, and certain other types of special shipping services. Special services include: "hotline" shipping, which provides customers with standard and guaranteed expedited service, and permits customers to track their shipments in what is effectively "real time" and "blanket-wrap" services, which provide a mechanism for the safe and efficient shipment of extremely fragile and other special care shipments, flatbed hauling, and refrigerated carriage.

Gainey Transportation Services, Inc. ("**GTS**"), Super Service, Inc. ("**SSI**"), and Lester Coggins Trucking, Inc. ("**LCT**") constitute the core business operations of the Debtors. In 2007, GTS contributed 58% of the Debtors' revenues, SSI 25% and LCT 16%. The customers comprising the primary industry segment served by the Debtors are the manufacturing, wholesale and retail sectors. The Debtors' customer base is highly diversified, with approximately 3,000 active customers as of the Petition Date. Freight Brokers of America, Inc. ("**FBOA**") conducts separate stand alone operations relating to the brokering of freight loads, and is not involved directly in the provision of over-the-road trucking services. FBOA holds no Rolling Stock, and inconsequential personal property assets. The role of Gainey Insurance Services, Inc. ("**GIS**") is discussed in Section 3.4(d) of this First Amended Disclosure Statement.

Each of GTS, SSI, LCT and FBOA are wholly owned subsidiaries of Gainey Corporation ("**GC**"). GC has historically provided a variety of shared corporate services to the other Debtors, including, without limitation, managerial oversight, sales and operational support, strategic planning, financial planning, tax compliance, reporting and filing, cash and treasury management, human resource and employee benefit assistance, information systems, and centralized purchasing of key supplies. While each of GTS, SSI, and LCT operate their regional business operations with the use of the services of Gainey Corporation, each of these Debtors also perform a number of functions locally. These include sales and customer service management, Rolling Stock maintenance, and driver recruitment and management.

The Debtors currently employ approximately 1,700 people, including drivers, and operate a total ongoing fleet of approximately 1,600 tractors and 3,200 trailers.

GC, GTS and GIS operate their businesses from headquarters located in Grand Rapids, Michigan. The Debtors also maintain terminals and offices in Grand Rapids, Michigan; Lexington, South Carolina; Somerset, Kentucky; Ellenwood, Georgia; Conley, Georgia; Sellersberg, Indiana; Halifax, North Carolina; Dallas, Texas; Kansas City, Kansas; Ontario, California, Miami, Florida, Okahumpka, Florida, Knoxville, Tennessee; South Bend, Indiana,

and Pierson, Florida. The primary offices of SSI are in Somerset, Kentucky, and the primary offices of LCT are in Okahumpka, Florida.

2007 was the last full fiscal year of operations of the Debtors prior to the commencement of the Chapter 11 Cases. The consolidated financial statements of the Debtors for 2007 and 2008 are attached hereto as **Exhibit A**. Also attached as **Exhibit A** are the Debtors' monthly financial statements that were filed by the Debtors with the Bankruptcy Court for the period of January 2009 through August, 2009.

3.2 Corporate/Equity Structure

The identity of the shareholders of each of the Debtors as of the Petition Date is set forth on attached **Exhibit B**. As set forth on **Exhibit B**, GC is the parent corporation of each the primary operating entities, GTS, SSI, and LCT, and the parent corporation of FBOA. GIS is an affiliate of the other Debtors, and is 100% owned by Harvey N. Gainey, Sr. (**"HNG"**). The Plan does not contemplate changes in the existing manner in which the Equity Interests in GC and GIS are to be held.

3.3 Officers

The identity of the key officers of each of the Debtors as of the Petition Date is set forth on attached **Exhibit C**. The Debtors contemplate that on or before the Confirmation Hearing, substantially all of their assets will be sold pursuant to a sale conducted pursuant to section 363(b) of the Bankruptcy Code (the **"Sale"**). The Debtors do not contemplate any changes in their corporate structure after the Confirmation Hearing. Upon confirmation, to the extent that any assets remain subsequent to the Sale, they will be turned over to the Liquidation Trust (**"Liquidation Trust"**) pursuant to a Liquidation Trust Agreement and Declaration of Trust (**"Liquidation Trust Agreement"**), established by the earlier of the confirmation of the First Amended Plan or prior order of the Bankruptcy Court. In addition to liquidating the unsold remaining assets of the Debtors, the Liquidation Trustee (**"Liquidation Trustee"**) will generally, and in accordance with the terms of the First Amended Plan, wind down the Debtors' business operations, pursue the Causes of Action and the Insider Causes of Action if not part of the Sale, object to the Allowance of certain Claims, and make distributions to holders of Allowed Claims under the Plan.

3.4 Debt Structure

(a) Secured Debt.

(i) Senior Secured Debt. Prior to the Petition Date, GC, as Borrower, entered into a Credit Agreement dated as of April 20, 2006 (the "**Credit Agreement**") with various lenders (the "**Prepetition Lenders**") under which Wachovia acts as administrative agent (the **"Administrative Agent"**). Each of the Debtors other than GC and GIS delivered a Subsidiary Guaranty Agreement dated April 20, 2006 in favor of the Administrative Agent (the "**Subsidiary Guaranty**"), under which they guaranteed payment of the obligations of GC under the Credit Agreement. In addition, each of the Debtors other than GIS delivered a Collateral Agreement dated April 20, 2006 in favor of

the Administrative Agent for the benefit of the Prepetition Lenders (the "**Security Agreement**"). The Security Agreement granted a security interest in all the personal property assets of those entities to secure the obligations under the Credit Agreement, the related guaranties of the parties, certain hedging obligations and certain cash management service obligations. Such security interests extend to substantially all of the Debtors' owned Rolling Stock.[2] On February 4, 2008, GIS joined the Subsidiary Guaranty and Security Agreement by executing a Supplement and Joinder to Subsidiary Guaranty Agreement and a Supplement and Joinder to Collateral Agreement (collectively, the "**Joinder Agreements**"). The obligations of the Debtors arising under the foregoing documents are further secured by the Florida Mortgage (as herein defined). The Credit Agreement, the Subsidiary Guaranty, the Security Agreement, the Joinder Agreements, and the Florida Mortgage, together with the other documents delivered in favor of the Administrative Agent in connection with these documents, are referred to in this First Amended Disclosure Statement as the **"Loan Documents."**

Under the terms of the Final Order Pursuant to Sections 105, 361, 362 and 363 of the Bankruptcy Code Authorizing the Use of Cash Collateral and Granting Adequate Protection [DN 458] (**"Final Cash Collateral Order"**) entered by the Bankruptcy Court on January 9, 2009 the Debtors acknowledged and agreed that in accordance with the Loan Documents the "Debtors are truly and justly indebted to the Administrative Agent and the Prepetition Lenders, without defense, counterclaim or offset of any kind, and that as of the Petition Date, the Debtors were liable to the Administrative Agent and the Prepetition Lenders in the aggregate amount of $239,437,045.49, composed of $204,052,014.72 in principal, $12,833.451.02 in interest, $5,131,059.75 in swap obligations, plus any then-outstanding fees and expenses, and including contingent reimbursement obligations relating to then undrawn letters of credit in the aggregate amount of $17,420,520.00" (collectively, the ("**Prepetition Obligations**"). As of the date of the filing of the First Amended Disclosure Statement, the Debtors were aware that draws on substantially all of the letters of credit referred to above had occurred. The Administrative Agent, on behalf of the Prepetition Lenders, has filed a proof of claim in these proceedings in the aggregate amount of $239,440,409.70.

(ii) Other Secured Debt and Capital Leases. In addition to the Prepetition Obligations, the Debtors were, as of the Petition Date, obligated to certain parties in accordance with various capital leases of certain tractors and trailers and had incurred secured indebtedness to parties other than the Administrative Agent, secured primarily by various personal property of the Debtors, including, without limitation, limited numbers of tractors and trailers. Attached as **Exhibit D** is a schedule of all such other secured indebtedness and capital leases as of the Petition Date.[3] The First Amended Plan

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[2] The Committee and Administrative Agent have agreed that a limited number of items of Rolling Stock, are not subject to the lien and security interests of any party, including the Administrative Agent. This Rolling Stock has a value of approximately $175,000.

[3] Exhibit D excludes parties with secured claims whose secured claims arise solely on account of setoff rights under section 553 of the Bankruptcy Code.

provides that the capital leases not previously assumed (whether as part of the Sale or otherwise) will be rejected as of the Confirmation Date. During the pendency of the Chapter 11 Cases, the Debtors have made arrangements for the rejection of a number of capital leases, and entered into arrangements with a number of secured parties pursuant to which the Debtors have surrendered the Collateral securing such secured parties' Claims to the secured parties. This is discussed in more detail in Section 4.4 of this First Amended Disclosure Statement.

(b) Unsecured Debt. The Debtors' unsecured debt obligations consist of three primary components: (i) the undersecured deficiency Claim of the Prepetition Lenders on account of the Prepetition Obligations, arising on account of the material differential between the value of the Collateral securing the Prepetition Obligations and the total amount of such Prepetition Obligations, (ii) any unsecured Claims for personal injury and property damage (described in Section 3.4(d) below), which Claims are primarily covered by applicable insurance, and (iii) other general unsecured Claims.

An aggregate amount of unsecured Claims totaling approximately $30,000,000 have been filed against the Debtors pursuant to proofs of claim which are actually on file with the Bankruptcy Court. As described more fully in Section 5.2 hereof, the Debtors have been actively engaged in an ongoing effort to quantify and characterize these claims, and believe that the claims, as filed, are materially overstated. Thus, notwithstanding the amount of filed claims, the Debtors have estimated that the aggregate amount of the Debtors' non-priority general unsecured claims, (*i.e.* unsecured Claims other than the Lender Unsecured Claim and Unsecured Liability Claims) is not more than approximately $10,000,000.[4] The Debtors further contend that a great majority of the general unsecured Claims asserted against the Debtors are asserted against GC, GTS, SSI and LCT. The Debtors also estimate that the amount of personal injury and property damage Claims which are not covered by existing insurance is not material.

Various unsecured Claims seeking priority under sections 503(b) and 507 of the Bankruptcy Code have also been filed against the Debtors. As of the date of the filing of the First Amended Plan, the Debtors were involved in ongoing efforts to resolve a number of disputes relating to such alleged priority Claims. The Debtors estimate that the aggregate amount of Allowed Claims entitled to priority (excluding administrative expense Claims) will not exceed $1,000,000.

The Debtors' estimate of the foregoing general unsecured Claims does not take into account possible objections to Claims that may be asserted by the Debtors prior to confirmation of the First Amended Plan, or by the Liquidation Trustee after the Confirmation Order becomes a Final Order as contemplated by the First Amended Plan, the ultimate determination as to any Claims of priority, or the reconciliation of any such Claims. The Debtors anticipate that some portion of the foregoing unsecured Claims will be subject to disallowance or reduction.

(c) Intercompany Claims.

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[4] The Debtors have already filed their First, Second, Third and Fourth Omnibus Objections to Claims, seeking, primarily, to disallow or reclassify various Claims.

There are numerous Claims amongst the Debtors that reflect intercompany receivables and payments made in the ordinary course of the Debtors' businesses (the "**Intercompany Claims**"). These include, without limitation, (a) amounts invoiced by one Debtor for the provision of services to another Debtor (for example when a shipment is "brokered" by one of the Debtors and actually carried by another); (b) the amounts invoiced to the other Debtors by GIS in accordance with historical practice; and (c) amounts advanced from time to time by GC to the other Debtors in the ordinary course of business and pursuant to the Debtors' existing cash management systems for use in meeting the day-to-day cash operating requirements of the Debtors. Consistent with the foregoing, monies received by the various "operating" Debtors are remitted to GC on account of advances made by GC as outlined above, again consistent with the day-to-day operations of the Debtors' cash management systems (the continuation of which were previously approved by order of the Bankruptcy Court). As such, the amount of Intercompany Claims in each category can vary, from time to time.

Under the terms of the prior order of the Bankruptcy Court, the Intercompany Claims were provided ongoing administrative expense status during the Chapter 11 Cases. The Debtors believe that overpayments and underpayments in connection with the Intercompany Claims have, and continue to "even out," and that the methodology employed continues to reflect a reasonable allocation of insurance, claim, and administrative cost burdens among the Debtors. The Debtors believe that there is no material or meaningful impact on the holders of Claims under the First Amended Plan on account of the Intercompany Claims. Under the terms of the First Amended Plan, the holders of Intercompany Claims will not be entitled to any distribution under the First Amended Plan on account of such Claims, and are deemed to have rejected the First Amended Plan.

(d) Personal Injury and Property Damage Claims and Insurance Arrangements.

Given the nature of the Debtors' business, the Debtors incur claims on account of bodily injuries, property damages, and claims for worker's compensation suffered in connection with automobile accidents involving the Debtors' Rolling Stock and matters involving its employees. The Debtors maintain required worker's compensation insurance as required by various state laws, and, because the Debtors transport goods in interstate commerce, the Debtors are required by certain Federal law to maintain minimum liability insurance coverage, in the amount of $1,000,000 per occurrence. The Debtors have, at all times, pre and post-petition, maintained this liability insurance as required by applicable law. The Debtors' "insurance year" runs from June 1 to May 31 of each year, and prior years' "loss experience" bears directly on the costs of new insurance for the succeeding insurance year. It is typical that claims incurred during a policy year are unresolved as of the end of a policy year. As such, the Debtors had, as of the Petition Date, ongoing relationships with a number of different Insurers, stretching back for multiple years. The Debtors have different deductibles, retentions, and related insurance arrangements, and different systems for resolving unresolved claims for each of their various policies, depending upon the related Insurer. A schedule, setting forth the identity of each of the Debtors' Insurers for the current year (2009), and all previous years in which the Debtors' have unresolved liability or worker's compensation claims, is attached as **Exhibit E**. The Debtors

required insurance was renewed by the Debtors effective as of June 1, 2009, and is in full force and effect as of the date of this First Amended Disclosure Statement.

The Debtors historically utilized the services of GIS for the management of their insurance arrangements, and to interface with the various Insurers providing actual coverage. GIS historically acted primarily as a third party administrator in investigating, settling and paying claims that are covered by insurance, in close cooperation with the Debtors' Insurers. The Debtors have typically utilized so-called "high deductible" coverage, in which the deductible per occurrence in some instances will be equal to the face amount of the applicable insurance. This does not, however, render the Debtors "self insured". Rather, in these instances, the insurance provided by the Debtors' Insurers effectively creates a "backstop" for parties who may have claims, by being available to satisfy such claims, up to the policy limits, in the event the Debtors are unable to satisfy the associated deductibles. In such circumstances, under the relevant policy terms, the Insurers satisfy the claims of the claimants, and in turn are entitled to assert claims for reimbursement as against the Debtors. Under the foregoing arrangements, it has historically been necessary for the Debtors to expend material amounts of cash in connection with the resolution and funding of personal injury and worker's compensation claims asserted against the Debtors, and the Debtors have, therefore, historically worked closely with their Insurers to resolve, settle and pay claims, in accordance with the terms and conditions of applicable insurance policies. In so doing, the Debtors believe that they have become highly skilled in negotiating and resolving insurance claims. The Debtors' practices in this regard have continued during the pendency of the Chapter 11 Cases.

The Debtors' Insurers have historically required that the Debtors provide Collateral to the Insurers to secure the reimbursement obligations of the Debtors as described above. That Collateral has typically taken the form of Cash, which is held by the Insurer, or letters of credit, issued by the Prepetition Lenders. The face amount of such letters of credit is set forth in the description of the Prepetition Obligations above. The Cash Collateral that has been paid to Insurers as outlined above has been paid to such Insurers primarily by GC (and to some extent by GIS), as reflected on the Debtors' books and records. The Debtors' Insurers have indicated to the Debtors their contention that the amount of remaining claims covered by insurance, fairly valued, exceeds the value of any Collateral securing the Insurers' obligations. Based on these contentions of the Debtors' Insurers, the Debtors do not presently anticipate that there is or will be any "equity" in such Collateral for the benefit of the holders of any Claims under the terms of the First Amended Plan. The Debtors, however, are unable to represent or warrant that the Insurers' contentions in this regard are correct, and are unable to ascertain the amount of "equity," if any, related to such Collateral. To the extent any such equity is excluded from the Sale, the Liquidation Trustee will investigate the same post-Effective Date, and to the extent there is any return of excess Collateral, per the terms of the First Amended Plan, such excess Collateral shall be paid to the Administrative Agent for the benefit of the Prepetition Lenders on account of the Lender Secured Claim.

As of the date of the First Amended Disclosure Statement, the Debtors are parties to 138 claims or proceedings pending in various courts across the United States relating to Claims arising out of automobile liability and worker's compensation matters. A list of such matters is attached as **Exhibit F**. To the extent these matters related to events occurring prior to the

Petition Date, the related proceedings were stayed by the provisions of section 362 of the Bankruptcy Code upon the commencement of the Chapter 11 Cases. During the pendency of the Chapter 11 Cases, various parties have filed motions for relief from the automatic stay, so as to pursue their various Claims against the Debtors up to the amount of applicable insurance coverage, or, to the extent their claims arose subsequent to the Petition Date, have commenced actions in various state courts. The Debtors have agreed to the entry of orders modifying the automatic stay in response to motions filed by claimants. During the pendency of the Chapter 11 Cases, the Debtors' Insurers have generally continued to handle and pay worker's compensation Claims in accordance with applicable state law, as outlined above. The Debtors have also sought and obtained orders from the Bankruptcy Court authorizing them to continue to process and settle various pre-petition Claims by such injured parties in accordance with pre-petition practice, preserving the Claims of the Insurers as to any Collateral securing the Debtors' related reimbursement obligations.

3.5 Assets

(a) As of the Petition Date, the Debtors owned assets with a "book" value of approximately $239,000,000.[5] The debt structure of the Debtors is set forth above in Section 3.4. The Consolidated Balance Sheet of the Debtors as of July 31, 2009 is attached as **Exhibit G**. As is set forth on **Exhibit G**, the primary tangible assets of the Debtors consist of Cash, accounts receivable, and Rolling Stock. As noted previously, the Debtors operate a total ongoing fleet of approximately 1,600 tractors and 3,200 trailers as of the date of this First Amended Disclosure Statement. As of July 31, 2009, the Debtors' books and records reflected available Cash on hand in the amount of approximately $12,359,000.00, plus billed accounts receivable in the amount of approximately $19,625,000.00.

(b) Real Property. The Debtors operate their business from a number of facilities, as outlined above in this First Amended Disclosure Statement. The Debtors lease substantially all of these properties from an affiliated non-debtor entity, Gainey Realty and Investment Corp. ("**GRIC**") pursuant to certain unexpired leases (the "**GRIC Leases**"), although certain trailer lots, and the Debtors' primary office facilities in Grand Rapids, Michigan are leased from unrelated third parties. GRIC is wholly owned by HNG who, as noted, is also the primary shareholder of Debtors, GC and GIS. Pursuant to an order of the Bankruptcy Court, the time for the Debtors to assume or reject unexpired leases of real estate has been extended until October 31, 2009 (and may be further extended as permitted by section 365 of the Bankruptcy Code), except in the case of two leases of commercial property in which the landlords refused to agree to extend the time for assumption or rejection after July 31, 2009. In the case of the Debtors' lease of "South Lot Wash Bay," located at 6038 Clyde Park Ave., Byron Township, Michigan, which is the subject of a lease between the Debtors and the Ethel M. Putz Trust, successor lessor to Ethel Putz, deceased (**"Ethel Putz Lease"**), the Debtors were authorized to assume the Ethel Putz Lease by order of the Bankruptcy Court on July 28, 2009; provided, however, the Debtors were not authorized to exercise any option contained in the Ethel Putz Lease which would extend the term thereof beyond October 31, 2009 without further order of the Bankruptcy Court, after notice and a hearing. FBOA also occupies office space located at 10460 Mastin, Suite 120,

[5] "Book" value does not reflect the actual value of the Debtors' assets as of the Petition Date, or as of the date of the filing of the First Amended Plan.

Overland Park, Kansas, pursuant to a lease between the Debtors and PBL, Inc. (**"PBL Lease"**). The landlord to the PBL Lease initially refused to agree to extend the time for the Debtors to assume or reject the PBL Lease beyond July 31, 2009. Thereafter and prior to the July 31st cutoff, the Debtors were able to obtain a written consent by PBL to extend the time for assumption or rejection until October 31, 2009. The First Amended Plan contemplates that all executory contracts and unexpired leases not rejected prior to the Confirmation Date, whether pursuant to the Sale or otherwise, shall be rejected. Debtor LCT owns one property from which it conducts business operations, located in Okahumpka, Florida (the "**Florida Property**"). The Florida Property is subject to a first priority mortgage and security interest in favor of the Administrative Agent for the benefit of the Prepetition Lenders, as evidenced by that certain Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Filing dated February 28, 2008, which was recorded on February 29, 2008 with the Clerk of the Court in Lake County, Florida (the "**Florida Mortgage**"). It is contemplated that the Florida Property will be sold pursuant to the Sale. If not, it will be liquidated in accordance with the terms of the First Amended Plan.

The Debtors have not determined if the rent charged under the GRIC leases historically was, or currently is, excessive, or whether there is any Insider Cause of Action arising on account of such leases. To the extent that the Insider Causes of Action are not sold as part of the Sale, such Insider Causes of Action have been preserved under the First Amended Plan and the Liquidation Trustee will review and assess such issues.

(c) Leases and Contracts. The Debtors are parties to numerous unexpired leases and executory contracts relating to the use of personal property, including Rolling Stock, as detailed in the Debtors' Schedules and Statements of Financial Affairs. The First Amended Plan contemplates that any such unexpired leases or executory contracts which are not rejected prior to the Confirmation Date, whether pursuant to the Sale or otherwise, will be rejected. In addition to the GRIC Leases described in subsection (b) above, certain of these leases are described in Section 3.4 hereof, and identified on **Exhibit D** hereto.

Prior to the date of this First Amended Disclosure Statement, GTS was a party to an agreement relating to the Debtors' usage of an airplane owned by Gainey Aircraft Corporation ("**GAC**") (the "**Airplane Agreement**"). GAC is wholly owned by HNG. During the pendency of the Chapter 11 Cases, the Debtors discontinued their performance under the terms of the Airplane Agreement, and GAC entered into discussions with Key Equipment Finance, Inc. (**"Key"**), the holder of a purported senior lien on the airplane, for the surrender of the airplane. Key and GAC finalized an agreement relating to the surrender of the airplane (**"Lease Termination Agreement"**) before the filing of this Amended Disclosure Statement under which the Airplane Agreement was terminated, and the Debtors received a release from any claim that might be asserted by Key in connection with the airplane (**"Airplane Surrender Agreement"**). The Lease Termination Agreement and the Airplane Surrender Agreement were each approved by the Bankruptcy Court, on terms acceptable to the Committee, and the related surrender of the airplane has occurred.

In addition, during the pendency of the Chapter 11 Cases, the Committee and the Debtors entered into a letter agreement relating to the Debtors' ongoing use of the airplane, the payment of costs associated with such use, and the reimbursement to the Debtors of certain expenses

relating to the airplane by GAC. The First Amended Plan preserves any claims related to the Airplane Agreement for the benefit of the unsecured creditors and, to the extent that the Insider Causes of Action are not sold as part of the Sale, the Liquidation Trustee intends to pursue any viable claims relating thereto.

3.6 Pre-Petition Litigation Unrelated to Personal Injuries or Property Damage

As of the Petition Date, the Debtors were not parties to any material litigation beyond that described in **Exhibit F.** Unless otherwise noted on **Exhibit F**, all such litigation was stayed by the provisions of section 362 of the Bankruptcy Code upon the commencement of the Chapter 11 Case.

3.7 Key Events Leading to Chapter 11 Filing

The key event leading to the filing of the Chapter 11 Cases was the failure of the Debtors to reach an out of court restructuring of their primary secured credit facilities with the Administrative Agent and the Prepetition Lenders prior to the Petition Date. As noted previously, the Debtors entered into the Loan Documents with the Administrative Agent and the Prepetition Lenders in April 2006. At the time of the execution of the Loan Documents, the Debtors and the Prepetition Lenders reasonably anticipated that the Debtors' ongoing operations and cash flow would be sufficient to make scheduled payments of principal and interest on the Prepetition Obligations. Due to a number of factors, this proved to not be the case.

Fuel prices for the Debtors' Rolling Stock are a major component of the Debtors' ongoing costs of operations. The Debtors purchase hundreds of thousands of gallons of fuel on a daily basis. While the Debtors are able to pass increases in fuel costs on to customers in the form of certain fuel surcharges, volatility of fuel prices has an immediate and direct effect on the Debtors' cash flow and operations, because the Debtors are in any event only able to collect the fuel surcharge dollars when invoices are subsequently paid, which can be weeks after a particular change in actual fuel prices. During the latter half of 2007, and through the majority of 2008, fuel prices throughout the United States increased dramatically, sending the Debtors' costs for fuel to never before seen high marks. By the Summer of 2008, such costs had skyrocketed by almost $2.00 per gallon over the Debtors' costs, as of the execution of the Credit Agreement. At the same time, during this same time period, a decline in the United States economy began in full force. As a result, the Debtors' customer traffic and orders began to decrease. Especially hard hit were orders from various so-called "big box" retailers specializing in home repairs, such as Lowe's and Home Depot—an important component of the Debtors' overall business. As the United States housing market retracted, shipments relating to the housing market by the Debtors' customers similarly declined. The ongoing economic slowdown exacerbated the cycle, and as such, commencing in mid-2008, the Debtors were presented with the "perfect storm" of increased costs with a delayed recoupment cycle and decreased revenues due to slow downs in the general economy. The Debtors were, of course, unable to control either of these general economic factors.

The foregoing cost and revenue issues constrained the Debtors' cash flow and resulted in the Debtors' inability to meet the terms and conditions of the Loan Documents, and ultimately, in their inability to make scheduled payments of interest and principal on account of the

Prepetition Obligations. Thus, in September, 2007, the Debtors defaulted under the terms of the Credit Agreement, as a result of the failure to comply with certain financial covenants. As a result, the Administrative Agent, on behalf of the Prepetition Lenders, entered into that certain Limited Waiver to Credit Agreement in favor of the Debtors, dated October 23, 2007. In December, 2007, the Debtors failed to make a scheduled payment of interest on the Prepetition Obligations. Subsequent negotiations between the Debtors and the Administrative Agent resulted in the execution of a certain Third Amendment to Credit Agreement dated January 14, 2008. On February 4, 2008, the Debtors and the Administrative Agent, on behalf of the Prepetition Lenders, entered into that certain Fourth Amendment to Credit Agreement (the "**Fourth Amendment**"). Under the terms of the Fourth Amendment, the parties agreed to a number of changes to the various covenants contained in the Credit Agreement, and instituted a number of other terms and conditions relating to the potential restructuring of the credit facilities. Such additional terms and conditions included, without limitation, the following:

(a) An acceleration of the maturity date of the Debtors' Term Loan from March 2012 to June 2009.

(b) Requiring other quarterly prepayments of the Term Loan commencing June 2008.

(c) Requiring certain updated reporting obligations on the part of the Debtors.

(d) Requiring the retention of a Chief Restructuring Officer reasonably acceptable to the Administrative Agent.

(e) Requiring that the Debtors effectuate a refinancing of the credit facilities.

(f) The revision of a substantial number of the covenants contained in the Credit Agreement.

The Debtors were unable to comply with the terms of the Fourth Amendment. As a result, ongoing intensive negotiations took place between the Administrative Agent and the Debtors, resulting in Limited Waiver Agreements dated as of April 18, 2008, May 5, 2008 and June 2, 2008. Notwithstanding the foregoing, the Administrative Agent and the Debtors were unable, despite ongoing diligent efforts, to reach resolution on the final terms and conditions of a further restructuring. On August 22, 2008, the Administrative Agent accelerated the Prepetition Obligations evidenced by the Loan Documents. Subsequently, various entities presented proposals to the Administrative Agent for the acquisition of the Prepetition Obligations and the Debtors engaged in various discussions with potentially interested parties regarding the possible sale of the Debtors' businesses as a going concern. However, in each case, the relevant parties were unable to reach agreement as to the terms of an associated transaction.

As a consequence, in the latter portion of the Summer of 2008, the Administrative Agent requested that the Debtors consent to a voluntary surrender of the Collateral to the Administrative Agent for subsequent liquidation. The Administrative Agent and the Debtors were unable to reach agreement on the terms and conditions of the proposed surrender and liquidation. The Administrative Agent then, on September 26, 2008, commenced an action

against the Debtors in the Circuit Court for Kent County, Michigan, seeking to exercise the rights and remedies provided to the Administrative Agent under the Loan Documents, including, without limitation, the appointment of a receiver to effectuate the liquidation of the Collateral. The Circuit Court refused to appoint such a receiver as requested by the Administrative Agent, pending a full trial on the merits of the Administrative Agent's complaint. The Administrative Agent thereafter notified the Debtors of the Administrative Agent's intention to exercise further rights and remedies under the Loan Documents, including, without limitation, the intention to seek to setoff certain Cash in the Debtors' operating accounts, as permitted under certain Deposit Account Control Agreements included amongst the Loan Documents. In response, the Debtors commenced the Chapter 11 Cases.

SECTION IV: EVENTS DURING THE CHAPTER 11 CASES

4.1 Post-Petition Operations and Financial Performance.

The Debtors have continued their operations during the pendency of the Chapter 11 Cases. Set forth below are summaries of key operational matters since the Petition Date:

(i) Customers. The Debtors have substantially maintained business with their 50 largest customers, which have historically comprised more than 80% of the Debtors' aggregate business. The Debtors have also been able to add certain new customers post-petition.

(ii) Cost Reductions. The Debtors have undertaken a significant amount of cost reductions since the Petition Date, including reducing the number of leased tractors and trailers, reducing headcount and consolidating administrative operations. Since the Petition Date, in excess of 10% of the Debtors' fleet has either been sold or returned to the applicable vehicle lessor. The Debtors have also reduced their headcount by approximately 18% post-petition, through a combination of driver and salaried reductions, and have continued consolidating their operations post-petition to eliminate redundant positions and allow for more efficient management of operations.

(iii) Cash Flow From Operations. The Debtors have experienced a decline in "revenue miles" and, accordingly, total revenue during the Chapter 11 Cases, as compared with a comparable period of time prior to the Petition Date, and generally, have fallen short of projected revenue targets during the post-petition period. The principal reasons for the decline in revenues have been the following: (a) decreased fuel prices, (b) the general decline in the U.S. economy, and (c) business seasonality. Fuel price reductions reduce revenue because the Debtors recover a decreased fuel surcharge when fuel prices are lower. The general decline in the U.S. economy has resulted in lower freight volumes generally for the Debtors, as well as for the trucking industry as a whole. The Debtors historically lowest revenues are generated in the first two quarters (i.e., January-June). Higher revenues occur during the last two quarters, as shipments increase generally for the holiday seasons. Notwithstanding the foregoing, the Debtors have generated approximately $36 million in cash flow from operations since the Petition Date through July 31, 2009. Adjusting this amount for a decrease in accounts receivable (which were converted to Cash), this amount would reduce to $24 million. This

represents the cash generating ability of the Debtors from operations, and is therefore not the same as the Debtors' net cash flow, and does not, as a matter of generally accepted accounting principles, take into account non-operational cash flow items such as interest and principal payments, taxes, capital improvements, and the like. This strong performance has been achieved in approximately 38 weeks during a very challenging economic environment. The strong customer relationships and cost reductions outlined above have contributed to the Debtors cash generation from operations.

(iv) Payments to Prepetition Lenders. The Debtors have paid in excess of $11 million to the Prepetition Lenders since the Petition Date in adequate protection payments for the tractors and trailers being operated by the Debtors. The Debtors have also paid approximately $12 million into the Account Receivable Diminution Escrow since the Petition Date.

4.2 Formation of the Committee

On November 7, 2008, the United States Trustee appointed the following creditors to the Committee: Huggins Actuarial Services, XTRA Lease, LLC, ACS Expedited Solutions, C. Dorian Britt, Esq. and Douglas J. Suter, Esq.[6] The Committee has retained the Professional Persons described in Section 4.3 below.

4.3 Professional Persons

During the Chapter 11 Cases, the Debtors have engaged the services of the following Professional Persons:

(a)	Dickinson Wright PLLC	General Counsel to the Debtors
(b)	AlixPartners LLP	Financial Advisors to the Debtors
(c)	Warner Norcross & Judd LLP	Special Counsel to the Debtors for Insurance Matters
(d)	Accu-Val Associates	Appraisers for the Debtors

The Committee has engaged the services of the following Professional Persons:

(a)	Jaffe, Raitt, Heuer & Weiss, P.C.	Counsel for the Committee
(b)	Baker Tilly Virchow Krause, LLP	Financial Advisors for the Committee

Retention orders as to each of the foregoing Professionals have been entered by the Bankruptcy Court, in each case, after appropriate notice and a hearing. As of the date of this First Amended Disclosure Statement, the attorneys and financial advisors for the Debtors and the Committee have invoiced the Debtors for the compensation described below in connection with the Chapter

[6] C. Dorian Britt, Esq. subsequently resigned as a member of the Committee.

11 Cases. All such monthly compensation payable through the month of August, 2009, has been or will be paid in the ordinary course of business by the Debtors, as required by orders of the Bankruptcy Court.

Dickinson Wright PLLC ("Dickinson")	$1,872,283.12
AlixPartners LLP ("AlixPartners")	$1,907,935.99
Warner Norcross & Judd LLP	$619,124.66
Jaffe Raitt, Heuer & Weiss, P.C. ("Jaffe")	$1,058,546.87
Baker Tilly Virchow Krause, LLP ("Virchow")	$415,346.04

4.4 Significant Proceedings and Bankruptcy Court Orders

(a) Cash Collateral. Under the provisions of the Bankruptcy Code, upon the commencement of proceedings, a debtor is prohibited from using the Cash proceeds of the property constituting the collateral of a secured party ("**Cash Collateral**") unless such secured party consents, or the Bankruptcy Court enters an order permitting such use. In the event, such secured party does not consent to the debtor's use, the Bankruptcy Court is required to condition any such use of Cash Collateral on the debtor providing the secured party with adequate protection of its interest in the property to be used. In this case, initially the Administrative Agent and the Prepetition Lenders agreed only to provide the Debtors with short term limited use of Cash Collateral pending a trial on the issue of the Debtors' ability to provide adequate protection to the Prepetition Lenders, and did not consent to the Debtors' proposed ongoing use of Cash Collateral. The Administrative Agent and the Prepetition Lenders were also unwilling to provide the Debtors with an agreed post-petition credit facility on terms acceptable to the Debtors and the Prepetition Lenders. As a result, the Debtors were required to file a motion seeking to use Cash Collateral for the ongoing operation of the Debtors' business, over the objections of the Administrative Agent and the Prepetition Lenders.

On October 21, 2008, the Bankruptcy Court conducted an evidentiary hearing on the Debtors' Motion for Authority to Use Cash Collateral, made certain findings of fact and conclusions of law and authorized the Debtors to use Cash Collateral through January 16, 2009, all as set forth in that certain Interim Order Authorizing Continued Use of Cash Collateral, Granting Adequate Protection and Providing Other Related Relief dated as of October 22, 2008 (the "**Cash Collateral Order**").

On January 9, 2009, upon the Debtors' Motion, the Bankruptcy Court entered the Final Cash Collateral Order. Both the Cash Collateral Order and the Final Cash Collateral Order provided, among other things, for the ongoing payment of certain weekly adequate protection payments to the Administrative Agent, for the benefit of the Prepetition Lenders, and for the creation and maintenance of the Accounts Receivable Diminution Escrow, as further adequate protection for the use of the Cash Collateral. The Accounts Receivable Diminution Escrow is an escrow account in which the Debtors have deposited an amount equal to any diminution in billed accounts receivable since the Petition Date. As the amount of such billed accounts receivable has varied post-petition, under the terms of the Cash Collateral orders, the Administrative Agent has, from time to time, been required to transfer proceeds of the Accounts Receivable Diminution Escrow back to the Debtors for use in general operations. As of August 31, 2009, the proceeds held by the Administrative Agent in the Accounts Receivable Diminution Escrow

were approximately $12 million. The proceeds held in the Accounts Receivable Diminution Escrow may not be applied to Prepetition Obligations by the Administrative Agent without the approval of the Bankruptcy Court. Under the terms of the First Amended Plan, all of the proceeds of the Accounts Receivable Diminution Escrow, to the extent not previously transferred to the Administrative Agent pursuant to the Sale, are made part of the Cash proceeds to be delivered to the Administrative Agent on behalf of the Prepetition Lenders for application to the Lender Secured Claims under the First Amended Plan on the date the Confirmation Order becomes a Final Order.

The Final Cash Collateral Order was negotiated between the Debtors, the Administrative Agent, and the Committee and extended the Debtors' use of Cash Collateral through May 29, 2009 on the terms set forth therein, pending, amongst other things, the Debtors' filing of a plan of reorganization by March 31, 2009. Also, consistent with the terms of the Final Cash Collateral Order, the Bankruptcy Court entered orders extending the Debtors' exclusive periods for filing and confirming plans of reorganization until March 31, 2009 and May 29, 2009, respectively. The Debtors' exclusive periods for filing plans of reorganization were further extended until April 17, 2009, by agreement of the Debtors, the Committee and the Administrative Agent, pursuant to an Order entered by the Bankruptcy Court on March 23, 2009.

On April 3, 2009, the Administrative Agent advised the Debtors that a default had occurred under the Final Cash Collateral Order as a result of the Debtors' failure to comply with a minimum mileage covenant set forth in such order. Under the terms of the Final Cash Collateral Order, such default allowed the Administrative Agent to terminate the use of Cash Collateral upon notice to the Debtors. The Administrative Agent agreed, however, to defer the exercise of such remedy pending a hearing on a motion filed by the Debtors seeking to extend the use of Cash Collateral notwithstanding such default, and to further extend the Debtors' exclusive periods for filing and confirming plans of reorganization. A hearing on the Debtors' motion was conducted by the Bankruptcy Court on April 13, 2009. After such hearing, over the objection of the Administrative Agent, the Bankruptcy Court permitted the Debtors to continue to use Cash Collateral through July 15, 2009, modified the Final Cash Collateral Order to require the Debtors to file plans by June 1, 2009, and to delete the above referenced mileage covenant, and extended the Debtors' exclusive periods for filing and confirming plans until June 1, and July 15, 2009, respectively. The Bankruptcy Court further ordered that the adequate protection payments required under the terms of the Final Cash Collateral Order continue in the amounts set forth therein. The Debtors' exclusive periods expired on July 15, 2009. The Debtors have since obtained the authority to continue to use Cash Collateral pursuant to a series of agreed orders with the Administrative Agent, all of which have been approved by the Committee. The Debtors anticipate that there will be an ongoing agreement for the use of Cash Collateral through the completion of the confirmation process.

(b) Expert Witness. In connection with the proceedings relating to the use of Cash Collateral, the Bankruptcy Court on November 20, 2008 *sua sponte* entered its Memorandum Opinion and Order Appointing an Expert Witness under Federal Rule of Evidence 706 (the "**Expert Order**"). Under the terms of the Expert Order, the firm of O'Keefe & Associates was appointed as an "expert witness" and prepared a "Rule 26(a)(2)(B) Expert Report" with respect to various matters relating to the use of Cash Collateral (the "**Expert Report**"). The Expert

Report was marked and admitted as an exhibit at the hearing in connection with the Final Cash Collateral Order, and a representative of the expert witness testified in connection with that hearing. On January 22, 2009, the Court entered its order terminating the expert witness' duties, and subsequently entered an order requiring the payment of certain compensation to the expert by the Debtors. A copy of the Expert Report is attached as **Exhibit H**.

(c) First Day Orders. Immediately subsequent to the Petition Date, the Debtors also sought and obtained from the Bankruptcy Court certain so-called "First Day Orders" that were necessary to continue the day-to-day operation of the Debtors' business during the pendency of the Chapter 11 Cases. These Orders included the following:

(i) Order Authorizing, But Not Directing the Debtors to (A) Pay Certain Reimbursable Employee Expenses, (B) Pay Employee Benefits and Continue Employee Benefit Programs, (C) Authorizing, But Not Directing the Ongoing Payment of Trust Fund Taxes and Employee Contributions Withheld From Employee's Paychecks, and (D) Authorizing and Directing Banks and Financial Institutions to Pay all Check and Electronic Payment Requests Made by the Debtors Relating to the Foregoing;

(ii) Order (A) Authorizing (I) Continued Use of Existing Cash Management System, (II) Maintenance of Existing Bank Accounts, and (III) Continued Use of Existing Business Forms, and (B) (I) Granting Administrative Priority Status to Postpetition Intercompany Claims and (II) Authorizing Continued Performance Under Intercompany Arrangements and Historical Practices;

(iii) Order Authorizing Payment of Rolling Stock Service Providers in Satisfaction of Liens; and

(iv) Order (A) Prohibiting Utility Providers from Discontinuing, Altering, or Refusing Service, (B) Deeming Utility Providers Adequately Assured of Future Payment, and (C) Approving Procedures for Determining Requests for Additional Assurance.

(d) Rejection Orders-Adequate Protection. During the pendency of the Chapter 11 Cases, the Debtors obtained orders of the Bankruptcy Court authorizing them to (i) reject certain unexpired leases of both real and personal property, (ii) surrender certain Rolling Stock Collateral to parties (other than the Administrative Agent) who provided financing for certain limited amounts of the Debtors' Rolling Stock, and (iii) provide adequate protection to certain other Rolling Stock financiers. Such matters related primarily to the Debtors' rejection of unexpired leases of Rolling Stock, as the Debtors sought to adjust the size of the fleet of Rolling Stock to better match business levels being experienced. The following summarizes such actions on the part of the Debtors:

(i) By Order dated November 28, 2008, the Debtors were authorized to reject certain equipment leases with XTRA Lease, LLC relating to 190 leased trailers, and to thereafter reject certain additional leases with such lessor of approximately 100 leased trailers, and in each case to deliver possession of the related leased property to the lessor.

(ii) By Order dated December 1, 2008, the Debtors were authorized to reject that certain equipment lease dated December 28, 2006 with Financial Federal Credit, Inc. with respect to 25 Stoughton Dry Van Trailers, and to deliver possession of the related leased property to the lessor.

(iii) By Order dated December 4, 2008, the Debtors were authorized to reject that certain equipment lease with PACCAR Financial Corp. dated August 10, 2007, with respect to 28 Kenworth tractors, and to deliver possession of the related leased property to the lessor.

(iv) By Order dated January 7, 2009, the Debtors were authorized to surrender to secured party Orix Financial Services 30 International 9200 6 x 4 Tractors w/ 72" Sky-Rise Sleeper Cabs and certain Qualcomm communication units and collision avoidance systems incorporated into such vehicles, for disposition by the secured party.

(v) By Order dated January 7, 2009, the Debtors were authorized to reject that certain equipment lease with FCC Equipment Financing, Inc., with respect to 98 Vanguard Dry Van Freight Trailers, and to deliver possession of the related leased property to the lessor.

(vi) By Order dated January 9, 2009, the Debtors were authorized to reject that certain equipment lease with Great Dane Limited Partnership (subsequently assigned to GECC) with respect to 100 Great Dane Freight Trailers, and to deliver possession of the related leased property to the lessor.

(vii) By Order dated January 9, 2009, the Debtors were authorized to surrender to secured party Alter Moneta Corporation 64 Trailmobile Van Trailers for disposition by the secured party.

(viii) By Order dated February 6, 2009, the Debtors were authorized to surrender to secured party EFS Credit Trust 10 2005 Volvo Tractors for disposition by the secured party.

The Debtors and Committee are also presently engaged in certain limited proceedings initiated by certain of the parties to such rejected leases seeking to quantify certain administrative expense Claims asserted by such parties. As of the date of the filing of the First Amended Disclosure Statement, almost all of the disputed administrative expense Claims have been resolved, pursuant to orders entered by the Bankruptcy Court. The Debtors anticipate filing objections to certain other Claims filed by parties to such contracts, which the Debtors believe have been improperly filed or incorrectly classified as priority Claims.

(e) Insurance Matters. As is set forth in Section 3.4(d) of this First Amended Disclosure Statement, during the pendency of the Chapter 11 Cases, multiple parties have filed motions for relief from the automatic stay, so as to pursue their various claims against the Debtors up to the amount of applicable insurance coverage. The Debtors and Committee have agreed to the entry of orders modifying the automatic stay in substantially all such instances.

In addition, the Debtors have formulated and implemented certain pre-petition practices relative to the investigation, processing and settlement of Claims which are subject to insurance, so as to permit the Insurers to exercise their ongoing rights as to Collateral securing the Insurers' reimbursement rights as against the Debtors, and continue, generally, the Debtors pre-petition practices with respect to the resolution of liability claims. In connection with these matters, a number of motions were filed in connection with the settlement of automobile liability and workers compensation claims. These have included motions relating to claims covered under insurance policies issued by Debtors' prepetition insurance carriers, National Union Fire Insurance Company of Pittsburgh, P.A. ("**National Union**"), State National Insurance Company ("**State National**" and/or "**NAICO**"), as well as Debtors' insurance carrier through May 31, 2009, ACE American Insurance Company and its affiliates ("**ACE**"). These motions can be summarized as follows:

(i) Motion of National Union Fire Insurance Company of Pittsburgh, P.A. to Modify Automatic Stay to Approve Certain Settlements and For Other. Relief (the "**National Union Settlement Motion**," DN 385). The National Union Settlement Motion was filed by National Union on December 23, 2008, seeking court approval of certain settlements and expenses, and seeking modification of the automatic stay to allow National Union to pay the related settlements and expenses. The Debtors objected to the National Union Settlement Motion on February 2, 2009. The parties filed a Stipulated Order on March 17, 2009 resolving all objections to the National Union Settlement Motion. The Stipulated Order approved the settlements and expenses set forth in the National Union Settlement Motion as fair and reasonable, and modified the automatic stay to allow National Union to pay the approved settlements and expenses.

(ii) Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a) and 363(c) for Authorization to (A) Pay Prepetition Amounts Related to NAICO Workers' Compensation Insurance Policies and Related Agreements, (B) Continue to Administer NAICO Workers' Compensation Programs and (C) Continue to Settle and Pay Workers Compensation Obligations and Claims in the Ordinary Course (the "**NAICO Workers Compensation Motion**," DN 868). The Debtors filed the NAICO Workers Compensation Motion on March 31, 2009, seeking approval of certain settlements and authority to settle other NAICO insured workers compensation cases in the ordinary course. The Committee objected on April 27, 2009, DN 991. The Committee's objection was resolved pursuant to a stipulated order filed on May 21, 2009, DN 1070, which approved the scheduled settlements and lifted the stay to permit NAICO to settle prepetition worker's compensation claims up to $50,000.00 without further order of the Bankruptcy Court, subject to certain notice and objection procedures.

(iii) Debtors' Motion for an Order: (A) Approving Settlement of Certain Prepetition Property and Personal Injury Claims; (B) Authorizing Payment of the Approved Settlements; and (C) Authorizing Debtors to Stipulate to Lifting the Automatic Stay With Respect to Certain Insured Prepetition Causes of Action (the "**NAICO Settlement Motion**," DN 800)

(iv) Debtors' Motion for an Order Approving Settlement of Certain National Union Claims and Authorizing Payment of Approved Settlements (the "**2nd National Union Settlement Motion**", DN 850)

(v) Debtors' Motion for an Order Approving Settlement of Certain NAICO Claims and Authorizing Payment of the Approved Settlements (the "**2nd NAICO Settlement Motion**," DN 851)

(vi) Debtors' Motion for an Order: (A) Approving Settlement of Certain Prepetition Property and Personal Injury Claims; (B) Authorizing Payment of the Approved Settlements; and (C) Authorizing Debtors to Stipulate to Lifting the Automatic Stay With Respect to Certain Insured Prepetition Causes of Action (the "**ACE Settlement Motion**," DN 853). The NAICO Settlement Motion, 2nd National Union Settlement Motion, 2nd NAICO Settlement Motion and Ace Settlement Motion (items iii-vi above) all sought authority to settle certain prepetition Claims and authorization to lift the stay to allow the insurance company covering the Claim to pay the approved settlements. The ACE Settlement Motion further requested that the Bankruptcy Court approve a process to lift the automatic stay with respect to certain insured prepetition causes of action.

(vii) Gainey Corporation's Motion for Authority to Settle Motor Vehicle Claims (the "**9019(b) Motion**," DN 953). The 9019(b) Motion seeks authority from the Bankruptcy Court to settle prepetition Claims in the ordinary course without further order of the Bankruptcy Court.

The Committee objected to each of the Motions listed in paragraphs (iii)-(vii) above, and ACE objected to the ACE Settlement Motion. The resolutions of such objections have subsequently been approved by the Bankruptcy Court.

The insurance companies hold various collateral in the form of Cash and letters of credit as security to fund liability claims. Under the First Amended Plan, to the extent there is any excess insurance collateral available after payment and settlement of all Unsecured Liability Claims, the excess proceeds shall be distributed to the Administrative Agent for the benefit of the Lender Secured Claims, to the extent such matters are not otherwise part of the Sale.

(f) Bar Date. By order of the Bankruptcy Court dated January 22, 2009, March 23, 2009 was established as the general "bar date" for most claims to be asserted against the Debtors in connection with the Chapter 11 Cases (subject to certain exceptions with respect to claims of Governmental Units). The Debtors have objected to a number of claims that have not been filed in accordance with the time restrictions of the Bar Date order.

4.5 Other Proceedings and Litigation During the Chapter 11 Cases

During the Chapter 11 Cases, there have been ongoing disputes, some of which were unresolved as of the filing of the First Amended Plan, relating primarily to (a) certain objections to the compensation to be paid to certain officers of the Debtors, (b) the United States Trustee's Motion to Appoint an Examiner, (c) the United States Trustee's Motion to Appoint a Chapter 11 Trustee, and (d) the Debtors' bidding procedures and Sale process. In addition, during the case

the Debtors have commenced two (2) adversary proceedings to recover certain unauthorized post-petition transfers under section 549 of the Code, both of which have been settled on terms favorable to the Debtors.

(a) Compensation Litigation. A significant amount of time was spent in the Chapter 11 Cases in connection with pleadings, hearings, status conferences and other proceedings relating generally to proposed post-petition compensation for HNG, and Carl Oosterhouse ("**CO**"), both of whom are officers of the Debtors. The following is a brief summary recitation of such proceedings:

(i) In connection with the Debtors' initial Emergency Motion for the Use of Cash Collateral, and the Debtors' Motion for Authorization to Pay Pre-Petition Payroll, the Administrative Agent objected to payment of pre-petition payroll then due to HNG. HNG deferred receipt of such amounts pending a further hearing by the Bankruptcy Court.

(ii) On October 22, 2008, the Bankruptcy Court entered its Interim Order Authorizing Continued Use of Cash Collateral, which provided in part that no Cash Collateral could be used for "the payment of weekly salary, or other compensation (other than normal and customary health insurance and other normal and customary employee benefits paid in the ordinary course of the Debtors' employee benefits plans) to HNG without further order of this Court."

(iii) On November 10, 2008, HNG, via his separate counsel, filed a Motion to Approve CEO Compensation, in which he requested payment of pre-petition payroll, per subparagraph (a) above, and that the Bankruptcy Court approve post-petition compensation for him at the rate of $676,000.00 per annum (the "**HNG Compensation Motion**").

(iv) On November 11, 2008, the Administrative Agent filed its Motion for Limited Prohibition of Use of Cash Collateral, pursuant to which it sought to limit the use of Cash Collateral to pay post-petition compensation to CO (the "**CO Compensation Objection**"). The HNG Compensation Motion and the CO Compensation Objection are referred to collectively herein as the "**Compensation Motions**."

(v) On November 14, 2008, during the course of the Bankruptcy Court's hearing on Order to Show Cause Why an Expert Witness Should Not Be Appointed, the Bankruptcy Court *sua sponte* limited post-petition annual compensation to HNG to $169,300, and post-petition annual compensation to CO to $155,756.00 (effective as of November 3, 2009), and scheduled an evidentiary hearing relating to the Compensation Motions for November 25, 2008. The Bankruptcy Court subsequently authorized the payment of $10,950.00 in pre-petition compensation to HNG, as requested in the HNG Compensation Motion.

(vi) The November 25, 2008 hearings were subsequently adjourned, and status conferences were held with respect to the Compensation Motions on each of December 2, 2008 and January 8, 2009.

(vii) On January 8, 2009, the Bankruptcy Court scheduled a further status conference on the Compensation Motions for February 12, 2009. The Bankruptcy Court on January 14, 2009 entered certain orders with respect to retention of counsel by HNG and CO, and provided the Creditors Committee and/or the US Trustee with 20 days to file motions relating to CO's compensation.

(viii) Subsequently, HNG and CO engaged in various negotiations with the Committee, pursuant to which HNG and CO reached a resolution of the Compensation Motions in consultation with the Debtors, the Committee and the Administrative Agent. The resolution was approved by the Bankruptcy Court by Orders dated March 23, 2009 (the "**Compensation Settlement Orders**"). Under the terms of the resolution, HNG's compensation was set at $350,000 per annum, plus existing benefits, retroactive to October 14, 2008, and CO's compensation was set at $200,000 per annum, plus existing benefits, retroactive to October 14, 2008, and implemented in accordance with an agreed upon schedule which deferred the commencement of the actual compensation increases to CO, so as to account for $27,500 of compensation received by CO for the final two weeks of October, 2008, in excess of the $200,000 per annum rate. The resolution also contemplated that none of the Administrative Agent, the Prepetition Lenders or the Committee would object to CO's ongoing employment by the Debtors on the grounds that he is a "professional person" under the Bankruptcy Code, and assured all applicable parties of all applicable defenses in connection with possible future litigation over compensation received at any prior time.

(ix) The Office of the United States Trustee ("**UST**") was not a party to the compensation resolution described above, but agreed not to object to the entry of the Compensation Settlement Orders. The UST did not waive its right to object to CO's ongoing employment by the Debtors on the grounds that he was a "professional person" under the Bankruptcy Code, however, by agreement of the parties, the time for the UST to make such an objection was extended until March 31, 2009. That deadline subsequently expired without further action by the UST.

(x) Since approval of the foregoing settlements, the UST and the Committee have engaged in depositions of various parties, including, without limitation, HNG and CO. Such depositions have also related to the Examiner Motion described below.

(b) Committee Investigation. During the course of the Chapter 11 Cases, the Committee and Wachovia expressed concerns over various corporate governance and management issues with the Debtors. A complete discussion of the foregoing issues is set forth in the Report to the Official Committee of Unsecured Creditors on the Investigation of Gainey Corporation, *et al.* by Baker Tilly Virchow Krause, LLP, Financial Advisors to the Committee and filed as DN 1356 in these cases (the **"Committee Report"**). Based on the information disclosed in the Committee Report, the Committee did not support the original plan structure proposed by the Debtors, because (without limitation) of the management structure of the plan. As a result of the ongoing Sale process and the structure under the First Amended Plan, the concerns of the Committee have been negated. The Committee believes, however, that parties in interest should nonetheless consider reviewing the Committee Report in conjunction with this First Amended Disclosure Statement. A copy of the Committee Report is attached as **Exhibit I**.

(c) Examiner Motion. The UST filed its Motion Requesting Authority to Appoint Examiner (the "**Examiner Motion**") on December 9, 2008. Both the Debtors and the Committee objected to the Examiner Motion. Following filing of the Examiner Motion the Bankruptcy Court entered an Order Scheduling Hearing Regarding Possible Sua Sponte Appointment of a Chapter 11 Trustee and set both matters for a hearing on January 6, 2009. At the request of the parties, and with the concurrence of the Bankruptcy Court, the hearing date relating to the Examiner Motion subsequently was moved to January 8, 2009, and then to January 15, 2009. On January 11, 2009, in response to notification that UST intended to commence with the taking of depositions relative to the Examiner Motion, the Debtors filed an Emergency Motion for Protective Order and/or to Adjourn Hearing on the U.S. Trustee's Motion Requesting Authority to Appoint Examiner. After a hearing on January 15, 2009, the Bankruptcy Court granted the Debtors' Emergency Motion, and set March 12, 2009 as the date for a status conference and future scheduling with respect to the Examiner Motion.

Since the filing of the Examiner Motion, and in keeping with its contention that the Committee was able to undertake substantially the same investigation as was contemplated in connection with the Examiner Motion, the Committee, through the undertakings of its professionals, engaged in an ongoing evaluation of potential claims and Causes of Action and Insider Causes of Action that may exist based upon the Debtors' pre-petition activities, including, without limitation, claims relating to prepetition compensation paid to the Debtors' officers, and prepetition transactions between the Debtors and various non-debtor Insiders. The Financial Advisor to the Committee has prepared the Committee Report, which addresses such matters in detail. The Committee believes that the Committee Report raises serious questions regarding the conduct of the Debtors' principals both before and after the Petition Date, and whether they have acted in their own personal self-interest rather than in the best interest of the Debtors' estates and their creditors. As noted previously, the Sale process and the First Amended Plan now address these matters in a manner which is acceptable to the Committee, and the First Amended Plan provides that any such Causes of Action will be pursued by the Liquidation Trustee if the Insider Causes of Action are not sold as part of the Sale. If more information about the foregoing is desired, it can be obtained by a review of the Committee Report, attached as **Exhibit I**. As of the filing of this First Amended Disclosure Statement, no party has requested that the Bankruptcy Court set a final date for a hearing on the Examiner Motion.

(d) Chapter 11 Trustee Motion. Shortly before the filing of the First Amended Disclosure Statement, the UST filed a motion seeking to appoint a chapter 11 trustee ("**Trustee Motion**") in these cases. The UST contended, among other things, that that the filing of the Trustee Motion was mandated under section 1104(e) of the Bankruptcy Code, a new provision of the Bankruptcy Code enacted under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 ("**BAPCPA**"). The Debtors disagree with the contentions of the UST, and the allegations of the Trustee Motion.

The Bankruptcy Court held a status conference on August 26, 2009, at which time the Bankruptcy Court scheduled an evidentiary hearing on the Trustee Motion for September 9, 2009. Thereafter, based on an agreement reached between the Debtors, the Committee and the Administrative Agent, as further set forth in subparagraph (d) below and further reflected in the

First Amended Plan, the Debtors, the Committee and the Administrative Agents requested the UST adjourn the evidentiary hearing until after the Confirmation Hearing on the First Amended Plan. The UST refused to adjourn the hearing on the Trustee Motion until that time but instead agreed to adjourn it until at least October 14, 2009 or a date agreed upon by the Bankruptcy Court. No date has yet been set for an evidentiary hearing on the Trustee Motion, and the Debtors believe that such date will be deferred until after the confirmation process is complete. The Debtors, the Committee and the Administrative Agent oppose the appointment of a chapter 11 trustee. The Debtors, the Committee and the Administrative Agent have reached an agreement in concept for the sale of the Debtors as a going concern and the structure of a plan, as delineated in the First Amended Plan, which will maximize the value of the assets for the creditors of the estates and believe that proceeding on the Trustee Motion will negatively impact that agreed upon process. Moreover, the estates will incur significant additional administrative cost if a chapter 11 trustee was appointed, thereby further impairing the potential amounts to be distributed to creditors under a plan.

(e) Bidding Procedures and Sale Process. Prior to the date of the First Amended Disclosure Statement the Debtors filed a motion to establish bidding procedures and for approval of a sale of substantially all of the operating assets of the Debtors pursuant to section 363(b) of the Bankruptcy Code (**"Bidding Procedures Motion"**). The Bidding Procedures Motion, among other things, provided for a stalking horse bid by the Najafi Companies in the amount of $105 million subject to higher and better bids by way of a public auction, on notice, of the Debtors' assets. Subsequent to filing the Bidding Procedures Motion and consistent therewith, the Debtors filed an Asset Purchase Agreement to reflect the proposed terms and conditions of the sale. The UST and the Committee filed objections to the Bidding Procedures Motion. The Bankruptcy Court scheduled a hearing on the Bidding Procedures Motion for August 26, 2009. On that date, the Bankruptcy Court scheduled an evidentiary hearing on the Bidding Procedures Motion for September 9, 2009 to be held in conjunction with the evidentiary hearing on the Trustee Motion described above, and invited the parties to meet to try to resolve the issues related to the Bidding Procedures Motion and to approve a revised sale process. At the conclusion of the status conference, the Debtors, the Committee and the Administrative Agent met and ultimately reached an agreement on a term sheet that provided a structure for the Sale and a consensual chapter 11 plan (**"Term Sheet"**),[7] the terms and conditions of which are set forth in the First Amended Plan. As a result of this agreement, the Debtors withdrew the Bidding Procedures Motion, and filed an amended Sale Motion on October 9, 2009, as set forth more fully in Section 6.1 hereof.

(f) Adversary Proceedings. During the Chapter 11 Cases, the Debtors have initiated two Adversary Proceedings. On November 4, 2008, a complaint was filed in the adversary proceeding entitled *Gainey Ins. Services, Inc. v. Williams & Mills, P.C.*, in the United States Bankruptcy Court for the Western District of Michigan, Case Number 08-80454. Pursuant to section 549 of the Bankruptcy Code, the complaint sought to recover a post-petition transfer resulting from a check from GIS to Williams & Mills, P.C. in the amount of $750,000. The parties settled this action in an agreement that has received Bankruptcy Court approval. Under the settlement agreement, Williams & Mills, P.C. returned the $750,000 to GIS. The Debtors

[7] HNG and CO are also signatories to the Term Sheet.

have also agreed to relief from the automatic stay so that the Debtors' Insurers could effectuate the settlement that was to have been funded by the payment that was the subject of this adversary proceeding.

On January 27, 2009, a Complaint was filed in the adversary proceeding entitled *Gainey Ins. Services, Inc. v. Thomas Bennett and Jay Trucks & Assocs., P.C.*, in the United States Bankruptcy Court for the Western District of Michigan, Case Number 09-80028. Pursuant to section 549 of the Bankruptcy Code, the complaint sought to recover a post-petition transfer resulting from a check from GIS to Thomas Bennett and Jay Trucks & Associates, P.C. in the amount of $100,000. In response to the complaint, Defendants filed a motion for summary judgment or joinder on March 9, 2009. The parties settled this action in an agreement that has received Bankruptcy Court approval. Under the settlement agreement, the sum of $100,000 has been returned to GIS.

SECTION V: LIQUIDATION ANALYSIS AND RELATED MATTERS

5.1 Liquidation Analysis and Best Interests of Creditors

(a) General Liquidation Analysis--Overview

In order to confirm the First Amended Plan, the Bankruptcy Court must determine that the First Amended Plan is in the best interests of all Classes impaired by the First Amended Plan, and that the First Amended Plan provides to each Entity that may have rejected the First Amended Plan, a recovery which has a value at least equal to the value of the distribution that such Entity would receive if all of the Debtors' assets were liquidated under Chapter 7 of the Bankruptcy Code. Attached hereto as **Exhibit J** is a liquidation analysis (the "**Liquidation Analysis**") prepared by the Debtors' management, with the assistance of AlixPartners LLP, the Debtors' financial consultants. Underlying the Liquidation Analysis are a number of estimates and assumptions regarding liquidation proceeds and the liquidation process which are inherently subject to significant business, economic and competitive uncertainties and contingencies beyond the control of the Debtors and their management. **ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS WOULD BE REALIZED IF THE DEBTORS WERE, IN FACT TO UNDERGO SUCH A LIQUIDATION, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN IN THE LIQUIDATION ANALYSIS.**

In determining whether the requirements of section 1129(a)(7) of the Bankruptcy Code have been met, the first step is to determine the dollar amount that would be generated from a hypothetical liquidation of the Debtors' assets in Chapter 7. Such amount must then be reduced by the costs and expenses of the liquidation. Further reductions would be required to eliminate cash and asset liquidation proceeds that would be applied to secured Claims and amounts necessary to satisfy priority Claims that are senior to general unsecured Claims (including any incremental administrative expense Claims that may result from the termination of the Debtors' business and the liquidation of their assets).

Consistent with the foregoing, the Liquidation Analysis is based upon a determination and estimation of the aggregate dollar amount that would be generated from the Debtors'

remaining assets if the Chapter 11 Cases were converted to Chapter 7 and the assets liquidated by a Chapter 7 trustee, in a process that commences on December 15, 2009, and which continues for an estimated minimum period of six (6) months. The primary components of the Debtors' property consists of Cash, accounts receivable, and Rolling Stock. Substantially all of these assets are subject to a senior perfected Lien in favor of the Administrative Agent for the benefit of the Prepetition Lenders. The amount of the Prepetition Obligations is approximately $239,400,000. The Debtors believe that the amount to be realized upon liquidation of such property in a Chapter 7 proceeding is significantly less than the amount of the Prepetition Obligations under the Loan Documents, leaving no "equity" in such assets for unsecured creditors under any circumstances.

(b) Liquidation Analysis Assumptions

The Liquidation Analysis assumes each of the Debtors' Chapter 11 Cases would convert to Chapter 7 as of October 31, 2009, that the liquidation of the Debtors would commence under the direction of a Bankruptcy Court-appointed Chapter 7 trustee at that time, and that such a liquidation would continue for the above stated minimum period of six (6) months, during which time all of the Debtors' major assets would either be sold or conveyed to the respective lien holders. However, for reasons set forth below in subsection (c), there can be no assurances that all assets would be completely liquidated during this period. The Liquidation Analysis is also based on a detailed review of the Debtors' assets. Estimates of hypothetical liquidation values were determined primarily by assessing Classes of assets and appraisals of the Rolling Stock. The Liquidation Analysis also contains an estimate of the amount of Claims that will ultimately become Allowed Claims under the First Amended Plan. Estimates for various Classes of Claims are based solely upon the continuing review of the Claims filed in these Chapter 11 Cases. No order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the projected levels set forth in the Liquidation Analysis. In preparing the Liquidation Analysis, the Debtors have projected amounts of Claims that are consistent with the estimated Claims reflected in the Debtors' Schedules and the Debtors' First Amended Plan, with certain modifications.

(c) Liquidation Analysis Implementation Risks

There are material risks that even the minimal recoveries estimated by the Liquidation Analysis can be achieved. First, the Debtors estimate that there has been a significant decrease in the value of the Debtors' Rolling Stock, based on the depressed state of the marketplace for used Rolling Stock generally, such that actual auction results in a liquidation may be less than estimated in any recent appraisal. Moreover, fundamentally, a liquidation of the Debtors will be extremely complex. The assets of the Debtors include over 1,600 tractors and 3,200 trailers (approximately 200 of which are subject to operating leases) which are located throughout the contiguous United States, and, by their inherent nature, highly mobile. As a result, the Debtors believe that there are material costs that will be incurred in connection with the marshaling of the Rolling Stock and winding up of the Debtors' affairs in the event of a Chapter 7 liquidation. The Debtors thus believe that in order to wind down the Debtors' affairs properly, and to maximize both the value of the Rolling Stock and the collection of accounts receivable, weeks of ongoing operations of the Debtors will be required under any circumstances, and that a "cold stop"

liquidation would result in material diminution in the value of the Debtors' assets. The Debtors reasonably believe that the costs and expenses of operations during such a wind down are estimated to be at least $20,000,000.00.[8] These costs and expenses are included in the Liquidation Analysis. If however, the assets are sold as part of the Sale, the costs of winding down the Debtors operations will be significantly negated, thereby resulting in a greater recovery for the creditors of the estates.

(d) Causes of Action and Insider Causes of Action Under the Liquidation Analysis

The Liquidation Analysis is exclusive of certain alleged Causes of Action and Insider Causes of Action (which are discussed in more detail in Section 5.1(f) hereof).

(e) Liquidation Analysis Conclusion

Accordingly, as set forth on **Exhibit J**, the Debtors estimate that the aggregate range of recovery in the event of a liquidation of the property described in the Liquidation Analysis is between approximately $64,400,000 and, assuming that all possible variables in the liquidation process are resolved in the most favorable way possible to the Debtors, $76,000,000. Of this amount, all but $175,000 of the proceeds from the sale of the Rolling Stock would be subject to the liens of the Prepetition Lenders, with such proceeds flowing to the Prepetition Lenders on liquidation. Based on the magnitude of the Lender Unsecured Claim, the percentage distribution to all unsecured creditors generally would be substantially diluted, by more than 90%, in favor of the Lender Unsecured Claim. Therefore, the Liquidation Analysis provides little overall return to the unsecured creditors of the Debtors generally. Because the First Amended Plan proposes to pay to unsecured creditors significantly more in dollar amount and in percentage than would be received in such a chapter 7 liquidation, the Debtors believe that the First Amended Plan provides a better alternative to unsecured creditors generally than a liquidation of the Debtors.

(f) Causes of Action and Insider Causes of Action. The First Amended Plan provides that any and all Causes of Action and Insider Causes of Action (unless the Insider Causes of Action are sold as part of the Sale), including, without limitation, avoidance actions arising under Chapter 5 of the Bankruptcy Code are reserved and preserved by, and for the benefit of, the Debtors' creditors, and that the proceeds of such Causes of Action and Insider Causes of Action shall be deemed to be retained for distribution, subject to all of the terms and conditions of the First Amended Plan. Under the First Amended Plan, the term "Causes of Action" means, without limitation, any and all actions, causes of action, liabilities, obligations, rights, suits, damages, judgments, claims and demands whatsoever, whether known or unknown, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon any act or omission or other event occurring prior to the Petition Date or during the course of the Chapter 11 Cases, including through the date the Confirmation Order becomes a Final Order, including, without limitation, all avoidance actions arising under Chapter 5 of the Bankruptcy Code, but excluding Pending Causes of Action. Under the First Amended Plan, the term "Insider Causes of Action" means all Causes of Action or other claims of any nature, asserted against an Insider. Generally, the First

[8] Under the terms of the Plan, as set forth in further detail in Section VI, the Debtors anticipate the Sale of substantially all of the Rolling Stock is more beneficial to the creditors of the estates.

Amended Plan provides that, if the Insider Causes of Action are not sold as part of the Sale, the first $1.0 million of Net Recoveries on account of Causes of Action and the Insider Causes of Action will be distributed to the holders of Allowed Claims of Other Unsecured Claims, on a Pro Rata basis. Thereafter, the Net Recoveries will be split on a Pro Rata basis between the Other Unsecured Claims receiving twenty percent (20%) of the Net Recoveries and the Lender Unsecured Claims receiving eighty percent (80%) of the Net Recoveries until the Other Unsecured Claims received a twenty percent (20%) distribution on their Allowed Claims from the Net Recoveries, when combined with the $1.0 million Carve Out, and thereafter, all Net Recoveries shall be distributed to the Administrative Agent for the benefit of the Lender Unsecured Claims. If the Insider Causes of Action are sold as part of the Sale, the Net Recoveries will be split on a Pro Rata basis between the Other Unsecured Claims receiving twenty percent (20%) of the Net Recoveries and the Lender Unsecured Claims receiving eighty percent (80%) of the Net Recoveries until the Other Unsecured Claims received a twenty percent (20%) distribution on their Allowed Claims from the Net Recoveries, when combined with the $2.0 million Carve Out, and thereafter, all Net Recoveries shall be distributed to the Administrative Agent for the benefit of the Lender Unsecured Claims. The cash proceeds of the Pending Causes of Action, if any, will be distributed to the Administrative Agent for the benefit of the Lender Secured Claims.

Under the terms of the Cash Collateral Orders, Causes of Action and Insider Causes of Action arising under Chapter 5 of the Bankruptcy Code were expressly acknowledged to not be subject to the lien and security interests of the Prepetition Lenders. As a general matter, Causes of Action arising under Chapter 5 of the Bankruptcy Code include those matters described in sections 544, 545, 546, 547, 548, 549 and 550 of the Bankruptcy Code. However, the Prepetition Lenders contend that some of the Insider Causes of Action relating to amounts allegedly owed by HNG and other Insiders for loans made by the Debtors are part of the Collateral securing their Loans. For purposes of the First Amended Plan, if the Insider Causes of Action are not part of the Sale, the Liens of the Prepetition Lenders upon any such recoveries will be subordinated to the holders of Allowed Other Unsecured Claims until the holders of Allowed Other Unsecured Claims have been satisfied under the First Amended Plan or the Liquidation Trustee and the Administrative Agent agree otherwise.

A list of the material claims, the Causes of Action and Insider Causes of Action that are being preserved and pursued per the terms of the First Amended Plan are set forth on **Schedule 4** attached to the Plan. Neither the Debtors nor the Committee has conducted a complete audit of all alleged Causes of Action and the Insider Causes of Action. The Committee Report, however alleges substantial claims that could be pursued against various entities owned by HNG, including against GRIC and GAC, as previously described in this First Amended Disclosure Statement. Further, the Committee Report identifies over $5,000,000 in loans owing by HNG to certain of the Debtor entities that the Administrative Agent contends are subject to the Liens of the Prepetition Lenders.

Although no formal valuation of any Causes of Action has been performed, the Committee has advised the Debtors that it believes there is substantial value in such claims, Causes of Action and the Insider Causes of Action and that they should be pursued vigorously. The Debtors believe there is no "material value" to the claims, Causes of Actions and the Insider

Causes of Action. The Committee disputes the Debtors' contentions. Based on financial statements provided to the Committee with respect to HNG, the Committee believes that HNG has substantial wherewithal to pay all or a portion of such claims, Causes of Action and Insider Causes of Action, assuming such Causes of Action are meritorious.

Apart from this specific listing of claims, the following is found in the Debtors' Schedules:

(i) The Debtors' Schedules reflect aggregate disbursements made by the Debtors during the 90 day period immediately preceding the Petition Date in the total amount of $164,000,000, inclusive of material intercompany transfers, but the total amount of such transfers is not indicative of their value. The Committee believes these transfers may constitute a basis for certain Causes of Action. Attached as **Schedule 4**, attached to the First Amended Plan, is a preliminary list of payments to Insiders in the one year period immediately preceding the Petition Date. The total amount of such disbursements is approximately $2,400,000.00, but the total amount of such transfers is not indicative of their value. This list may not be a complete listing of all persons falling within the definition of the term Insider, as such terms is used in the Bankruptcy Code. Attached hereto as **Exhibit K** is a summary of the preference analysis provided to the Committee and the Administrative Agent by the Debtors, which reflects an analysis of certain possible defenses to certain claims. Exhibit K does not necessarily represent the value of such claims. The Debtors have not yet prepared a preference analysis for FBOA or GC. **Schedule 4**, attached to the First Amended Plan may identify potential preference payments made by FBOA and GC., but such schedule does not necessarily represent the value of such claims. The disbursements made during the 90 day period have not been fully analyzed on the merits by the Debtors or the Committee.

Notwithstanding the foregoing, the Debtors believe, and the Committee has advised the Debtors that it concurs, that the amount to be paid to the holders of Unsecured Claims under the terms of the First Amended Plan exceeds the amount that would be available to the holders of those same Unsecured Claims in the event such holders' recovery was limited to the recoveries that would be available upon liquidation of the Debtors under Chapter 7 of the Bankruptcy Code.

5.2 Claims Process

As previously set forth, by order of the Bankruptcy Court dated January 22, 2009, March 23, 2009 was established as the general "bar date" for most claims to be asserted against the Debtors in connection with the Chapter 11 Cases (subject to certain exceptions with respect to claims of Governmental Units). A general description of the Claims asserted against the Debtors in connection with the Chapter 11 Cases is set forth in Section 3.4 hereof.

The Debtors, in cooperation with the Committee are in the process of conducting an ongoing analysis of Claims in connection with the First Amended Plan. Under the terms of the First Amended Plan, the Liquidation Trustee shall have the exclusive right and authority to (A) make and file objections to all Claims, other than the Unsecured Liability Claims, and (B) compromise, settle, otherwise resolve or withdraw any objections to such Claims, other than with

respect to the Unsecured Liability Claims, subject to approval of the Bankruptcy Court. The Reorganized Debtor, in consultation with the Committee, the Liquidation Trustee and the Administrative Agent, will be making and filing the objections to the holders of Unsecured Liability Claims, but the Reorganized Debtor may delegate that right to the Liquidation Trustee as set forth in the First Amended Plan.

Further, the First Amended Plan provides that unless otherwise ordered by the Bankruptcy Court: (i) the Liquidation Trustee shall have 90 days after the Effective Date or such later date as may be approved by the Bankruptcy Court to file and serve objections to Administrative Claims (other than applications for allowances of compensation and reimbursement of expenses) and (ii) the Liquidation Trustee and the Reorganized Debtor, as applicable, shall have 6 months from the Effective Date to file and serve objections to all other Claims. The Liquidation Trustee or the Reorganized Debtor may seek to extend these time periods.

The actual final amount of Allowed Claims under the First Amended Plan may differ from the estimates of the Debtors as set forth in Section 3.4 hereof. In such event, the amount of certain Pro Rata distributions that may be made under the First Amended Plan, particularly with respect to Other Unsecured Claims, may be positively or negatively impacted by the Claims resolution process.

SECTION VI: DETAILS REGARDING CLASSIFICATIONS TREATMENT AND IMPLEMENTATION OF THE FIRST AMENDED PLAN

6.1 General Description of the First Amended Plan

The First Amended Plan provides generally for the classification of Claims and Equity Interests into eleven separate classes. Nine Classes are impaired under the First Amended Plan. Four of these nine Classes (Classes VIII-XI relating to Intercompany Unsecured Claims, Subordinated Insider Unsecured Claims, Gainey Equity Interests and Affiliate Equity Interests) are deemed to have rejected the First Amended Plan, as a result of their treatment under the First Amended Plan. The remaining five Classes of Impaired Claims (Secured Claims, Lender Secured Claims, Unsecured Liability Claims, Lender Unsecured Claims and Other Unsecured Claims) are each entitled to vote to accept or reject the First Amended Plan. Two Classes of Claims are unimpaired by the First Amended Plan, and are thus deemed to have accepted the Amended Plan. These Classes are Classes I and IV relating respectively to Other Priority Claims and Insurer Secured Claims.

In general, the First Amended Plan provides for (a) the sale of any remaining assets of the Debtors not sold as part of the Sale; (b) the wind down of the Debtors' businesses; (c) the distribution of the proceeds of such dispositions to the holders of Allowed Lender Secured Claims or Other Secured Claims; (d) utilization of excluded cash (**"Excluded Cash"**) defined under the First Amended Plan as $5.0 million, to pay certain Claims under the First Amended Plan, Cure Payments as may be required under the Sale Order and the costs and expenses incurred in connection with winding down the Debtors' businesses and related affairs, filing objections to Claims, and otherwise carrying out the terms of the First Amended Plan and the Liquidation Trust Agreement, all pursuant to the terms of the Post-Confirmation Wind-Down

Budget described in the First Amended Plan[9]; (e) transfer of the Causes of Action and the Insider Causes of Action if not sold as part of the Sale to the Liquidation Trust, which Liquidation Trustee will pursue and distribute the Net Recoveries per the terms of the First Amended Plan; and (f) for a certain guaranteed distribution to Other Unsecured Creditors from the Carve Out of either $1.0 million of Cash or $2.0 million of Cash from the Prepetition Lender's Collateral, depending on whether the Insider Causes of Action are sold as part of the Sale. The Debtors believe that the First Amended Plan and the Sale will maximize the dollars that can be recovered on account of the Collateral which secures the Lender Secured Claims, by substantially reducing the material disposition costs that would otherwise be incurred in a liquidation, as set forth in Section 5.1 of this First Amended Disclosure Statement, and by the agreed upon process of creating the Carve Out. Thus, the Debtors believe that the First Amended Plan provides parties in interest with the proceeds of the disposition of the Debtors' business assets for a amount that is projected to be well in excess of the high end of the Liquidation Analysis as set forth in Section 5.1 of this First Amended Disclosure Statement while at the same time preserving whatever going concern value there may realistically be for the Debtors.

The Debtors propose to achieve this result by undertaking the Sale, which will preserve customer relationships, jobs, and the prospects for future business with an ongoing business for the Debtors' trade creditors. Accordingly, the Debtors filed their Amended Motion to Approve (1) Bidding Procedures and Other Matters Relating to Sale of Substantially All of the Debtors' Operation Assets; (2) Sale of Substantially All of the Debtors' Operating Assets Free and Clear of Liens, Claims, and Encumbrances Pursuant to 11 U.S. C. § § 105(A) and 363, and (3) the Assumption and Assignment of Certain Executory Contracts and Unexpired Nonresidential Property Leases Under 11 U.S.C. § 365 in Connection With the Sale of Substantially All of Debtors' Assets (the "**Sale Motion**") on October 9, 2009. The Debtors anticipate that the sale process described in the Sale Motion will be completed over a 45 day period commencing as of approximately the date of this First Amended Disclosure Statement.

The First Amended Plan contemplates that either $1.0 million or $2.0 million of the proceeds of the collateral of the Prepetition Lenders will be contributed as a Carve Out by the Prepetition Lenders to the Liquidating Trustee, for distribution to the Other Unsecured Creditors, on a Pro Rata basis. In the event the Carve Out is $2.0 million (which will occur if the Insider Causes of Action are part of the Sale as purchased assets), $1.0 million of that amount payable shall be funded through a participation by HNG. The Carve Out shall be paid to the Liquidation Trustee by the Administrative Agent on the date the Sale is closed pursuant to a Sale Order that becomes a Final Order if such disbursement is approved by the Bankruptcy Court as part of the Sale Order; otherwise, it shall be paid to the Liquidation Trustee by the Administrative Agent upon the Confirmation Order becoming a Final Order.

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[9] While the Post-Confirmation Wind Down Budget has been preliminarily reviewed by the financial advisors of the Debtors, the Committee and Wachovia, it is not yet complete, given the variable nature of the expenses which it addresses. However, each of the Debtors, the Committee and Wachovia believe that the Excluded Cash will in any event be sufficient to fund the expenses to be addressed by the Post-Confirmation Wind Down Budget. The Post-Confirmation Wind Down Budget will be filed with the Bankruptcy Court in advance of the deadline for any objections to the First Amended Plan.

The First Amended Plan also contemplates that the Causes of Action and the Insider Causes of Action if not part of the Sale will be transferred to the Liquidation Trust as of the Effective Date, if not previously approved for transfer by the Bankruptcy Court, and that the Liquidation Trustee will pursue the Causes of Action and Insider Causes of Action if not part of the Sale, as determined by the Liquidation Trustee. The first $1.0 million of the Net Recoveries from the Causes of Action and the Insider Causes of Action (if the Insider Causes of Action are part of the Sale) will be distributed by the Liquidating Trustee to the Other Unsecured Creditors, on a Pro Rata basis. Any Net Recoveries in excess of $1,000,000 will be split eighty percent (80%) to the holders of the Allowed Claims of the Lender Unsecured Claims and twenty percent (20%) to the holders of the Allowed Claims of the Other Unsecured Claims, to be distributed Pro Rata as more fully set forth in the First Amended Plan until the Other Unsecured Claims received a twenty percent (20%) distribution on their Allowed Claims from the Net Recoveries when combined with the applicable Carve Out. If the Insider Causes of Action are not part of the Sale, the Net Recoveries from the Causes of Action (including the Insider Causes of Action) would be split eighty percent (80%) to the holders of the Allowed Claims of the Lender Unsecured Claims and twenty percent (20%) to the holders of the Allowed Claims of the Other Unsecured Claims, to be distributed Pro Rata as more fully set forth in the First Amended Plan until the Other Unsecured Claims received a twenty percent (20%) distribution on their Allowed Claims from the Net Recoveries when combined with the applicable Carve Out. Thereafter, all Net Recoveries shall be distributed Pro Rata to the holders of the Lender Unsecured Claims. All other proceeds, other than the Carve Out, the Excluded Cash and the $200,000 designated for the holders of Allowed Unsecured Liability Claims in excess of applicable insurance (as described below and in Section 6.4(f) of the First Amended Disclosure Statement), subject to any Other Secured Claims, will be distributed to the Administrative Agent for the benefit of the Lender Secured Claims.

Unsecured Liability Claims will be satisfied from the proceeds of applicable insurance, up to the Allowed Amount of any Unsecured Liability Claims. To the extent that any holders of an Unsecured Liability Claim shall be determined by a Final Order or by an agreement acceptable to any applicable Insurers and the Debtors to hold a claim in excess of the amounts payable under any applicable insurance of the Debtors, the holders of such unpaid excess Unsecured Liability Claims shall receive a Pro Rata share of $200,000 payable in Cash within thirty (30) days of the date of the entry of a Final Order determining all such Unsecured Liability Claims.

The Debtors and the Committee believe that the First Amended Plan provides a significantly greater return to all Unsecured Creditors than a liquidation because:

(i) Unsecured Liability Claims will receive the proceeds of any applicable insurance and their Pro Rata share of $200,000 to cover the excess amount of such claims over the applicable available insurance, which will result in a significant portion of such claims being paid in full.

(ii) Other Unsecured Claims will receive either $1.0 million, or $2.0 million if the Insider Causes of Action are part of the Sale, from the Carve Out and will also share in the certain Net Recoveries of the Causes of Action and the Insider Causes of Action if

not part of the Sale until they receive a twenty percent (20%) distribution on their Allowed Claims, when combined with the applicable Carve Out.

(iii) Lender Unsecured Claims will share in certain of the Net Recoveries of the Causes of Action and the Insider Causes of Action if not part of the Sale and thus, Lender Secured Claims will be maximized.

6.2 Means of Implementation of the First Amended Plan

The means for the implementation of the First Amended Plan are set forth in detail in Articles 4, 5 and 6 of the First Amended Plan, and described generally above. The First Amended Plan shall be implemented using the unsold assets and working capital of the Debtors, the Carve Out, and the Excluded Cash. The Causes of Action and the Insider Causes of Action if not part of the Sale will be transferred to the Liquidation Trust and pursued for the benefit of the Other Unsecured Claims and the Lender Unsecured Claims. The Debtors' assets will be marketed for sale as a going concern, with the hope that all jobs and going concern value can be maximized for the benefits of the creditors of the estates. The Liquidation Trustee shall then complete the wind down of the Debtors' remaining business operations. On the Effective Date, the Excluded Cash will be turned over to the Liquidation Trustee to fund the payment of certain Claims under the First Amended Plan, as well as the administrative costs of the Liquidation Trustee and the wind down of the Debtors' remaining business affairs pursuant to the Post-Confirmation Wind-Down Budget. The Prepetition Lenders' lien on all assets shall continue to attach to such assets post-Confirmation and throughout the duration of the sale/wind-down process until such assets are sold and the Net Proceeds thereof turned over to the Administrative Agent for the benefit of the Prepetition Lenders. A copy of the Liquidation Trust Agreement is attached to the First Amended Plan as **Exhibit A**.

6.3 Feasibility of the Plan

(a) Feasibility Generally

As discussed briefly in Section 2.6 hereof, the Bankruptcy Code requires a determination by the Bankruptcy Court that the First Amended Plan is feasible and not likely to be followed by liquidation or the need for further financial reorganization (unless such liquidation or reorganization is provided for in the First Amended Plan). As noted, in this instance, the First Amended Plan provides for the disposition of most all of the assets of the Debtors, most of which assets the Debtors anticipate will be sold as part of the Sale prior to confirmation of the First Amended Plan.

Accordingly, in lieu of projections for an ongoing business operation, the Debtors, in consultation with their financial advisors, and the Committee and its financial advisors, have prepared a waterfall/sources and uses analysis of the Excluded Cash being used to structure the payments proposed by the First Amended Plan and described in the Post-Confirmation Wind-Down Budget, which will be filed with the Court as described herein. The Debtors and the Committee believe that the First Amended Plan creates a sustainable structure to support the proposed payments under the First Amended Plan and the wind down of the Debtors' operations,

such that the feasibility requirement imposed by the Bankruptcy Code is met with respect to the First Amended Plan.

(b) Feasibility Risks

There are risks that the First Amended Plan may not be feasible. While the Debtors have estimated to the best of their ability the funds that will be necessitated to make all the payments required under the First Amended Plan, they cannot guarantee with certainty that there will be sufficient funds in the Excluded Cash to cover all Claims as such process is subject to future determinations by the Bankruptcy Court regarding the allowance of Claims. In addition, the assumptions and estimates underlying the Projections are inherently uncertain, and though considered reasonable by the Debtors as of the date hereof, are subject to a wide variety of significant business, economic and competitive risks and uncertainties. Consequently, the Projections should not be regarded as a representation by the Debtors or the Committee or any other Person that the projected payments can or will be achieved.

6.4 Classification and Treatment of Claims

(a) As a preliminary matter, and as provided in section 1123(a) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims are not classified for purposes of voting on or receiving distributions under the First Amended Plan. All such Claims are instead treated separately pursuant to the terms set forth in Article II of the First Amended Plan. That Article provides, generally, as follows:

(i) Administrative Expense Claims. Except to the extent that any Entity entitled to payment of an Allowed Administrative Expense Claim agrees to a different treatment, each holder of an Allowed Administrative Expense Claim (other than Allowed Administrative Expense Claims for professional compensation and reimbursement of expenses which are specifically addressed in Section 6.4(a)(ii) below) shall receive Cash in an amount equal to such Allowed Administrative Expense Claim on the later of the Effective Date and the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as is practicable, provided, however, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtors postpetition shall be paid in full in Cash in the ordinary course of business pursuant to their terms. The Allowed Administrative Expense Claims shall be paid by the Liquidation Trustee from the Excluded Cash.

(ii) Professional Compensation and Reimbursement Claims. On the date the Confirmation Order becomes a Final Order, the Liquidation Trustee shall establish and fund the Professional Compensation Escrow from the Excluded Cash. All Entities seeking an award by the Bankruptcy Court of compensation for services rendered and reimbursement of expenses incurred through and including the Confirmation Date under sections 330 or 331 of the Bankruptcy Code or entitled to the priorities established under sections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code shall (a) file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred through the Confirmation Date by not later than the date which is forty five (45) days after the Confirmation Date or such other

date as is fixed by the Bankruptcy Court and (b) if granted such an award by the Bankruptcy Court, be paid in full in Cash in such amounts as are Allowed by the Bankruptcy Court (i) on the date upon which such Administrative Expense Claim becomes an Allowed Administrative Expense Claim or soon thereafter as is practicable, (ii) upon such other terms as may be mutually agreed upon between such holder of an Administrative Expense Claim and the Liquidation Trustee, or (iii) in accordance with the terms of any applicable order entered by the Bankruptcy Court. All such amounts shall be paid first from the Professional Compensation Escrow, and thereafter by the Liquidation Trustee from the Excluded Cash.

(iii) Priority Tax Claims. Except to the extent that the holder of an Allowed Priority Tax Claim has been paid prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Priority Tax Claim Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim. The Allowed Priority Tax Claims shall be paid by the Liquidation Trustee from the Excluded Cash.

The following is a general description of the treatment of those Claims and Equity Interests which are separately classified under the terms of the First Amended Plan.

(b) Class I – Other Priority Claims

Class I is unimpaired by the First Amended Plan. Each holder of an Allowed Other Priority Claim is conclusively presumed to have accepted the First Amended Plan and is not entitled to vote to accept or reject the First Amended Plan. Except to the extent that a holder of an Allowed Other Priority Claim agrees to a different treatment, each holder of an Allowed Other Priority Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Other Priority Claim, Cash in an amount equal to such Allowed Other Priority Claim on the later of the Effective Date and the date such Other Priority Claim becomes an Allowed Other Priority Claim, or as soon thereafter as is practicable.

(c) Class II – Other Secured Claims

Class II is impaired by the First Amended Plan. Each holder of an Allowed Other Secured Claim is entitled to vote on the First Amended Plan. Other Secured Claims include Secured Tax Claims under the First Amended Plan. All entities holding Allowed Secured Claims shall receive Cash in an amount equal to such Allowed Secured Claim on the later of: (i) the Effective Date; (ii) the date such Claim becomes an Allowed Secured Claim; and (iii) the date the asset securing an Allowed Class II Claim is sold. Each Allowed Other Secured Claim shall be paid by the Liquidation Trustee from the net proceeds derived from the sale of the assets securing the Other Secured Claim or, to the extent such Allowed Other Secured Claim is a Secured Tax Claim, such Allowed Other Secured Tax Claim shall be paid by the Liquidation Trustee from the Excluded Cash. The Liquidation Trustee, in consultation with the Reorganized Debtor, the Committee and the Administrative Agent, may surrender to an Allowed Class II Claim holder the asset(s) securing such Other Secured Claim in lieu of the payment of Cash as

set forth above. Each holder of an Allowed Other Secured Claim shall retain any Liens securing its Allowed Other Secured Claim as of the Effective Date until full and final payment of such Allowed Other Secured Claim is made as provided herein, and upon such full and final payment such Liens shall be deemed null and void and shall be unenforceable for all purposes.

(d) Class III – Lender Secured Claims

Class III is impaired by the First Amended Plan. Each holder of a Lender Secured Claim shall retain all adequate protection payments received by the Administrative Agent for and on their behalf during the Chapter 11 Cases, and all Sale proceeds paid to the Administrative Agent in connection with the Sale (other than the Carve Out and the Excluded Cash) which shall be deemed to apply to the payment of the Lender Secured Claim, and each holder of a Lender Secured Claim shall further receive, in full and complete settlement, satisfaction and discharge of its Lender Secured Claim:

(i) Subject to clause (iv) below and the terms of the Sale Order, on the date the Confirmation Order becomes a Final Order, unless previously distributed to the Administrative Agent prior to the Confirmation Hearing, each holder of a Lender Secured Claim shall receive its Pro Rata share of the Accounts Receivable Diminution Escrow, the Cash from the Reorganized Debtor and all Sale Proceeds, except the Carve Out and the Excluded Cash. The Reorganized Debtor shall distribute the Excluded Cash to the Liquidation Trustee on the date the Confirmation Order becomes a Final Order to be utilized by the Liquidation Trustee pursuant to the Post-Confirmation Wind-Down Budget, in accordance with Section 5.1(b) of the First Amended Plan. The Carve Out shall be distributed to the Liquidation Trustee by the Administrative Agent at the closing on the Sale if approved as a disbursement by the Bankruptcy Court under the Sale Order and, if not, then on the date the Confirmation Order becomes a Final Order. To the extent the Insider Causes of Action are part of the Sale, HNG shall deposit $1.0 million, representing his participation in the $2.0 million Carve Out, in escrow with the Administrative Agent upon the earlier of three (3) business days prior to the closing on the Sale or ten (10) days prior to the Confirmation Hearing.

(ii) Subject to clause (iv) below and the terms of the Sale Order, each holder of a Lender Secured Claim shall receive its Pro Rata share of the Net Proceeds of the Property upon sale and/or liquidation of the Property, unless previously distributed to the Administrative Agent prior to the Confirmation Hearing, subject to any other Secured Claims entitled to payment pursuant to Section 4.2(b) of the First Amended Plan and exclusive of Property constituting Causes of Action and the Carve Out.

(iii) Subject to clause (iv) below and the terms of the Sale Order, each holder of a Lender Secured Claim shall also receive its Pro Rata share of (a) the net Cash proceeds of the Pending Causes of Action, if any, and (b) any unused portion of the Excluded Cash, if any.

(iv) All amounts payable to a holder of a Lender Secured Claim under the First Amended Plan shall be distributed to the Administrative Agent, for the benefit of each holder of a Lender Secured Claim. The Administrative Agent's obligation to make

distributions to the holders of Lender Secured Claims shall be governed by the terms of the Prepetition Loan Documents.

Each holder of a Lender Secured Claim shall retain the Liens (or replacement Liens), if any, securing its Lender Secured Claim until (i) full and final payment of such Lender Secured Claim is made as provided herein, or (ii) such Lien is otherwise terminated in accordance with this Plan. Upon such termination, such Liens shall be deemed null and void and shall be unenforceable for all purposes. Upon the sale of any of the Property, the Liens shall transfer to the Net Proceeds. Each holder of a Lender Secured Claim shall subordinate its liens, if any, on the Causes of Action, including the Insider Causes of Action, but not its right to payment under Section 4.6(b) of the First Amended Plan, to the holders of Allowed Other Unsecured Claims until the conditions set forth in Section 4.7(b) of the First Amended Plan have been satisfied or the Liquidation Trustee and the Administrative Agent agree otherwise.

(e) Class IV – Insurer Secured Claims

Class IV is unimpaired by the First Amended Plan. Each holder of an Insurer Secured Claim is conclusively presumed to have accepted the First Amended Plan and is not entitled to vote to accept or reject the First Amended Plan.

Each holder of an Allowed Insurer Secured Claim shall retain all of such holder's rights and remedies under any applicable Insurance Contract, and with respect to any Collateral securing such holders' Claim against the Debtors, and shall be entitled to draw on any letter of credit held by such holder on account of such Insurer Secured Claim, in accordance with the terms and conditions of any such letter of credit. To the extent not previously modified or terminated pursuant to order of the Bankruptcy Court, the automatic stay shall be deemed terminated immediately as of the Effective Date with respect to any and all such Insurer Secured Claims for purposes of permitting the holder of such Claims to assert the rights and remedies provided under the First Amended Plan provided that all of the rights of the Debtors that are assigned and transferred to the Reorganized Debtor and any Insurer to defend any claim underlying an Insurer Secured Claim after the Effective Date are expressly reserved, and nothing herein shall constitute or be deemed a waiver of any defense, right or claim, including any right of setoff, that the Reorganized Debtor may have against any Person or Entity in connection with or arising out of any Insurer Secured Claim, and further provided, that all of the rights of the Debtors are hereby transferred to the Reorganized Debtor on the date of the Confirmation Order becomes a Final Order.

To the extent any Insurer holds a Claim against any of the Debtors for an amount owing under such Insurance Contract which is not secured by Collateral, or which is in excess of the value of any Collateral held by such Insurer, such excess Claim shall be deemed an Other Unsecured Claim, and Allowed, if at all, in accordance with the procedures for the allowance and payment of Other Unsecured Claims

(f) Class V – Unsecured Liability Claims

Class V is impaired by the First Amended Plan. Each holder of an Unsecured Liability Claim is entitled to vote to accept or reject the First Amended Plan. Each holder of an Unsecured Liability Claim shall retain all of such holder's rights and remedies against the Debtors and with respect to any applicable insurance relating to such Unsecured Liability Claim. To the extent not previously modified or terminated pursuant to order of the Bankruptcy Court, the automatic stay shall be deemed terminated immediately as of the Effective Date with respect to any and all such Unsecured Liability Claims for purposes of permitting the liquidation of such Unsecured Liability Claims by a court of competent jurisdiction, and permitting recourse to any applicable insurance relating to such Unsecured Liability Claim. To the extent that any holders of an Unsecured Liability Claim shall be determined by a Final Order, or by an agreement acceptable to any applicable Insurers and the Debtors, after consultation with the Committee, to hold a claim in excess of the amounts payable under any applicable insurance of the Debtors, such Unsecured Liability Claim shall only be Allowed in such excess amount, and in satisfaction thereof, each holder of an Unsecured Liability Claim shall receive its Pro Rata share of $200,000, payable in Cash within thirty (30) days of the date of the entry of a Final Order determining all such Unsecured Liability Claims by the Liquidation Trustee.

(g) Class VI – Lender Unsecured Claims

Class VI is impaired by the First Amended Plan. Each holder of an Allowed Lender Unsecured Claim is entitled to vote to accept or reject the First Amended Plan.

If the Sale does not include the Insider Causes of Action, each holder of a Lender Unsecured Claim shall receive, in full and complete settlement, satisfaction and discharge of such Lender Unsecured Claim, its Pro Rata share of eighty percent (80%) of the Net Recoveries in excess of the initial $1.0 million recovered by the Liquidation Trustee until the holders of Other Unsecured Claims receive a twenty percent (20%) distribution on their Allowed Claims from the Net Recoveries when combined with the applicable Carve Out. Thereafter, all Net Recoveries shall be distributed to the holders of the Lender Unsecured Claims.

If the Sale includes the Insider Causes of Action, each holder of a Lender Unsecured Claim shall receive its Pro Rata share of eighty percent (80%) of the Net Recoveries until such time as the holders of Other Unsecured Claims receive a twenty percent (20%) distribution on their Allowed Claims from the Net Recoveries when combined with the applicable Carve Out. Thereafter, all Net Recoveries shall be distributed to the holders of the Lender Unsecured Claims.

The holders of the Lender Unsecured Claims shall not receive any distribution from the Carve Out as provided for in Section 4.7 of the First Amended Plan. All amounts payable to a holder of a Lender Unsecured Claim under the First Amended Plan shall be distributed to the Administrative Agent, for the benefit of each holder of a Lender Unsecured Claim. The Administrative Agent's obligation to make distributions to the holders of Lender Unsecured Claims shall be governed by the terms of the Prepetition Loan Documents. All Net Recoveries shall be payable from time to time in the discretion of the Liquidation Trustee, the Committee and the Administrative Agent.

(h) Class VII- Other Unsecured Claims

Class VII is impaired by the First Amended Plan. Each holder of an Allowed Other Unsecured Claim is entitled to vote to accept or reject the First Amended Plan. Each holder of an Allowed Other Unsecured Claim shall receive, in full and complete settlement, satisfaction and discharge of such Allowed Other Unsecured Claim, (i) its Pro Rata share of the Carve Out; (ii) its Pro Rata share of the initial $1.0 million of the Net Recoveries if the Insider Causes of Action are not part of the Sale, and (iii) its Pro Rata share of twenty percent (20%) of the Net Recoveries until the holders of the Other Unsecured Claims receive a twenty percent (20%) distribution on their Allowed Claims from the Net Recoveries when combined with the Carve Out. All Net Recoveries shall be payable from time to time in the discretion of the Liquidation Trustee, the Committee and the Administrative Agent.

(i) Class VIII – Intercompany Unsecured Claims

Class VIII is impaired by the First Amended Plan. Each holder of an Intercompany Unsecured Claim is deemed to have rejected the First Amended Plan. Each Intercompany Unsecured Claim shall be deemed Disallowed for purposes of the First Amended Plan.

(j) Class IX – Subordinated Insider Unsecured Claims

Class IX is impaired by the First Amended Plan. Each holder of a Subordinated Insider Unsecured Claim is deemed to have rejected the First Amended Plan. No payment will be made to any holder of a Subordinated Insider Unsecured Claim on account of such Claim, unless all of the holders of Claims provided in Classes I and VII of the First Amended Plan are paid in full.

(k) Class X – Gainey Equity Interests

Class X is impaired by the First Amended Plan. The holders of Gainey Equity Interests are conclusively presumed to have voted to reject the First Amended Plan. The holders of Gainey Equity Interests shall not receive any distribution under the First Amended Plan on account of such Equity Interests unless Classes I through VII and Class IX of the First Amended Plan are paid in full.

(l) Class XI – Affiliate Equity Interests

Class XI is impaired by the First Amended Plan. The holders of Affiliate Equity Interests shall not receive any distribution under the First Amended Plan on account of such Equity Interests unless Classes I through VII and Class X of the First Amended Plan are paid in full.

6.5 Other Important Plan Provisions

The First Amended Plan also contains a number of additional provisions relating to the implementation of the First Amended Plan. Set forth below is a summary of a number of important plan provisions in this regard:

(a) Corporate Matters, Officers of Debtors

As set forth previously in this First Amended Disclosure Statement, the First Amended Plan contemplates the continuation of the Debtors for an undetermined period of time. The officers and directors, and the composition of the Board of Directors of the Reorganized Debtor shall remain as currently constituted unless thereafter reconstituted by the Reorganized Debtor.

(b) Indemnification and Limited Release

The First Amended Plan provides that the Debtors' obligations as of the Petition Date to indemnify, defend, reimburse, and/or provide contribution to certain directors, officers, agents and employees who were serving in such capacity as of the Petition Date are preserved and shall continue. The First Amended Plan does not provide for any release of any claim against any Insider of any of the Debtors, but it is contemplated that Insider Causes of Action may be sold as part of the Sale. Such Insider Causes of Action could be released or compromised by any such purchaser. The First Amended Plan also contains typical release and exculpation provisions with respect to parties on account of matters transpiring during the course of the Chapter 11 Cases.

(c) Settlement and Release of Claims by Committee Against Prepetition Lenders

Under the Cash Collateral Order, the Debtors released any alleged claims against the Prepetition Lenders. The Committee retained certain rights to object to the validity, priority and amount of the Secured Claim of the Prepetition Lenders or to otherwise assert Causes of Action against them. The Committee reviewed the Loan Documents of the Prepetition Lenders and determined that, other than with respect to certain trailers valued in the approximate amount of $175,000, the Prepetition Lenders had valid, first perfected security interests in the Property of the Debtors. The Committee also confirmed the validity of the amount of the Secured Claim of the Prepetition Lenders.

The Committee also reviewed and assessed potential Causes of Action that could be brought against the Prepetition Lenders. In February 2008, during the one (1) year prior to the Petition Date, the Prepetition Lenders took a guaranty from GIS ("**GIS Guaranty**") to further secure the indebtedness owed to them by the Debtors. In addition, to secure the GIS Guaranty, the Prepetition Lenders took a security interest in all of the assets of GIS. The Committee was unable to determine if there was any direct or indirect benefit provided to the Debtors as a result of the giving of the GIS Guaranty and the granting of the additional respective security interests in the GIS assets.

In consideration of the Carve Out being provided by the Prepetition Lenders to the Other Unsecured Creditors under the First Amended Plan, on the date the Confirmation Order becomes a Final Order, all claims, causes of action, rights and demands, whether in law or equity, known or unknown, asserted or unasserted, preserved for the Debtors and/or the Committee during the Chapter 11 Cases, against the Administrative Agent, the Prepetition Lenders, and their respective shareholders, members, officers, directors, employees, partners, affiliates, subsidiaries, advisors, professionals and agents are hereby discharged, released and relinquished pursuant to the terms of the First Amended Plan and shall constitute a settlement and compromise of claims approved by the Bankruptcy Court under Bankruptcy Rule 9019.

Before approving a compromise, whether in the context of a sale, confirmation of a plan or otherwise, a court must evaluate and determine that the proposed compromise is fair and equitable pursuant to Bankruptcy Rule 9019. This rule requires the Bankruptcy Court to review the proposed compromise, to: apprise itself of all the facts necessary for any intelligent and objection opinion of the probabilities of ultimate success should the claim be litigated, to form an educated estimate of the complexity, expense, and likely duration of such litigation, the possible difficulties of collection on any judgment which might be obtained, and to consider all other factors relevant to a full and fair assessment of the wisdom of the proposed compromise. *Protective Committee for Independent Stockholders of TMT Trailer Ferry v. Anderson*, 390 U.S. 414 (1968).

The Debtors believe, and the Committee has advised the Debtors that the Committee believes that the proposed settlement with the Prepetition Lenders is fair and reasonable. First, the costs associated with pursuing the Causes of Action against the Prepetition Lenders would be significant. Second, the Committee does not have funds at this time to pursue the Causes of Action because as part of the Final Cash Collateral Order the Prepetition Lenders prohibited the Committee from using its cash collateral to fund such litigation expenses. Third, even if the Committee were successful in pursuing the Causes of Action, any recovery would have to be shared with the Prepetition Lenders on their Unsecured Lender Claim. Because the Prepetition Lenders represent approximately 90% of the unsecured creditors, any recovery made on the Causes of Action would be primarily for the benefit of the Prepetition Lenders. Accordingly, the Committee believes that the proposed settlement is fair and reasonable.

(d) Executory Contracts and Unexpired Leases

The Debtors are parties to a number of executory contracts and unexpired leases in addition to those which have already been rejected during the Chapter 11 Cases. The Bankruptcy Code sets forth particular provisions with respect to the procedures for the assumption or rejection of such executory contracts and unexpired leases, including without limitation, the requirement that the Debtors cure defaults under contracts and leases which are to be assumed. The First Amended Plan provides the following, generally, with respect to such matters:

(i) General Treatment. All executory contracts and unexpired leases that exist between the Debtors and any Person or Entity, including, without limitation, customer agreements, and any unexpired lease with GRIC shall be deemed rejected on the Confirmation Date, unless such executory contracts or unexpired leases were rejected by the Bankruptcy Court prior to the Confirmation Date, such executory contracts and unexpired leases were assumed and assigned as part of the Sale, or such executory contracts and unexpired leases are otherwise assumed pursuant to an order of the Bankruptcy Court prior to the Confirmation Date. The executory contracts and unexpired leases are set forth on **Schedule 5** attached to the First Amended Plan. If the Debtors elect to assume and assign such executory contracts or unexpired leases, the Debtors shall provide the party subject to the proposed executory contract and unexpired lease with notice of intent to assume and assign such executory contract and unexpired lease within 10 days of such assumption and assignment and advise such party of the proposed cure

amount. If such party disagrees with the cure amount, the party must file an objection with the Bankruptcy Court within 7 days of receiving such notice. If the objection cannot be resolved with the Debtors, after consultation with the Committee and the Administrative Agent, the Bankruptcy Court shall determine the cure amount to be paid to such party, as well as any other issues related to the proposed assumption and assignment of the executory contract or unexpired lease.

(ii) The Committee shall have the right to object to any cure amount allegedly due GRIC if such leases are subject to assumption and assignment under the terms of the Sale, and the amount of such cure is to be paid from the Excluded Cash pursuant to the terms of the proposed Sale, provided, however, that any Insider Causes of Action against GRIC, if not part of the Sale, shall be preserved notwithstanding such assumption and assignment of the GRIC leases.

(e) Liquidation Trust. The First Amended Plan contemplates the establishment of the Liquidation Trust, unless previously approved by the Bankruptcy Court, with Barry P. Lefkowitz, CPA, CIRA to serve as the Liquidation Trustee. Subject to Section 6.2 of the Plan, relating to the inability of the Reorganized Debtors to perform certain actions relative to Insurance Contracts and Class V Claims, the duties of the Liquidation Trustee will be: (i) pursuit of the Causes of Action and the Insider Causes of Action if not part of the Sale, including Avoidance Actions, (ii) after consultation with the Administrative Agent, sale of the remaining Property not sold as part of the Sale or otherwise turned over to holders of an Allowed Other Secured Claim or holders of Allowed Lender Secured Claims, (iii) objections to all Claims and Interests arising under Classes I, II, IV, VII, VIII, IX, X and XI under the First Amended Plan, including objections to Administrative Expense Claims (other than Allowed Administrative Expense Claims for professional compensation and reimbursement of expenses addressed in Section 2.3 of the First Amended Plan) and all Priority Tax Claims, (iv) the wind down of the Debtors' affairs, (v) distribution of funds to pay expenses of the Liquidation Trust, Claims and Interests arising under Classes I, II, and IV through XI of the First Amended Plan, including Allowed Administrative Expense Claims (including Allowed Administrative Expense Claims for professional Compensation and reimbursement of expenses addressed in Section 2.3 of the First Amended Plan) and all Priority Tax Claims, (vi) consultation with the Committee and the Administrative Agent, and (vii) other miscellaneous matters as provided in the First Amended Plan and the Liquidation Trust Agreement.

Jaffe and Virchow shall continue to serve as counsel and financial consultants, respectively, to the Committee and also shall serve as counsel and financial consultants to the Liquidation Trustee. The Debtors and their professionals shall remain available to assist the Liquidation Trustee with his duties and responsibilities set forth above, in accordance with the terms of, and subject to the applicable limitations of, the First Amended Plan.

(f) Reorganized Debtor. After the Confirmation Order becomes a Final Order, the Reorganized Debtor shall remain in existence to carry out the duties and functions reserved to it under the First Amended Plan in accordance with the Post-Confirmation Wind-Down Budget. Subject to Section 6.2 of the Plan, relating to the inability of the Reorganized Debtor to perform certain actions relative to Insurance Contracts and Class V Claims, the Reorganized Debtor, in consultation with the Committee and the Liquidation Trustee, in addition to the duties provided

under the First Amended Plan, shall administer the Unsecured Liability Claims, including pursuing objections to such related Claims, shall also administer, in consultation with the Committee, the Liquidation Trustee and the Administrative Agent, all Insurance Contracts in the ordinary course of business and in accordance with pre-petition practices, applicable policy, agreement and/or plan terms and applicable state law until such Insurance Contracts are terminated. In the event the Reorganized Debtor is unable to perform such duties relating to Unsecured Liability Claims and Insurance Contracts, such duties shall be performed by the Liquidation Trustee. The Reorganized Debtor shall also have full power to bring and prosecute any Pending Causes of Action. The Reorganized Debtor may delegate these powers to the Liquidation Trustee. Dickinson or such other counsel as the Reorganized Debtor may select, shall serve as counsel for the Reorganized Debtor and may also provide services to the Liquidation Trustee to assist the Liquidation Trustee in performing its duties under the First Amended Plan and the Liquidation Trust Agreement, in accordance with the terms of, and subject to the applicable limitations of, the First Amended Plan.

(g) Post-Confirmation Committee. The First Amended Plan contemplates that certain post-confirmation matters will be handled by the Post-Confirmation Committee created under the First Amended Plan. The First Amended Plan provides the following with respect to such matters:

(i) Formation. On the Effective Date, the Post-Confirmation Committee shall be comprised of those members of the Committee willing to serve on the Post-Confirmation Committee. Subject to the foregoing, the Committee shall be authorized, in the exercise of its reasonable discretion, to effectuate such procedural rules, bylaws or other agreements governing its makeup, voting and succession.

(ii) Permitted Actions. The Committee shall be authorized to (i) review and consult with the Administrative Agent and the Liquidation Trustee regarding the Claims Allowance process, including pursuing any objections to the Allowance of Administrative Expense Claims, Priority Claims, Priority Tax Claims and Claims and Interests falling under Classes I, II, IV, V and VII through XI of the First Amended Plan; (ii) review, consult with and advise the Liquidation Trustee and the Administrative Agent in connection with pursuing, compromising or settling the Causes of Action and the Insider Causes of Action if not part of the Sale, including the Avoidance Actions, (iii) review, consult with and advise the Liquidation Trustee in connection with any other matters related to the First Amended Plan and Trust Agreement, and (iv) review, consult with and advise the Reorganized Debtor in connection with any matters related to the First Amended Plan.

(iii) Costs and Expenses. The Committee shall be entitled to retain attorneys and other professionals as and when necessary. The fees and costs of such professional persons shall be paid from the Liquidation Trust. In addition, the members of the Post-Confirmation Committee shall be entitled to be reimbursed from the Liquidation Trust for the reasonable and necessary actual out of pocket expenses of its members.

(h) Provisions Relating to Objections to Claims and Distributions under the First Amended Plan. It is likely that many Claims under the First Amended Plan may not be Allowed

as of the Effective Date of the First Amended Plan on account of objections interposed by the Debtors or other parties in interest as set forth in the First Amended Plan. As a result, it is necessary that the First Amended Plan contain particular provisions that relate to the assertion of objections to Claims, and as to distribution of dividends under the First Amended Plan on account of such Claims. The First Amended Plan provides the following with respect to such matters:

(i) Right to File and Resolve Objections. Except (i) as to applications for allowance of compensation and reimbursement of expenses under sections 330, 331 and 503 of the Bankruptcy Code, the Liquidation Trustee, in consultation with the Committee and the Administrative Agent, shall have the exclusive right and authority to (A) make and file objections to all Administrative Claims, Priority Tax Claims and Claims under Classes I, II, IV, and VII through XI, and (B) compromise, settle, otherwise resolve or withdraw any objections to such Claims without approval of the Bankruptcy Court after consultation with the Administrative Agent and the Committee. Subject to Section 6.2 of the First Amended Plan, the Reorganized Debtor shall have the right and authority, after consultation with the Administrative Agent, the Committee and the Liquidation Trustee, to (A) make and file objections to Claims under Class V, and (B) compromise, settle, otherwise resolve or withdraw any objections to such Claims without approval of the Bankruptcy Court, after consultation with the Administrative Agent, the Committee and the Liquidation Trustee.

(ii) Timing of Objections. The Liquidation Trustee shall have ninety (90) days after the Effective Date to file all objections to Administrative Claims (other than applications for allowances of compensation and reimbursement of expenses) and serve such objections upon the holder of the affected Claim. The Liquidation Trustee and the Reorganized Debtor, as applicable, shall have six (6) months after the Effective Date to file all objections to all other Claims provided under Section 10.1(a) of the First Amended Plan and serve such objections upon the holder of the affected Claim. The Liquidation Trustee and the Reorganized Debtor or either of them shall have the right to seek authority from the Bankruptcy Court to extend the date for filing and serving the objections to the holders of such Claims.

(iii) No Distribution Pending Allowance; Subsequent Distribution. Notwithstanding any other provision of the First Amended Plan no Property shall be distributed under the First Amended Plan on account of any Disputed Claim unless and until such Claim is Allowed in accordance with the provisions of the First Amended Plan. If a Disputed Claim has not been Allowed as of the date for any distribution on account of such Claim under the First Amended Plan, the amount otherwise distributable to the holder of such Claim under the First Amended Plan shall be deposited into the Disputed Claims Reserve, and held pending any determination of such Claim as an Allowed Claim for purposes of the First Amended Plan. Upon a determination that such Disputed Claim is an Allowed Claim for purposes of the First Amended Plan, the Claim as Allowed shall be paid from the Disputed Claims Reserve in accordance with the terms and conditions of the First Amended Plan, but the amount paid shall not exceed the amount in the Disputed Claim Reserve reserved on account of such Claim.

6.6 Conditions Precedent to Confirmation and Effectiveness of the First Amended Plan

(a) Conditions Precedent to Confirmation of the First Amended Plan. The following are conditions precedent to the entry of the Confirmation Order, unless such conditions, or any of them, have been satisfied or duly waived pursuant to section 13.3 of the First Amended Plan;

(i) The Confirmation Order is in form and substance reasonably satisfactory to the Reorganized Debtor, the Administrative Agent and the Committee.

(ii) The First Amended Plan shall not have been materially amended, altered or modified, unless such material amendment, alteration or modification has been made in accordance with section 15.5 of the First Amended Plan.

(iii) All Exhibits to the First Amended Plan are in form and substance reasonably satisfactory to the Reorganized Debtor, the Administrative Agent and the Committee.

(b) Conditions Precedent to Occurrence of Effective Date. The following are conditions precedent to the occurrence of the Effective Date of the First Amended Plan, unless such conditions, or any of them, have been satisfied or duly waived pursuant to section 13.3 of the First Amended Plan:

(i) The Bankruptcy Court shall have entered the Confirmation Order.

(ii) The Bankruptcy Court shall have entered an order (contemplated to be part of the Confirmation Order) approving and authorizing the Reorganized Debtor, the Administrative Agent, the Committee and the Liquidation Trustee to take all actions necessary or appropriate to implement the First Amended Plan, including execution and delivery of the Liquidation Trust Agreement, unless previously authorized by the Bankruptcy Court, and the other transactions contemplated by the First Amended Plan and all contracts, instruments, releases and other agreements or documents entered into or delivered in connection with the First Amended Plan.

(iii) No stay of the Confirmation Order shall then be in effect.

(iv) The First Amended Plan, and the Exhibits thereto, shall not have been materially amended, altered or modified, unless such material amendment, alteration or modification has been made in accordance with section 15.5 of the First Amended Plan.

(v) The Effective Date shall have occurred.

6.7 Effect of Confirmation of the First Amended Plan, Retention of Jurisdiction

(a) Effect of Confirmation. The legal effects of the confirmation of the First Amended Plan are prescribed generally by the provisions of the Bankruptcy Code. The First Amended Plan provides the following in this regard:

(i) Term of Bankruptcy Injunction or Stays. Unless otherwise provided in the Confirmation Order, all injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Confirmation Order becomes a Final Order.

(ii) Injunction. Except as otherwise expressly provided in the First Amended Plan or the Bankruptcy Code, the Confirmation Order or a separate order of the Bankruptcy Court, all Persons or Entities who have held, hold or may hold Claims against the Debtors and/or their estates, other than those Causes of Action and the Insider Causes of Action if not part of the Sale that are preserved and assigned to the Liquidation Trust, are permanently enjoined, from and after the date the Confirmation Order becomes a Final Order, from (a) commencing or continuing in any manner any action or other proceeding of any kind against the Reorganized Debtor with respect to any such Claim, (b) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Reorganized Debtor on account of any such Claim Interest, (c) creating, perfecting or enforcing any Lien or encumbrance of any kind against the Reorganized Debtor or against the property of the Reorganized Debtor, and (d) commencing or continuing in any manner any action or other proceeding of any kind with respect to any claims which are extinguished, dismissed or released pursuant to the First Amended Plan. The Pending Causes of Action are preserved for the Reorganized Debtor as provided herein and in the First Amended Plan.

(iii) Binding Effect. Subject to the Confirmation Order becoming a Final Order, on and after the Confirmation Date, the First Amended Plan shall be binding upon and inure to the benefit of the Reorganized Debtor and the holders of Claims and Equity Interests and their respective successors and assigns, whether or not the Claim or Equity Interest of such holder is impaired under the First Amended Plan, whether or not such holder has accepted the First Amended Plan and whether or not such holder is entitled to a distribution under the First Amended Plan.

(b) Retention of Jurisdiction. The First Amended Plan provides that the Bankruptcy Court will retain jurisdiction after the confirmation of the First Amended Plan in connection with the following matters:

(i) To hear and determine pending applications for the assumption or rejection of executory contracts or unexpired leases, if any are pending or are filed prior to the Effective Date, and the allowance of any Claims resulting therefrom.

(ii) To hear and determine any and all adversary proceedings, applications and contested matters, even if filed after confirmation of the First Amended Plan.

(iii) To hear and determine any objections to Administrative Expense Claims, Claims or Equity Interests.

(iv) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated.

(v) To issue such orders in aid of execution and consummation of the First Amended Plan, to the extent authorized by section 1142 of the Bankruptcy Code.

(vi) To consider any amendments to or modifications of the First Amended Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order.

(vii) To hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331 and 503(b) of the Bankruptcy Code.

(viii) To hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the First Amended Plan.

(ix) To recover all Assets and Property of the Estates, wherever located.

(x) To hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code.

(xi) To hear and determine any requests to sell any Asset pursuant to section 363 of the Bankruptcy Code.

(xii) To hear any other matter not inconsistent with the Bankruptcy Code.

(xiii) To hear and determine all actions pursuant to sections 105, 502, 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, and 553 of the Bankruptcy Code, any collection matters related thereto, and settlements thereof, and any other Causes of Action, Insider Causes of Action and Pending Causes of Action properly within the jurisdiction of the Bankruptcy Court.

(xiv) To hear and determine any disputes concerning quarterly fees owing or claimed to be owing to the Office of the U.S. Trustee under section 1930(a)(6) of title 28 of the United States Code.

(xv) To enter a final decree closing the Chapter 11 Cases.

(xvi) To determine any disputes regarding allowance of Post-Effective Date fees and expenses.

(xvii) To address, hear and determine any issues or disputes that arise under the Liquidation Trust Agreement.

6.8 Alternatives to Confirmation of the First Amended Plan

The Debtors anticipate that in the event the First Amended Plan cannot be confirmed, either by the affirmative votes of impaired Classes of Claims under the First Amended Plan, or pursuant to section 1129(b) of the Bankruptcy Code, it is likely that the Bankruptcy Court would convert the Chapter 11 Cases to a Chapter 7 liquidation.

SECTION VII: TAX CONSEQUENCES OF THE FIRST AMENDED PLAN

7.1 General

The following is a summary of certain U.S. federal income tax consequences to the Debtors and to certain holders of Claims that are expected to result from implementation of the First Amended Plan. This discussion is based on the Internal Revenue Code, as amended, treasury regulations in effect on the date of the First Amended Disclosure Statement, and administrative and judicial interpretations thereof which are available on or before such date. All of the foregoing is subject to change, which change could apply retroactively and could affect the federal income tax consequences described below. There can be no assurance that the IRS will not take a contrary view to one or more of the issues discussed below. No ruling has been applied for or received from the IRS with respect to any of the tax aspects of the First Amended Plan and no opinion of counsel has been requested or received by the Debtors with respect thereto.

The following summary is for general information only and does not purport to address all of the U.S. federal income tax consequences that may be applicable to any particular holder of a Claim. The tax consequences to holders may vary based upon the individual circumstances of each holder. In addition, this discussion does not address any aspect of local, state or foreign taxation, or any estate or gift tax consequences of the First Amended Plan, nor does it purport to address the federal tax consequences of the First Amended Plan to special classes of taxpayers (such holders of Claims that are, or hold their Claims through, pass-through entities, dealers in securities or foreign currency, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, broker-dealers, tax-exempt organizations and except to the extent set forth below, foreign entities and non-resident alien individuals). Furthermore, estate and gift tax issues are not addressed herein.

The following assumes that the First Amended Plan will be implemented as described herein and does not address the tax consequences if the First Amended Plan is not implemented. This discussion further assumes that the various debt and other arrangements to which the Debtors are parties and any distributions and allocations provided for under the First Amended Plan will be respected for federal income tax purposes in accordance with their respective forms or as described below.

THE TAX CONSEQUENCE OF THE FIRST AMENDED PLAN ARE COMPLEX AND SUBJECT TO SIGNIFICANT UNCERTAINTIES. THIS DISCUSSION DOES NOT CONSTITUTE TAX ADVICE OR A TAX OPINION CONCERNING THE MATTERS DESCRIBED. THERE CAN BE NO ASSURANCE THAT THE IRS WILL NOT CHALLENGE ANY OR ALL OF THE TAX CONSEQUENCES DESCRIBED HEREIN, OR THAT SUCH A CHALLENGE, IF ASSERTED, WOULD NOT BE SUSTAINED. EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN OR OTHER TAX CONSEQUENCES OF THE FIRST AMENDED PLAN.

7.2 Tax Consequences to the Debtors and Holders of Claims

(a) **Federal Income Tax Treatment of the Debtor**

If the Debtors do not have sufficient net operating losses and net operating loss carryovers ("**NOLs**") available to offset income (including income, if any, from the transactions pursuant to the First Amended Plan or any income which notwithstanding the provisions of the First Amended Plan is properly treated as cancellation of debt income, and such income does not qualify for an exclusion from income generally available with respect to such income realized by the Debtors, any such income will be subject to income taxation, which may materially reduce recovery to holders of Claims. In addition, a corporation or a consolidated group of corporations may incur alternative minimum tax liability even where NOL carryovers and other tax attributes are sufficient to eliminate its taxable income as computed under the regular corporate income tax. It is possible that the Debtors will be liable for the alternative minimum tax.

(b) **Federal Income Tax Treatment of the Liquidation Trust**

Upon the confirmation of the First Amended Plan, all Causes of Action and the Insider Causes of Action (if not subject to the Sale) will be transferred to the Liquidation Trust, unless previously transferred to the Liquidation Trust by order of the Bankruptcy Court. In consideration thereof, the Liquidation Trust will assume the Debtors' obligations to make Distributions in accordance with the First Amended Plan to Administrative Expense Claims, Priority Tax Claims, and Claims and Interests falling under Classes I, II, IV through XI. The Debtors believe that the Liquidation Trust would qualify as a liquidating trust, as defined in Treasury Regulation Section 301.7701-4(d), and would therefore be taxed as a grantor trust, of which the holders of Allowed Claims and Disputed Claims would be treated as the beneficiaries. Thus, no tax should be imposed on the Liquidation Trust itself or on the income earned or gain recognized by the Liquidation Trust. Instead, holders of Allowed Claims would be taxed on their allocable shares of such income and gain in each taxable year, whether or not they received any distributions from the Liquidation Trust in such taxable year. The Liquidation Trust would pay federal, state and local tax on the taxable income and gain allocable to holders of Disputed Claims on behalf of such holders and, when such Disputed Claims were ultimately resolved, holders whose Disputed Claims were determined to be Allowed Claims would receive distributions from the Liquidation Trust net of taxes which the Liquidation Trust had previously paid on their behalf.

It is possible, however, that the IRS could require a different characterization of the Liquidation Trust, which could result in different and possibly greater tax liability to the Liquidation Trust and/or holders of Allowed Claims. If the IRS determines that the powers granted to the Liquidation Trustee or the activities of the Liquidation Trustee are greater than those normally associated with carrying out the liquidation and distribution of assets transferred to a liquidating trust, as described in Treasury Regulation Section 301.7701-4(d), the IRS may attempt to re-characterize the Liquidation Trust as a complex trust under IRC Section 641 or as a corporation. A complex trust generally is subject to tax on income received, less deductions allowed for its expenses and for distributions that it makes to creditor-beneficiaries up to the amount of its distributable net income ("**DNI**"), as defined in IRC Section 643(a). The Liquidation Trust would be taxed on any current DNI not distributed to the holders of Allowed Claims, and such holders would be taxed on income currently distributed to them by the

Liquidation Trust (up to the amount of their proportionate share of the Liquidation Trust's DNI for that year).

Alternatively, the IRS may attempt to characterize the Liquidation Trust as a Qualified Settlement Fund ("**QSF**") pursuant to Treasury Regulations under IRC Section 468(g)(the "**QSF Regulations**"). The QSF Regulations generally do not apply to trusts which are established to satisfy claims of general trade creditors and debt holders in a bankruptcy case. The QSF Regulations, however, do apply to a trust which is established to satisfy claims asserting liability: (i) arising out of a tort, breach of contract, or violation of law; or (ii) otherwise designated by the IRS. Thus, if the IRS asserted that Allowed Claims arose from such causes (e.g. the fraudulent sale of securities or other obligations), the Liquidation Trust could be treated as a QSF. If the Liquidation Trust were treated as a QSF, it would be treated as a separate taxable entity subject to federal income tax at the maximum tax rate applicable to trusts. In general, amounts transferred to the QSF to resolve or satisfy a liability for which the QSF was established are not included in gross income of the QSF. Pursuant to the foregoing, if the Liquidation Trust were treated as a QSF, holders of Allowed Claims could receive decreased distributions.

If the Liquidation Trust were determined by the IRS to be taxable not as a liquidating trust, the taxation of the Liquidation Trust and the transfer of assets by the Debtor to the Liquidation Trust could be materially different than is described herein and could have a material adverse effect on the holders of Allowed Claims.

(c) Federal Income Tax Consequences to Holders of Claims

The federal income tax consequences of the First Amended Plan to a holder of a Claim will depend upon several factors, including but not limited to: (i) whether the holder's Claim (or a portion thereof) constitutes a Claim for principal or interest, (ii) the origin of the holder's Claim, (iii) the type of considerations received or deemed to be received by the holder in exchange for the Claim, (iv) whether the holder is a resident of the United States for tax purposes (or falls into any of the special classes of taxpayers excluded from this discussion as noted above), (v) whether the holder has taken a bad debt deduction or worthless security deduction with respect to this Claim, and (vii) whether the holder receives distributions under the First Amended Plan in more than one taxable year. HOLDERS ARE STRONGLY ADVISED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX TREATMENT UNDER THE FIRST AMENDED PLAN OF THEIR PARTICULAR CLAIMS.

Generally, a holder of a Claim will recognize gain or loss equal to the difference between the "amount realized" by such holder and such holder's adjusted tax basis in the Claim. The "amount realized" is equal to the sum of the Cash and the fair market value of any other consideration received under the First Amended Plan in respect of a holder's Claim, including the fair market value of each such holder's proportionate share of the assets transferred to the Liquidation Trust on the behalf of and for the benefit of such holder of Allowed Claims (to the extent that such Cash or other property is not allocable to any portion of the Claim representing accrued but unpaid interest (see discussion below)).

The transfer of Cash and assets to the Liquidation Trust by the Debtors should be treated for federal income tax purposes as a transfer of such Cash and assets to the holders of Allowed Claims to the extent they are creditor-beneficiaries, followed by a deemed transfer of such assets by such beneficiaries to the Liquidation Trust. As a result of such treatment, holders of Allowed Claims to be paid by the Liquidation Trust will have to take into account the fair market value of their Pro Rata share, if any, of the Cash and assets transferred on their behalf to the Liquidation Trust in determining the amount of gain realized and required to be recognized upon consummation of the First Amended Plan on the Effective Date. In addition, since a holder's share of the assets held in the Liquidation Trust may change depending upon the resolution of Disputed Claims, the holder may be prevented from recognizing any loss in connection with consummation of the Plan until the time that all such Disputed Claims have been resolved. The Liquidation Trustee will provide the holders of Allowed Claims with valuations of the assets transferred to the Liquidation Trust and such valuations should be used consistently by the Liquidation Trust and such holders for all federal income tax purposes. Furthermore, a tax credit may be available to holders whose Disputed Claims are determined to be Allowed Claims to the extent that the Liquidation Trust has previously paid taxes on their behalf.

The character of any recognized gain or loss (e.g. ordinary income, or short-term or long-term capital gain or loss) will depend upon the status of the holder, the nature of the Claim in its hands, the purpose and circumstances of its acquisition, the holder's holding period of the Claim, and the extent to which the holder previously claimed a deduction for the worthlessness of all or a portion of the Claim. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE RECOGNITION OF GAIN OR LOSS, FOR FEDERAL INCOME TAX PURPOSES, ON THE SATISFACTION OF THEIR CLAIMS.

(d) **Allocation of Consideration to Interest**

A portion of the consideration received by a holder in satisfaction of an Allowed Claim pursuant to the First Amended Plan may be allocated to the portion of such Allowed Claim (if any) that represents accrued but unpaid interest. The First Amended Plan does not provide an allocation of the consideration to be received by the holders of Allowed Claims. Accordingly, the manner in which such allocation must be made for federal income tax purposes is not clear. If any portion of the distribution were required to be allocated to accrued interest, such portion would be taxable to the holder as interest income, except to the extent the holder has previously reported such interest as income.

In that event, only the balance of the distribution would be considered received by the holder in respect of the principal amount of Allowed Claim. Such an allocation would reduce the amount of the gain, or increase the amount of loss, realized by the holder with respect to the Allowed Claim. If any such loss were a capital loss, it would not offset any amount of the distribution that was treated as ordinary interest income (except, in the case of individuals, to the limited extent that capital losses may be deducted against ordinary income).

To the extent that any portion of the distribution is treated as interest, holders may be required to provide certain tax information in order to avoid the withholding of taxes. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE

FEDERAL INCOME TAX TREATMENT OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR CLAIMS.

(e) **Federal Income Tax Treatment of Holders of Equity Interests**

In accordance with the First Amended Plan, holders of Equity Interests in the Debtors will likely not receive a Distribution. Holders of an Equity Interest in the Debtors generally will be able to recognize loss in the amount of the holder's adjusted tax basis. The character of any recognized loss will depend upon several factors including, but not limited to, the status of the holder, the nature of the interest in the holder's hands, the purpose and circumstances of its acquisition, the holders' holding period, and the extent to which the holder had previously claimed a deduction for the likely worthlessness of all or a portion of such Equity Interest.

A loss generally is treated as sustained in the taxable year for which there has been a closed and competed transaction, and no portion of a loss with respect to which there is a reasonable prospect of reimbursement may be deducted until it can be ascertained with reasonable certainty whether or not such reimbursement will be recovered. HOLDERS OF EQUITY INTERESTS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE RECOGNITION OF LOSS FOR FEDERAL INCOME TAX PURPOSES, ON THE CONSUMMATION OF THE FIRST AMENDED PLAN.

(f) **Backup Withholding and Information Reporting**

Payors of interest, dividends, and certain other reportable payments are generally required to withhold twenty-eight percent (28%) of such payments if the payee fails to furnish such payee's correct taxpayer identification number (social security number or employee identification number) to the payor. The Debtors and/or Liquidation Trustee may be required to withhold a portion of any payments made to a holder of an Allowed Claim who does not provide its taxpayer identification number.

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE FIRST AMENDED PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE FIRST AMENDED PLAN.

SECTION VIII: RISK FACTORS TO BE CONSIDERED

Holders of Claims against the Debtors should read and consider carefully the information set forth in the First Amended Disclosure Statement (and the documents delivered together with the First Amended Disclosure Statement and/or incorporated by reference), prior to voting to accept or reject the First Amended Plan. As discussed in more detail throughout this First

Amended Disclosure Statement, there are various risks associated with the First Amended Plan. The following sets forth a more detailed discussion of various such risks:

(a) Objections to Classification. Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class. The Debtors believe that the classification of Claims and Equity Interests under the First Amended Plan complies with the requirements set forth in the Bankruptcy Code. However, there can be no assurance that the Bankruptcy Court will reach the same conclusion. In the event that the manner of classification proposed by the Debtors is not permitted by the Bankruptcy Court, the ability of the Debtors to obtain an affirmative vote of one or more Classes under the First Amended Plan could be affected. This in turn may make it more likely that the Debtors are required to seek to confirm the First Amended Plan pursuant to section 1129(b) of the Code, as outlined in greater detail below.

The First Amended Plan separately classifies Unsecured Liability Claims, the Lender Unsecured Claims and Other Unsecured Claims. The Claims in these Classes have different characteristics and it is therefore appropriate, from the Debtors' perspective, for such Claims to be separately classified. The holders of Unsecured Liability Claims have access to third party insurance for a significant portion of their Claims, while members of the Classes of the Lender Unsecured Claims and Other Unsecured Claims do not. Holders of Lender Unsecured Claims hold claims jointly and severally against each of the Debtors, based on the contractual arrangements between such holders and the Debtors. Holders of Other Unsecured Claims have Claims only as against the particular Debtor or Debtors with whom such holder has provided goods or services.

(b) Risk of Non-Confirmation of the First Amended Plan. There can be no assurance, initially, that all impaired Classes of Claims under the First Amended Plan will vote to accept the First Amended Plan, as provided in section 1129(a)(8) of the Bankruptcy Code. In the event that one or more impaired Classes of Claims vote to reject the First Amended Plan, and the Debtors are required to seek confirmation of the First Amended Plan with respect to such Classes pursuant to section 1129(b) of the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will find that the Debtors have met the applicable requirements of section 1129(b) of the Bankruptcy Code. Even if all Classes entitled to vote accept the First Amended Plan, the First Amended Plan might not be confirmed by the Bankruptcy Court, because the Bankruptcy Court holds that the First Amended Plan fails to comply with one or more of the applicable provisions of section 1129(a) of the Bankruptcy Code.

As discussed herein, section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, that the confirmation of a plan of reorganization is not likely to be followed by the liquidation or the need for further financial reorganization, and that the value of distributions to dissenting creditors and equity security holders be not less than the value of distributions such creditors and equity security holders would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. As set forth previously in this First Amended Disclosure Statement with respect to the discussion of the Liquidation Analysis of the Debtors, the Debtors believe that the First Amended Plan provides a greater dividend to holders

of Claims than would be received in the event of liquidation of the Debtors under Chapter 7 of the Bankruptcy Code, but, as set forth in Section 5.1(c) of this First Amended Disclosure Statement, there are risks associated with the Liquidation Analysis, and no assurance can be given that the Bankruptcy Court will agree with the Debtors' contentions.

Thus, while the Debtors believe that the First Amended Plan satisfies all the requirements for confirmation of a plan of reorganization under the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will conclude that the requirements for confirmation of the First Amended Plan have been satisfied. In such event, the consequences described in Section 6.8 hereof may be applicable.

(c) Risks Associated with the First Amended Plan. The First Amended Plan contemplates that the payment of the Lender Secured Claim will occur through the Sale prior to the Confirmation Hearing. The First Amended Plan further contemplates that the funding for payment of certain other classes of Claims under the Plan, most notably, the claims of Other Unsecured Creditors, will be made from Excluded Cash and from Cash generated over a period of time subsequent to the Effective Date from the Causes of Action and the Insider Causes of Action if not part of the Sale.

CONCLUSION

The Debtors believe that the First Amended Plan provides the best recoveries possible for holders of Claims against and equity interests in the Debtors. THE DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE FIRST AMENDED PLAN.

(SIGNATURES ON FOLLOWING PAGE)

FREIGHT BROKERS OF AMERICA, INC.

By; Harvey N. Gainey, Sr.
Its: Chairman

GAINEY CORPORATION

By; Harvey N. Gainey, Sr.
Its: Chairman

GAINEY INSURANCE SERVICES, INC.

By; Harvey N. Gainey, Sr.
Its: Chairman

GAINEY TRANSPORTATION SERVICES, INC.

By; Harvey N. Gainey, Sr.
Its: Chairman

LESTER COGGINS TRUCKING, INC.

By; Harvey N. Gainey, Sr.
Its: Chairman

SUPER SERVICE, INC.

By; Harvey N. Gainey, Sr.
Its: Chairman

By: /s/ Daniel F. Gosch

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