

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK**

-----X
 In re : Chapter 11
 :
 HYPNOTIC TAXI LLC, et al.,¹ : Case No. 15-43300 (CEC)
 :
 Debtors. : (Jointly Administered)
 -----X

**DEBTORS' DISCLOSURE STATEMENT IN SUPPORT OF
PLAN OF REORGANIZATION OF HYPNOTIC TAXI, LLC, ET AL.**

Dated: March 14, 2016

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DISCLAIMER PURSUANT TO LBR 3017-1(b)

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT.

¹ The Debtors in these cases, along with the last four digits of their federal tax identification numbers are (i) Hypnotic Taxi LLC (6632)(Case No. 15-43300); (ii) Bombshell Taxi LLC (1282)(Case No. 15-43301); (iii) Bourbon Taxi LLC (7155)(Case No. 15-43302); (iv) Butterfly Taxi LLC (6992)(Case No. 15-43303); (v) Candy Apple Taxi LLC (0249)(Case No. 15-43304); (vi) Chianti Taxi, LLC (6799)(Case No. 15-43305); (vii) Chopard Taxi Inc. (0746)(Case No. 15-43306); (viii) Cupcake Taxi LLC (0324)(Case No. 15-43307); (ix) Dorit Transit Inc. (9129)(Case No. 15-43308); (x) France Taxi LLC, (9592)(Case No. 15-43309); (xi) Hennessy Taxi Inc. (4039)(Case No. 15-43310); (xii) Iceberg Taxi Inc. (5877)(Case No. 15-43311); (xiii) Marseille Taxi LLC (9890)(Case No. 15-43312); (xiv) Merlot Taxi LLC (7103)(Case No. 15-43313); (xv) Milkyway Cab Corp. (5061)(Case No 15-43314); (xvi) Palermo Taxi, Inc. (5956)(Case No. 15-43315); (xvii) Pinot Noir Taxi LLC (6725)(Case No. 15-43316); (xviii) Pointer Taxi LLC (2323)(Case No. 15-43317); (xix) Pudding Taxi Inc. (0432)(Case No. 15-43318); (xx) Stoli Taxi Inc. (4079)(Case No. 15-43319); (xxi) Vodka Taxi LLC (4239)(Case No. 15-43320); and (xxii) VSOP Taxi Inc. (3909)(Case No. 15-43321).

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I. INTRODUCTION

Hypnotic Taxi, LLC, et al. (collectively, the “Debtors”) are the debtors and debtors in possession in these chapter 11 bankruptcy cases (the “Chapter 11 Cases”). On July 22, 2015, the Debtors commenced the Chapter 11 Cases by filing voluntary chapter 11 petitions under title 11 of the United States Code, 11 U. S.C. § 101, *et seq.* (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Eastern District of New York (the “Bankruptcy Court”). Chapter 11 of the Bankruptcy Code allows the Debtors, and under some circumstances, creditors and other parties in interest, to propose a plan of reorganization. The plan may provide for the Debtors to reorganize by continuing to operate, to liquidate by selling assets of the estate, or a combination of both. The Debtors are the parties proposing the Plan of Reorganization of Hypnotic Taxi, LLC, et al. (the “Plan”), which is included in the package provided to you. In addition, the Plan is attached hereto as Exhibit A. The document you are reading is the Disclosure Statement in Support of the Plan (the “Disclosure Statement”). Unless otherwise defined in this Disclosure Statement, capitalized terms used herein shall have the meanings ascribed to them in the Plan.

The Plan is a reorganizing plan. In other words, the Plan proposed by the Debtors provides for the restructuring of the Debtors through the adjustment of certain debtor-creditor relationships. The financial restructuring contemplated under the Plan will restructure the Debtors’ outstanding debt obligations such that repayment is possible without forcing a fire sale liquidation of the Debtors’ assets to the detriment of the Debtors’ creditors and other stakeholders.

1.1. Purpose of This Document.

This Disclosure Statement summarizes what is in the Plan, and tells you certain information relating to the Plan and the process the Bankruptcy Court follows in determining whether or not to confirm the Plan.

READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO KNOW ABOUT:

- (1) WHO CAN VOTE OR OBJECT;
- (2) THE PROPOSED TREATMENT OF YOUR CLAIM OR INTEREST (i.e., what your claim will receive if the Plan is confirmed);
- (3) THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING THE BANKRUPTCY;
- (4) WHAT THE BANKRUPTCY COURT WILL CONSIDER WHEN DECIDING WHETHER TO CONFIRM THE PLAN;
- (5) THE EFFECT OF CONFIRMATION; and
- (6) THE FEASIBILITY OF THE PLAN.

This Disclosure Statement cannot tell you everything about your rights. You should consider consulting your own lawyer to obtain more specific advice on how the Plan will affect you and what is the best course of action for you.

Be sure to read the Plan as well as the Disclosure Statement. If there are any inconsistencies between the Plan and the Disclosure Statement, the Plan provisions will govern.

Bankruptcy Code § 1125 requires a Disclosure Statement to contain “adequate information” concerning the Plan. The term “adequate information” is defined in Bankruptcy Code § 1125(a) as “information of a kind, and in sufficient detail,” about a debtor and its operations “that would enable a hypothetical reasonable investor typical of holders of claims or interests” of the debtor to make an informed judgment about accepting or rejecting the Plan.

This Disclosure Statement is provided to (i) each creditor whose claim has been scheduled by the Debtors as holding an undisputed, non-contingent or liquidated Claim, or who has filed a proof of claim against the Debtors, and (ii) each equity security holder whose interest has been scheduled by the Debtors as holding an undisputed, non-contingent or liquidated

interest, or who has filed a proof of interest against the Debtors. Under the Bankruptcy Code, your acceptance of the Plan may not be solicited unless you receive a copy of this Disclosure Statement prior to or concurrently with such solicitation.

1.2. Confirmation Procedures.

(a) Persons Potentially Eligible to Vote on the Plan.

In determining acceptance of the Plan, votes will only be counted if submitted by a Creditor whose Claim is duly scheduled by the Debtors as undisputed, non-contingent and liquidated, or who, prior to the Confirmation Hearing, has filed with the Bankruptcy Court a proof of claim which has not been objected to (and not otherwise allowed by the Bankruptcy Court for voting purposes), disallowed or suspended prior to computation of the votes on the Plan, unless this Court orders otherwise. All Class 6 Claims (Personal Injury or Related Claims over the TLC Minimums) shall be deemed disputed and not entitled to vote unless holders of such claims have their claims temporarily allowed by the Bankruptcy Court for purposes of voting. The Ballot Form that you received does not constitute a proof of claim or interest. If you are uncertain whether your claim or interest has been correctly scheduled, you should check the Debtors' Schedules, as well as any amendments thereto, which are on file at the office of the Clerk of the Bankruptcy Court located at the Conrad B. Duberstein U.S. Courthouse, 271-C Cadman Plaza East, Suite 1595, Brooklyn, NY 11201-1800 or may be accessed for a fee via the CM/ECF online docket system at <https://ecf.nyeb.uscourts.gov>. The Clerk of the Bankruptcy Court will not provide this information by telephone.

THE BANKRUPTCY COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE BANKRUPTCY COURT LATER CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON THE

DEBTORS AND ON ALL CREDITORS AND EQUITY INTEREST HOLDERS IN THIS CASE, REGARDLESS OF WHETHER ANY INDIVIDUAL CREDITOR OR EQUITY INTEREST HOLDER VOTES TO ACCEPT THE PLAN.

(b) Who May Vote to Accept/Reject the Plan.

A Creditor or Equity Interest Holder has a right to vote for or against the Plan if that Creditor or Equity Interest Holder has a Claim or Equity Interest that is both (1) Allowed or Allowed for voting purposes and (2) classified in an Impaired Class.

(1) What Is an Allowed Claim/Equity Interest.

As noted above, a Creditor or Equity Interest Holder must first have an Allowed Claim or Equity Interest to have the right to vote. Generally, any proof of claim or interest will be allowed, unless a party in interest files an objection to the claim, or unless it is in Class 5 or Class 6 (Personal Injury or related claims), each of which is the subject of ongoing litigation. When an objection to a claim or interest is filed (or if the Claim is in Class 5 or Class 6), the Creditor or Equity Interest Holder holding the claim or interest cannot vote unless the Bankruptcy Court, after notice and hearing, either overrules the objection or allows the claim or interest for voting purposes.

THE GENERAL BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE WAS DECEMBER 21, 2015.

A Creditor or Equity Interest Holder may have an allowed claim or interest even if a proof of Claim or Equity Interest was not timely filed. A Claim is deemed Allowed if (1) it is scheduled on the Debtors' schedules and such Claim is not scheduled as disputed, contingent, or unliquidated, and (2) no party in interest has objected to the claim (unless the Claim is in Class 5 or Class 6, in which case is it already deemed disputed). An Equity Interest is deemed Allowed if it is scheduled and no party in interest has objected to the Equity Interest.

(2) What Is an Impaired Claim/Equity Interest.

As noted above, an Allowed Claim or Equity Interest only has the right to vote if it is in a Class that is Impaired under the Plan (unless otherwise provided). A Class is Impaired if the Plan alters the legal, equitable, or contractual rights of the members of that Class. For example, a Class is Impaired if the Plan fails to pay the members of that Class 100% of its Claim plus interest.

In this case, the Debtors believe that Classes 1, 2, 3, 4, 6 and 7 are Impaired. Parties who dispute the Debtors' characterization of their Claim or Interest as being Impaired or Unimpaired may file an objection to the Plan contending that the Debtors have incorrectly characterized the Class.

(c) Who Is Not Entitled to Vote.

The following four types of claims are not entitled to vote: (1) Claims that have been disallowed or have been objected to prior to voting on the Plan, including Class 6 Claims that are the subject of dispute and deemed disputed for purposes of voting (unless otherwise allowed by the Bankruptcy Court for voting purposes); (2) Claims in Unimpaired Classes (Class 5 Claims); (3) Claims entitled to priority pursuant to Bankruptcy Code § 507(a)(1), (a)(2), and (a)(8); and (4) Claims in Classes that do not receive or retain any value under the Plan. Claims in Unimpaired Classes are not entitled to vote because such Classes are deemed to have accepted the Plan. Claims entitled to priority pursuant to Bankruptcy Code §§ 507(a)(1), (a)(2), and (a)(8) are not entitled to vote because such Claims are not placed in Classes and are required to receive certain treatment specified by the Bankruptcy Code. Claims in Classes that do not receive or retain any value under the Plan do not vote because such Classes are deemed to have rejected the Plan. **EVEN IF YOUR CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.**

(d) Time and Place of the Confirmation Hearing.

The hearing at which the Bankruptcy Court will determine whether to confirm the Plan will take place before the Honorable Carla E. Craig, Chief United States Bankruptcy Judge, on , 2016 at (EST), at Courtroom #3529, in the Conrad B. Duberstein U.S. Courthouse, 271-C Cadman Plaza East, Brooklyn, NY 11201-1800.

(e) Deadline For Voting For or Against the Plan.

If you are entitled to vote, it is in your best interest to timely vote on the enclosed ballot and return the ballot in the enclosed envelope to:

**KLESTADT WINTERS JURELLER
SOUTHARD & STEVENS, LLP
200 WEST 41ST STREET, 17TH FLOOR
NEW YORK, NEW YORK 10036-7203
ATTENTION: HYPNOTIC TABULATION**

Your ballot must be received by , 2016 at 4:00 p.m. prevailing Eastern time or it will not be counted.

(f) Who May Object to Confirmation of the Plan.

Any party in interest may object to the confirmation of the Plan, but as explained below not everyone is entitled to vote to accept or reject the Plan.

(g) Deadline For Objecting to the Confirmation of the Plan.

Objections to the confirmation of the Plan must be filed on or before **4:00 p.m.** prevailing Eastern time on , 2016 with the Bankruptcy Court and served upon Debtors' counsel at the following addresses:

**KLESTADT WINTERS JURELLER
SOUTHARD & STEVENS, LLP**

200 West 41st Street, 17th Floor

New York, NY 10036-7203

Telephone: (212) 972-3000

Facsimile: (212) 972-2245

Attn: Fred Stevens

Brendan M. Scott

Maeghan J. McLoughlin

Any interested party desiring further information about the Plan should contact Debtors' counsel at the above address.

(h) Disclaimer.

The financial data relied upon in formulating the Plan is based on the Debtors' books and records and certain evaluations and projections prepared therefrom as well as a valuation of the business as a going concern and on a liquidation basis prepared by Joshua Rizack, the Debtors' Chief Restructuring Officer (the "CRO"). The Debtors' officers provided the information contained in this Disclosure Statement. The Debtors represent that everything stated in the Disclosure Statement is true to the Debtors' best information, knowledge and belief.

PLEASE NOTE THAT THE APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A RULING ON THE MERITS, FEASIBILITY OR DESIRABILITY OF THE PLAN.

II. BACKGROUND

2.1. Description and History of the Debtors' Businesses.

The Debtors are either limited liability companies or corporations organized under the laws of the State of New York. The Debtors maintain an office at 330 Butler Street, Brooklyn, New York 11217. The Debtors each own either two or three New York City taxi medallions (the "Medallions") issued by the New York City Taxi and Limousine Commission ("TLC") and

related vehicles (the “Taxi Vehicles”). The Debtors collectively own forty-six (46) Medallions and Taxi Vehicles.

Evgeny Freidman (“Freidman”) is the sole and managing member of the limited liability company Debtors or president and sole shareholder of the corporate Debtors.

(a) Debtors’ Relationship with Affiliated Management Companies

The operation of the Debtors’ Medallions and related Taxi Vehicles is done through the following four non-debtor management companies (collectively, the “Management Companies”): (i) 28th Street Management, Inc. – 313 10th Avenue, New York, NY 10001 (“28th Street”); (ii) Downtown Taxi Management, LLC – 330 Butler Avenue, Brooklyn, NY, (“Downtown”); (iii) Woodside Management, Inc. (“Woodside”) – 49-13 Roosevelt Avenue, Woodside NY, 11377; and (iv) Tunnel Taxi Management, LLC (“Tunnel”) – 44-07 Vernon Blvd, LIC, NY 11101. Freidman is the sole owner of 28th Street and Woodside. Freidman possesses a one-third (1/3) interest in each of Downtown and Tunnel. Mamed Dzhanyev and Yladimia Basin are the other equity owners of Downtown and Tunnel and each possesses a one-third (1/3) interest in each.

The following Management Companies lease the following Medallions from the following Debtors:

a. Downtown

Hypnotic Taxi	-	Medallions 3P43, 3P44
Milkyway Cab Corp	-	Medallions 7P37, 7P38, 7P39
Iceberg Taxi	-	Medallions 2L29, 2L30
Candy Apple Taxi	-	Medallions 6V13, 6V14
Vodka Taxi	-	Medallions 9V40, 9V41
Chianti Taxi	-	Medallions 2L45, 2L46
Cupcake Taxi	-	Medallions 6V11, 6V12
Butterfly Taxi	-	Medallions 9K36, 9K37

b. Tunnel

Pudding Taxi	-	Medallions 6V25, 6V26
c. <u>28th Street</u>		
VSOP Taxi	-	Medallions 2V82, 2V83
Dorit Transit	-	Medallions 9L48, 9L49
Pointer Taxi	-	Medallions 9L48, 9L49
Chopard Taxi	-	Medallions 7P48, 7P49, 7P50
d. <u>Woodside</u>		
Stoli Taxi	-	Medallions 2V44, 2V45
Palermo Taxi	-	Medallions 4N74, 4N75
Marseille Taxi	-	Medallions 9V90, 9V91
Bombshell Taxi	-	Medallions 9J91, 9J92
Pinot Noir Taxi	-	Medallions 6G58, 6G60
Merlot Taxi	-	Medallions 2P21, 2P22
Bourbon Taxi	-	Medallions 2J62, 2J63
France Taxi	-	Medallions 9V96, 9V97
Hennessey Taxi	-	Medallions 2V84, 2V85

The Management Companies also manage the cash receipts and disbursements of other non-debtor companies which own and lease taxi medallions.

The Management Companies lease the Medallions and the related Taxi Vehicles directly from the respective Debtor and operate them. The Debtors are compensated for this leasing arrangement by way of the lease payments from the Management Companies. The Management Companies' monthly base lease obligation to the Debtors is presently equal to the Debtors' historical monthly debt service on certain loans from Citibank, N.A. ("Citibank"), as discussed in greater detail in Section 2.2 below. In the past, the Management Companies made these lease payments in the amount of the debt service directly to Citibank instead of to the Debtors, and they have continued this during the pendency of this case as authorized by the Bankruptcy Court.

The Management Companies receive the gross revenues from the operation of the Taxi Vehicles, and pay therefrom the expenses associated with the operation of such Taxi Vehicles, including all insurance/bonding premiums, liability for personal bodily injury up to applicable

insurance limits, property damage and other tort claims up to the minimum coverage amounts required by the TLC, vehicle maintenance and repairs, and fuel, as well as overhead expenses.

The reason for the leasing relationship in the taxi industry is that it is cost prohibitive for a medallion owner to operate the medallions and the taxi vehicles. Medallion owners typically do not own real estate to house the taxi vehicles while they are not in use. Similarly, medallion owners do not have the employees or systems needed to: (i) manage the drivers and monitor their activities; (ii) process all receipts and make disbursements on account of each medallion; (iii) maintain the vehicles and see to repairs; (iv) ensure that all payments are made; (v) keep records of activity; (vi) ensure that the medallions and related vehicles are operated in compliance with TLC regulations; and (vii) to handle all of the daily aspects of operating a taxi in New York City. Therefore, most medallion owners, just like the Debtors, rely upon a management company to provide the resources necessary to operate the medallion and taxi vehicles and receive from the management company a lease payment in exchange for operating the medallions.

Under the Debtors' current arrangement with the Management Companies, the Debtors receive approximately \$3,473.96 per month per Medallion, for a total for \$159,802 per month for the 46 Medallions.

(b) Economic Analysis of Medallion Leases

During the pendency of the Debtors' case, the CRO undertook an independent analysis of the leasing relationship with the Management Companies to determine if there were better options for the Debtors, and/or if the Management Companies were making an unfair profit on the Debtor's assets.

First, the CRO contacted approximately thirty (30) unrelated taxi medallion management companies and registered brokers to determine the amount they would pay the Debtors for entering into a leasing relationship for the Medallions and Taxi Vehicles. The unrelated

management companies that expressed interest in leasing the Medallions stated they would pay between \$2,400 and \$2,600 per month per Medallion depending on the associated Taxi Vehicle. The majority of the unrelated management companies contacted by the CRO stated that they are not taking on new medallions at this time and it would be difficult, if not impossible, for any management company to take over all 46 Medallions at one time.

Based upon the CRO's investigation in the taxi industry and his own independent market test, the CRO determined that the Debtors have a very favorable leasing arrangement with the Management Companies as they are making thirty-three to forty-four percent (33%–44%) over market and could not acquire the same deal elsewhere.

Once the CRO determined that the lease arrangement between the Debtors and the Medallion Companies was above-market, he further investigated the Management Companies' finances to determine whether they were making a windfall or inappropriate profit to the detriment of the Debtors. After a thorough investigation, the CRO concluded that the Management Companies appear to be actually losing money in their relationship with the Debtors.

(c) Insurance and Bonding Programs

The Debtors are in compliance with the requirements of the TLC and New York State for insuring the Taxi Vehicles. These are the only insurance coverage limits available in the market today.

(1) Initial Responsibility to Pay Claims

The Debtors are initially responsible for the payment of claims as is customary in the industry and permitted by the TLC and related law. Under the agreements between the Management Companies and the Debtors, the Management Companies pay any and all liabilities up to the minimums that are required under law, which are summarized as follows:

- (a) Personal Bodily Injury – For personal bodily injury such as pain and suffering the law requires minimum coverage of \$100,000 per person and \$300,000 per accident.
- (b) Property Damage – For property damage, the law requires minimum coverage of \$10,000.
- (c) Personal Injury Protection – The Debtors are also self-insured for personal injury protection (“PIP”) which is a form of no fault insurance. PIP coverage covers medical bills and expenses for passengers in the Debtors’ Taxi Vehicles, or for a pedestrian or bicyclist even if that particular Debtor is not at fault for the accident or injury. State law requires \$50,000 of coverage per person, but the TLC requires cabs to have “Additional PIP” coverage of \$150,000. Therefore, the coverage is \$50,000 per person for PIP plus an additional \$150,000 for Additional PIP for a total of \$200,000 in coverage per person and \$1,000,000 per accident.
- (d) Uninsured Motorist – The Debtors are also self-insured with the state mandated minimum coverage of \$25,000 to cover claims against an uninsured motorist such as another automobile which has no insurance.

The Management Companies have no obligation or liability to any injured parties or the Debtors to pay damages in connection with claims or injuries beyond the insurance minimums required by the TLC.

(2) Reimbursement Policy

To ensure that the Management Companies will be able to meet their obligations to fund the self-insured obligations to claimants, the Management Companies have a reimbursement policy which reimburses them for payments made to claimants for personal bodily injury and PIP.

Under the reimbursement policy, reimbursement for personal bodily injury claims is limited to \$100,000 per person. The Management Companies have a self-insured retention (similar to a deductible) of \$35,000 per person and \$50,000 per accident. For example, if a Management Company pays, on behalf of a Debtor, a \$100,000 claim of one individual, the Management Company will be reimbursed \$65,000 which represents the \$100,000 reimbursement amount less the self-insured retention of \$35,000. If a Management Company pays claims of two people in one accident, each at \$100,000 for a total of \$200,000 in liability, the Management Company will be reimbursed \$150,000 (\$200,000 less self-insured retention of \$50,000 per accident).

For PIP claims, the PIP legal liability limit is \$50,000 per person but because the TLC requires all cabs to have Additional PIP, the legal liability for PIP is \$200,000. The self-insured retention for PIP claims is \$10,000. For PIP claims, the Management Company is reimbursed for everything it pays over \$10,000. For example, if a Management Company pays out \$200,000 for PIP liability, it will be reimbursed \$190,000.

There is no reimbursement coverage for property damage and uninsured motorist claims. However, the law caps the Debtors' liability for uninsured motorist claims at \$25,000 so there can be no judgment against the Debtors above \$25,000.

The Management Companies' obligations are set forth on the below chart for the Court's reference:

	Limits of Insurance	Reimbursement	Responsibility of Management Company (Self insurance retention)
Per person Bodily Injury Liability (Pain & Suffering)	\$100,000	\$65,000	\$35,000
Per accident Bodily Injury Liability (Pain & Suffering)	\$300,000	\$250,000	\$50,000
Per accident Property Damage Liability	\$10,000	–	\$10,000
Per person Personal Injury Protection (or No Fault - Medical if in one of our cabs we pay medical)	\$50,000	\$40,000	\$10,000
Per person Additional Personal Injury Protection (or No Fault - Medical if in one of our cabs we pay medical)	\$150,000	\$150,000	–
Loss Transfer No Fault (subrogating loss of other party who is at fault)	\$50,000	–	\$50,000
Personal Injury Aggregate (cap per person \$200,000)	\$1,000,000	\$990,000	\$10,000
Uninsured Motorist	\$25,000	–	\$25,000

(3) Bonds – Protection for Injured Parties

As stated above, the law requires minimum insurance coverage of \$100,000 per person and \$300,000 per accident. The Debtors’ obligations to pay claims of injured persons up to the stated minimums are backed up by bonds (each a “Bond,” collectively, the “Bonds”) issued by Washington International Insurance Company (the “Bonding Company”), which only come into play if the Debtors (or the Management Companies on the Debtors’ behalf) do not pay the claims. In addition, the Bonding Company is subrogated on the claims it pays and would take the place of the claimant in seeking reimbursement from the respective Debtor for any claim paid. The Bond limits are also \$100,000 per person and \$300,000 per accident.

The Bonds also protect claimants’ claims in the event the Debtors (or Management Companies on their behalf) do not pay up to the following amounts for the following types of

claims: (i) \$10,000 for property damage; (ii) \$200,000 per person for PIP claims; and (iii) \$25,000 for claims of an uninsured motorist.

2.2. Outstanding Indebtedness of the Debtors.

(a) Citibank Secured Loans.

Each of the Debtors became obligated to Citibank with respect to a separate loan made by Citibank to each of the Debtors on or about the date set forth below (collectively, the “Loans” and individually a “Loan”). Each of the Debtors executed its own separate and distinct promissory note in the principal amount set forth below (collectively, the “Notes” and individually a “Note”). To secure each Loan, each of the Debtors entered into its own separate and distinct security agreement (collectively, the “Security Agreements” and individually, the “Security Agreement”) in which each of the Debtors pledged its own Medallions and substitutions for, additions to, proceeds and products thereof, etc. (collectively, the “Collateral”) to secure each Debtor’s own obligations under its single Loan. Each Debtor’s Loan is not “cross collateralized” by Medallions owned by other Debtors. In fact, none of Loans are “cross collateralized” by the Medallions owned by other Debtors. Pursuant to each Security Agreement, each separate Loan is secured only by the Medallions owned by the specific Debtor (borrower) on that Loan. Pursuant to each of the Notes, each of the Debtors was required to make monthly payments in the amount set forth below (the “Loan Payment”), which included a payment towards the principal amount and interest. The maturity date (“Maturity Date”) of each of the Loans is set forth below. The relevant details with respect to the Loans referred to hereinabove are as follows:

DEBTOR	DATE	PRINCIPAL	MONTHLY PAYMENT	MATURES	CLAIM ²
Merlot Taxi LLC	1/31/12	\$1,250,000	\$6,361.71	1/31/15	\$1,650,345
France Taxi LLC	1/31/12	\$1,250,000	\$6,361.71	1/31/15	\$1,651,163
Bourbon Taxi LLC	1/31/12	\$1,250,000	\$6,361.71	1/31/15	\$1,650,776
Chianti Taxi, LLC	1/31/12	\$1,250,000	\$6,361.71	1/31/15	\$1,642,173
Pinot Noir Taxi LLC	1/31/12	\$1,250,000	\$6,361.71	1/31/15	\$1,642,599
Butterfly Taxi LLC	1/31/12	\$1,250,000	\$6,361.71	1/31/15	\$1,642,173
Vodka Taxi LLC	1/31/12	\$1,250,000	\$6,361.71	1/31/15	\$1,642,048
Hypnotic Taxi LLC	1/31/12	\$1,250,000	\$6,361.71	1/31/15	\$1,642,430
Chopard Taxi Inc.	12/20/12	\$2,100,000	\$10,685.69	12/20/15	\$2,604,101
Iceberg Taxi, Inc.	12/20/12	\$1,400,000	\$7,123.80	12/20/15	\$1,846,045
Milkyway Cab Corp.	12/20/12	\$2,100,000	\$10,685.69	12/20/15	\$2,604,087
Pudding Taxi Inc.	12/20/12	\$1,400,000	\$7,123.80	12/20/15	\$1,846,131
VSOP Taxi Inc.	12/20/12	\$1,400,000	\$7,123.80	12/20/15	\$1,846,026
Cupcake Taxi LLC	12/20/12	\$1,400,000	\$7,123.80	12/20/15	\$1,853,596
Dorit Transit Inc.	12/20/12	\$1,400,000	\$7,123.80	12/20/15	\$1,846,018
Hennessey Taxi Inc.	12/20/12	\$1,400,000	\$7,123.80	12/20/15	\$1,853,566
Candy Apple Taxi LLC	12/20/12	\$1,400,000	\$7,123.80	12/20/15	\$1,853,590
Stoli Taxi Inc.	12/20/12	\$1,400,000	\$7,123.80	12/20/15	\$1,853,565
Pointer Taxi LLC	12/20/12	\$1,400,000	\$7,123.80	12/20/15	\$1,849,980
Palermo Taxi, Inc.	12/20/12	\$1,400,000	\$7,123.80	12/20/15	\$1,853,558
Marseille Taxi LLC	12/20/12	\$1,400,000	\$7,123.80	12/20/15	\$1,853,554
Bombshell Taxi LLC	12/20/12	<u>\$1,400,000</u>	<u>\$7,123.80</u>	12/20/15	<u>\$1,853,562</u>
Totals		<u>\$31,000,000</u>	<u>\$157,751.00</u>		<u>\$33,165,587</u> ³

As further security for the Loans, Freidman signed a personal guaranty (the “Guaranty”, together with the Notes, Security Agreements, and UCC-1 financing statements are collectively referred to as the “Loan Documents”). The Debtors, jointly and severally, as well as the other parties to the Loan Documents, do not admit the validity, perfection, priority and/or enforceability of the Loan Documents and Citibank’s claims pursuant thereto, and dispute the validity of same and reserve all rights with respect thereto.

² These amounts are the amounts claimed to be owed by Citibank in its Proofs of Claim filed on or around December 17, 2015 in each of the Chapter 11 Cases. These amounts are contested and will be subject to liquidation in the Citibank Action. Further, it is believed that each one of these Claims contains a duplicative claim for attorneys’ fees and expenses of approximately \$353,119.

³ The total removes the duplicative attorneys’ fees claims for each of the Debtors of \$353,119 and only counts it a single time.

In addition to the Loans set forth above, each of the Debtors jointly and severally guaranteed payment of a certain \$1.5 million loan (the “\$1.5 Million Loan”) Citibank provided to non-debtor affiliated management company, Taxi Club Management LLC (“Taxi Club”), pursuant to a Revolving Credit Note (the “\$1.5 Million Note”) executed by Taxi Club which was amended and restated on July 3, 2014. As security for the \$1.5 Million Loan, Citibank required collateral consisting of the assets of Taxi Club as well as the assets of each of the Debtors. Freidman also personally guaranteed the \$1.5 Million Loan. Even with the addition of the obligations under the \$1.5 Million Note, Citibank is still substantially over-secured in its claims against the Debtors. The amount claimed due by Citibank as on the \$1.5 Million Loan, as of May 29, 2015, is approximately \$1,701,324. Debtors do not admit the validity, perfection, priority and/or enforceability of the \$1.5 Million Note and other loan documents executed in connection with the \$1.5 Million Loan and Citibank’s claims pursuant thereto, and dispute the validity of same and reserve all rights with respect thereto.

(b) NYS Secured Tax Claims.

New York State (“NYS”) has filed claims against the Debtors for alleged unpaid taxes. NYS claims that a majority of the claims are secured, although it does not identify the assets against which it purports to hold a security. A summary of the NYS claims is as follows:

Debtor	Claim No.	Secured	Priority	General Unsecured	Total
Hypnotic Taxi, LLC	1-3	\$39,096.51	\$7,576.40	\$1,792.05	\$48,464.96
Bombshell Taxi LLC	1-4	\$17,901.12	\$7,428.56	\$1,764.40	\$27,094.08
Bourbon Taxi, LLC	1-3	\$40,950.69	\$6,865.35	\$1,637.85	\$49,453.89
Butterfly Taxi LLC	1-3	\$31,217.91	\$7,070.82	\$1,685.70	\$39,974.43
Candy Apple Taxi LLC	1-4	\$28,457.56	\$5,718.56	\$1,365.80	\$35,541.92
Chianti Taxi, Inc.	1-3	\$44,005.04	\$8,234.46	\$1,947.35	\$54,186.85
Chopard Taxi Inc.	1-4	\$45,838.25	\$11,803.92	\$2,797.00	\$60,439.17
Cupcake Taxi LLC	1-4	\$34,204.15	\$6,365.43	\$1,505.30	\$42,074.88
Dorit Transit Inc.	1-4	\$29,156.39	\$7,655.33	\$1,811.35	\$38,623.07

France Taxi LLC	1-3	\$24,926.39	\$10,479.23	\$2,457.45	\$37,863.07
Hennessey Taxi Inc.	1-3	\$38,682.00	\$5,733.55	\$1,351.30	\$45,766.85
Iceberg Taxi Inc.	1-4	\$37,157.34	\$7,776.48	\$1,846.70	\$46,780.52
Marseille Taxi LLC	1-3	\$16,310.79	10,982.59	\$2,584.35	\$29,877.73
Merlot Taxi LLC	1-4	\$39,510.08	\$7,924.61	\$1,882.20	\$49,316.89
Milkyway Cab Corp.	1-3	\$35,947.07	\$5,523.50	\$1,313.70	\$42,784.27
Palermo Taxi LLC	1-3	\$35,947.07	\$7,542.26	\$1,791.45	\$45,280.78
Pinot Noir Taxi LLC	1-4	\$15,905.69	\$7,354.61	\$1,742.20	\$25,002.50
Pointer Taxi LLC	1-3	\$34,344.03	\$6,255.50	\$1,492.05	\$42,091.58
Pudding Taxi Inc.	1-4	\$38,679.99	\$6,596.17	\$1,576.30	\$46,852.46
Stoli Taxi LLC	1-3	\$38,146.27	\$5,319.59	\$1,265.20	\$44,731.06
Vodka Taxi LLC	1-4	\$51,937.57	\$7,975.20	\$1,886.10	\$61,798.87
VSOP Taxi Inc.	1-4	\$30,033.11	\$7,512.48	\$1,778.30	\$39,323.89
TOTALS		\$748,355.02	\$165,694.60	\$39,274.10	\$953,323.72

The Debtors are currently investigating the validity of the claims asserted by NYS. The Debtors do not believe that NYS enjoys a security interest in any assets of the Debtors.

(c) NYC Claims

The City of New York (“NYC”) has filed priority claims against each Debtor in connection with alleged failures to pay commercial motor vehicle tax. Below is a summary of these claims filed against the Debtors:

Debtor	Claim No.	Priority
Hypnotic Taxi, LLC	4-1	\$79,939.69
Bombshell Taxi LLC		NA
Bourbon Taxi, LLC	2-1	\$1,174.04
Butterfly Taxi LLC		NA
Candy Apple Taxi LLC		NA
Chianti Taxi, Inc.		NA
Chopard Taxi Inc.		NA
Cupcake Taxi LLC	2-1	\$1,340.43
Dorit Transit Inc.	3-1	\$32,592.40
France Taxi LLC	2-1	\$1,174.04
Hennessey Taxi Inc.	2-1	\$1,174.04
Iceberg Taxi Inc.	2-1	\$29,510.87
Marseille Taxi LLC	2-1	\$1,174.04
Merlot Taxi LLC	2-1	\$1,174.04
Milkyway Cab Corp.		NA
Palermo Taxi LLC	4-1	\$1,174.04

Pinot Noir Taxi LLC	3-1	\$1,174.04
Pointer Taxi LLC	3-1	\$1,177.03
Pudding Taxi Inc.	3-1	\$649.80
Stoli Taxi LLC	3-1	\$1,174.04
Vodka Taxi LLC	3-1	\$691.90
VSOP Taxi Inc.	NA	
TOTAL:	\$155,294.44	

The Debtors deny liability to NYC and intend to challenge the claims.

(d) Personal Injury / Property Damage Claims.

A number of individuals have asserted claims against the Debtors for damages from personal bodily injury, property damage or similar torts, a majority of which are unliquidated. Also, a number of insurance companies have filed subrogation claims against the Debtors based upon monies allegedly paid out in connection with accidents and issues involving the Debtors. To the extent such claims are below the coverage minimums, they may have to be paid by the Management Companies. To the extent they are above those minimums, they are the responsibility of the Debtors. The following is a summary of personal injury and related claims:

Debtor	Claimant	Claim No.	Amount of Claim Asserted
Hypnotic Taxi, LLC	Miguel Carchipulla	5-1	\$100,000.00
	Josette Marie Tenas-Reynard	6-1	\$5,000,000.00
	GEICO	7-1	\$5,067.42
	Peri Edelstein	8-1	\$1,000,000.00
	Juan Abreu	15-1	\$5,000,000.00
	Steven Stankovski	2-1	\$50,000.00
	Hereford Insurance Company	14-1	Unliquidated
Bombshell Taxi LLC	Harrison Hacking Corp.	2-1	\$2,218.23
	Chester Cab Corp.	3-1	\$4,340.25
	Ryan Jenkins	5-1	\$1,000,000.00
Bourbon Taxi, LLC	None		
Butterfly Taxi LLC	None		
Candy Apple Taxi LLC	Patrick Dunne	3-1	\$705.20
	GEICO	4-1	\$6,239.20

Chianti Taxi, Inc.	None		
Chopard Taxi Inc.	Garrison Property & Casualty Assoc.	3-1	\$5,262.51
	Lawrence Shellenberger	4-1	\$1,237.00
	Lawrence Shellenberger	5-1	\$1,200.00
	Herman Katz	6-1	\$10,000,000.00
Cupcake Taxi LLC	Taylor Lack	3-1	\$500,000.00
	Adriatic Insurance Company	4-1	\$3,456.10
Dorit Transit Inc.	USAA Casualty Insurance Company	2-1	\$8,267.29
	Jeremy Joseph	8-1	\$25,000.00
France Taxi LLC	Leo Francisco	6-1	\$7,500.00
Hennessey Taxi Inc.	GEICO	2-1	\$1,174.04
Iceberg Taxi Inc.	None		
Marseille Taxi LLC	Gregor Granderson	3-1	\$1,000,000.00
	Duccio Degli-Innocenti	4-1	\$500,000.00
	Chunky Transit Inc.	5-1	\$5,569.19
Merlot Taxi LLC	None		
Milkyway Cab Corp.	GEICO	7-1	\$9,292.27
	GEICO	8-1	\$4,318.22
Palermo Taxi LLC	Josette Marie Tenas-Reynard	7-1	\$5,000,000.00
	QnoQns Taxi Corp.	8-1	\$2,603.40
Pinot Noir Taxi LLC	None		
Pointer Taxi LLC	Joseph Busuttil	4-1	\$100,000.00
Pudding Taxi Inc.	None		
Stoli Taxi LLC	None		
Vodka Taxi LLC	American Transit Insurance Co.	7-1	\$70,000.00
	Edward Landreth	8-1	\$200,000.00
VSOP Taxi Inc.	None		

Most, if not all, of these claims remain unliquidated and disputed, and the Debtors believe that a number of the personal injury claims have been grossly inflated. Further, many of the claimants filed multiple claims against numerous Debtors, without asserting any theory that would give rise to liability by Debtors that did not own the relevant Medallion and Taxi Vehicle involved in the accident. These claims will be liquidated by agreement or litigation and are deemed disputed for purposes of voting to accept or reject the Plan.

(e) Other General Unsecured Claims.

Certain other parties filed general, unsecured claims against the Debtors, including professional firms for services performed, and Freidman on account of contribution claims that would arise if he were required to personally satisfy the Citibank Loans and for other contributions made to the Debtors.

2.3. Membership Interests and Stockholders' Equity.

All of the equity or membership interests in each of the Debtors is owned exclusively by Freidman.

2.4. Events Leading to Bankruptcy.

By way of background, in or around September or October 2011, Citibank promoted a unique and customized cash management solution that was specifically created to solve issues the Management Companies were having at the time with fraudulent checks from third parties and to streamline the operation of the Management Companies and the Medallion holders, including the Debtors. Citibank required that the Management Companies transfer their banking business to Citibank before it would agree to issue any loans, which the Management Companies, as well as most other Freidman owned or controlled entities, did.

Until 2014, there was a large and varied market for financing taxi medallions.⁴ Much of the financial media and advisors noted that there was nothing safer than NY City taxi medallions and that “medallion investments have outpaced gold for years”⁵ At that time, most medallion business owners went to small business banks and credit unions, or to other banks that had large medallion portfolios. The Debtors and Management Companies went to Citibank because they were part of a very large collection of medallions, and accordingly, Citibank offered cash

⁴ Bloomberg Business, “Taxi Licenses as ‘Cash Cows’ Bolster Medallion Financial Shares” (November 7, 2011).

management solutions and competitive rates. Moreover, the underwriting requirements to obtain a loan were reasonable.

In or around spring/summer 2014, the Debtors and Management Companies began experiencing major issues with respect to how Citibank managed the accounts.

The Debtors suffered severe and unjustified damages due to Citibank's mismanagement of the accounts, including, but not limited to:

- Debtors' inability to secure refinancing for outstanding loan obligations in advance of maturity as a result of improperly bounced checks made payable to other lenders;
- The improper collection by Citibank of hundreds of thousands of dollars in bank fees on account of Citibank's wrongful actions;
- Loss of hundreds of taxi drivers as a result of improperly bounced checks, which led to negative cash flow implications; and
- The investigation by governmental entities of payments to taxi drivers as a result of Citibank's improper bouncing of checks.

On or around May 8, 2014, Citibank sent the Debtors a letter providing notification that it would be terminating the cash management accounts effective May 23, 2014 (the "Termination Letter"). The Termination Letter did not provide a justification for Citibank's actions and the Debtors are unaware of the reasoning behind this termination.

On or about November 6, 2014, Citibank sent the Debtors a letter advising that Citibank would be terminating the entire banking relationship between the Debtors and Citibank (the "Banking Termination Letter") effective December 15, 2014.

The Banking Termination Letter provided Debtors with only five weeks to find a new

⁵ Wall Street Journal, "Golden Investment on the Streets of New York: Taxi Medallion Value Outpaces Gold and the Down Jones Industrial Average" (November 22, 2013).

banking institution. This created a state of chaos for the Debtors and the Management Companies.

The Debtors do not yet know or understand what caused or led to Citibank's precipitous termination of its relationship with the Debtors and Management Companies, but it is believed to be, among other things, UBER Technologies Inc.'s ("Uber") entry into the taxi market.

While the lending market for medallion holders has tightened significantly, Uber has obtained a credit line of \$2 billion. The Debtors are unfortunately bearing the negative effect of a market misconception. The Debtors are confident that the market will rebound and correct and that the Medallions will continue to hold their historic value.

On or about March 6, 2015, the matter of *Citibank, N.A. v. Bombshell Taxi, LLC, et al.*, Index No. 650691-2015 ("Citibank Action"), was filed in the Supreme Court of the State of New York, New York County ("State Court"), by Citibank against various entities, including the Debtors, and Freidman. In sum and substance, because the Loans to eight (8) of the twenty-two (22) Debtors had matured on January 31, 2015 and could not be paid, Citibank used the maturity of those eight Loans to declare a default under the Loans to the other fourteen (14) Debtors even though those Loans were not in payment default and were not to mature until December 20, 2015. In response to Citibank's complaint, defendants have not only disputed the alleged defaults and the amounts claimed by Citibank, but also asserted twelve separate counterclaims against Citibank, including: (i) fraudulent inducement; (ii) fraud; (iii) negligence; (iv) tortious interference; (v) negligent misrepresentation; (vi) breach of fiduciary duty; (vii) unjust enrichment; (viii) breach of contract; (ix) recoupment; (x) breach of the covenant of good faith and fair dealing; (xi) declaratory judgment; and (xii) accounting ("Citibank Action Counterclaims"). The Citibank Action Counterclaims are based upon Citibank's intentional

and/or negligent false promises, upon which Defendants relied, in order to entice Defendants to utilize Citibank's services, which included a unique solution for Defendants' business-related banking and lending needs. Debtors are seeking millions of dollars in damages against Citibank by way of their counterclaims.

On or about May 19, 2015, without a trial on the merits of Citibank's claims and/or the Citibank Action Counterclaims, the State Court entered an order in favor of Citibank, inter alia: (i) directing that the Sheriff of any County of the State of New York seize the Debtors' 46 Medallions valued at approximately \$43.7 million; and (ii) directing the Defendants to transfer the Medallions to Citibank (the "Pre-Judgment Seizure Order"). The Pre-Judgment Seizure Order permitted Citibank to immediately seize the Medallions on June 9, 2015.

On June 10, 2015, Defendants initiated an appellate review of the Order Directing Pre-Judgment Seizure by the Appellate Division, First Department, arguing that the extraordinary relief of a pre-judgment seizure was improper and constituted reversible error because the trial court ignored the viable defenses and counterclaims that Defendants have asserted against Citibank which should have prevented entry of a pre-judgment seizure under applicable New York Law.

Simultaneously, on June 10, 2015, the Defendants filed an Order to Show Cause, requesting that the court immediately set an amount of the undertaking (bond) that defendants would be required to post so that defendants could avail themselves of the stay of proceedings to enforce the Pre-Judgment Seizure Order pending an appeal. The trial court precluded defendants from availing themselves of a stay of the Pre-Judgment Seizure Order, pending appeal -- a right afforded under New York law to any party that seeks appellate review of a pre-judgment seizure involving personal property -- because, the State Court ruled that New York City taxi medallions

are not “personal property.” Instead, the trial court, *sua sponte*, created a new category of property called “corporate property,” previously unknown to New York statutory or common law and/or TLC Regulations (the “Preclusion Order”).

To avoid irreparable and irreversible harm and to enforce their right to a stay of proceedings, defendants filed an emergency appeal with the Appellate Division, First Department, on June 15, 2015, requesting that the Appellate Division modify the trial court’s Preclusion Order because it precluded the defendants from availing themselves of their right to a stay based upon an egregious misapplication of established law. Immediately recognizing the trial court’s error, the Appellate Division granted a temporary stay of proceedings, pending more detailed briefing by the parties.

Ultimately, on July 14, 2015, after the parties submitted their respective briefs, the Appellate Division agreed with defendants and granted their motion to stay proceedings to enforce the Pre-Judgment Seizure Order pending appeal, contingent upon defendants filing of an undertaking with the Court and perfecting their appeal.

Thereafter, the Appellate Court required the defendants to post a \$50,000,000 bond for the stay pending appeal even though the entire amount claimed by Citibank (which is disputed by Debtors) totals only approximately \$34 million. In light of the foregoing, the Debtors were left with no choice but to file the Chapter 11 Cases in order to avail themselves of the protections provided by the Bankruptcy Code to preserve an opportunity to reorganize their financial affairs.

2.5. Management of the Debtor.

The managing member or sole director of each of the Debtors is Freidman. The Debtors have been managed in their bankruptcy cases by Joshua Rizack, the CRO.

2.6. Significant Events During the Bankruptcy.

(a) Bankruptcy Proceedings.

(1) Retained Professionals.

The Debtors have retained Klestadt Winters Jureller Southard & Stevens as general counsel to the debtors in possession [Docket No. 50], and The Rising Group Consulting, Inc. and Joshua Rizack as CRO pursuant to Orders entered by the Bankruptcy Court, [Final Order at Docket No. 107].

(2) Creditors' Committee.

Pursuant to Bankruptcy Code § 1102(a) an Official Committee of Unsecured Creditors was formed by the Office of the United States Trustee on September 1, 2015 [Docket No. 53], and amended on September 24, 2015 [Docket No. 64].

On December 17, 2015, Peri Edelstein and Jonathon Saginaw filed a Motion to Expand the Creditors' Committee [Docket No. 150] ("Committee Expansion Motion"). On December 30, 2015, Josette Marie Tenas-Reynard filed a joinder to the Committee Expansion Motion [Docket No. 162]. On January 20, 2016, the Bankruptcy Court held a hearing and granted the Committee Expansion Motion, and subsequently, the United States Trustee amended the Committee composition on February 17, 2016 [Docket No. 196]. The Creditors' Committee is currently comprised of individuals representing the following creditors:

Hereford Insurance Company
36-01 43rd Avenue
Long Island City, NY 11101
Attn: Annie Weinstein, COO/SVP

American Transit Insurance Company
One Metro Tech Center-North, 8th Floor
Brooklyn, NY 11201
Attn: Michael Castronovo, COO

Jeremy Joseph
1673 President Street
Brooklyn, NY 11213

Peri Edelstein
10 West 15th Street, Apt. 708
New York, NY 10011

Josette Marie Tenas-Reynard
4 Rue Perrault
7500 Paris, France

The Creditors' Committee retained, White and Williams LLP as its counsel [Docket No. 118], and EisnerAmper LLP as its financial advisors pursuant to Order of the Bankruptcy Court, [Docket No. 148].

(3) First Day Motions.

On July 27, 2015, the Debtors filed a motion for an order directing the joint administration of their cases, which was granted by order dated August 10, 2015 [Docket No. 26]. Generally however, given the nature of the Debtors' business and the fact that the Debtors had no employees, they did not require traditional first day motions.

Disputes over the use of Citibank's cash and other collateral were resolved by stipulations "So Ordered" by the Court on September 21, 2015 and October 23, 2015 [Docket Nos. 63 and 94], pursuant to which, the Debtors pay Citibank \$159,802 per month through the Management Companies. That amount reflects the historical contractual amount due the Debtors from the Management Companies on account of the lease of their Medallions to the Management Companies.

(4) Subsequent Motions and Actions.

On July 31, 2015, the Debtors filed a motion for approval of their cash management system, which was granted by orders dated September 18, 2015 and November 20, 2015 [Docket Nos. 61 and 127].

On July 31, 2015, the Debtors filed a motion for authority to enter into a debtor in possession financing agreement (the “DIP Facility”) with Philadelphia Taxi Management LLC (the “DIP Lender”). The DIP Lender is an entity one-third owned by Freidman. The authorized borrowings under the DIP Facility are \$350,000, which are subordinated to each and every obligation of the Debtors. The DIP Facility was approved by final order dated October 30, 2015 [Docket No. 106].

On September 25, 2015, the Debtors filed a motion for an order, pursuant to sections 105(a) and 363(b) of the Bankruptcy Code authorizing them to continue their relationship with the Management Companies. After significant negotiations with the parties and the overruling of a remaining objection, that motion was approved by order dated November 23, 2015 [Docket No. 139].

The Bankruptcy Court established December 21, 2015 as the deadline for filing proofs of claim (the general claims bar date), thereby requiring the Debtors’ creditors to submit proofs of claim for alleged liabilities not paid and/or damages incurred arising from or related to periods prior to the Petition Date [Docket No. 93]. As stated above, most of the significant claims against the Debtors are unliquidated and disputed and will require significant litigation to resolve.

(b) Section 341(a) Meeting of Creditors.

On September 25, 2015, the Debtors appeared at the section 341(a) meeting of creditors in the Chapter 11 Cases conducted by the United States Trustee.

(c) Schedules and Statements.

The Debtors filed with the Bankruptcy Court their Schedules and Statement of Financial Affairs (the “Schedules”) on August 14, 2015.

(d) Current and Historical Financial Information.

The Debtors continue to operate and have their Medallions and Taxi Vehicles operated by the Management Companies in exchange for lease payments that are paid directly to Citibank. With the lease payments and anticipated Plan support by Freidman, the Debtors believe that they will be able to restructure their existing debt. As such, the Debtors are optimistic of their ability to meet their projections and satisfy their obligations under the Plan. Attached hereto as Exhibit B are cash flow projections for the Reorganized Debtors' operations after the Effective Date.

(e) Motions and Activity Related to Citibank Action.

On July 29, 2015, the Debtors removed the Citibank Action from the State Court to the United States District Court for the Southern District of New York ("S.D.N.Y. District Court"). On August 3, 2015, the Debtors filed a motion in the S.D.N.Y. District Court seeking an order transferring the Citibank Action ("Transfer Motion") to the United States District Court for the Eastern District of New York ("E.D.N.Y. District Court"). On August 21, 2015, the S.D.N.Y. District Court granted the Transfer Motion and transferred the Citibank Action to the E.D.N.Y. District Court. On October 13, 2015, the Debtors filed a letter motion in the E.D.N.Y. District Court seeking an order referring the Citibank Action to the Bankruptcy Court. On October 28, 2015, the E.D.N.Y. District Court referred the Citibank Action to the Bankruptcy Court. On November 5, 2015, Citibank filed a Motion for Abstention Pursuant to 28 U.S.C. §1334(c) or, Alternatively, Remand Pursuant to 28 U.S.C. § 1452 (B) [Citibank Action Docket No. 2] ("Abstention Motion"), then subsequently withdrew the Abstention Motion.

Immediately upon the docketing of the Citibank Action in the Bankruptcy Court on November 5, 2015, Citibank filed a motion for an order of attachment and temporary restraining order with respect to certain assets alleged to be Freidman's [Citibank Action Docket Nos. 4 and 5]. On November 5, 2015, the Bankruptcy Court entered a temporary restraining order and

ordered immediate additional proceedings [Citibank Action Docket No. 6]. On November 16, 2015, the Bankruptcy Court entered the order of attachment requested by Citibank [Citibank Action Docket No. 28], and upon the request of Freidman, on November 19, 2015, the Bankruptcy stayed its order of attachment [Citibank Action Docket No. 34].

After significant one-sided discovery by Citibank and an evidentiary hearing, the Bankruptcy Court ordered the matter to mediation and appointed the Honorable Elizabeth S. Stong, United States Bankruptcy Judge, as the mediator. Following a long and intense mediation process, the parties were unable to come to resolution and on January 12, 2016, the Bankruptcy Court entered a decision after trial finding that Citibank is entitled to an order of attachment [Citibank Action Docket No. 73] and subsequently entered an attachment order (the “Attachment Order”).

In over a year, the Defendants have not been entitled to any discovery from Citibank on either Citibank’s *prima facie* case, or on their counterclaims. On March 9, 2016, in connection with a hearing on Citibank’s motion for entry of summary judgment, Citibank was directed for the first time to produce certain limited documents related to the Defendants’ accounts. The Debtors and other Defendants hope that this will lead to their being permitted a full and fair discovery process before any judgments are entered in the Citibank Action.

(f) Committee Authority to Commence Claims Against Freidman

On January 29, 2016, the Creditors’ Committee filed a motion for an order authorizing it to prosecute the Debtors’ Estates’ claims against Freidman, primarily centered around collecting approximately \$13 million in “shareholder loans” that appear on the Debtors’ tax returns (the “Freidman Claims”) [Docket No. 184]. The Motion is returnable on March 16, 2016. By the

Plan and Plan Sponsorship Agreement, the Debtors will not seek collection on any Freidman Claims for the five year term of the Plan in exchange for Freidman's sponsorship of the Plan.

III. SUMMARY OF PLAN OF REORGANIZATION

The following table summarizes the classification and treatment of Claims and Equity Interests under the Plan. For certain Classes of Claims, the actual amounts of Allowed Claims could exceed or could be less than the amount estimated by the Debtors in calculating the estimated recoveries set forth in the table below. Accordingly, no representation can be or is being made with respect to whether the estimated percentage recoveries shown below will actually be realized by the holders of Allowed Claim in any particular Class.

Class	Type of Claim or Equity Interest	Treatment	Estimated Recovery
--	Administrative Expense Claims	Except to the extent Holder agrees to a different treatment, paid in full in Cash on the later of Allowance Date or Effective Date, or in accordance with the terms and conditions relating to obligations incurred in the ordinary course of business during pendency of Chapter 11 Case.	100%
--	Priority Tax Claims	Except to the extent Holder agrees to a different treatment, either paid in full in Cash on the later of Allowance Date or Effective Date, or paid in regular installments with statutory interest over a term of five years from the Petition Date.	100%

Class	Type of Claim or Equity Interest	Treatment	Estimated Recovery
1	Citibank Secured Debtors Loans Claim	<p>Impaired. Reorganized Debtors will issue promissory notes to Citibank on account of the actual amount owed on such loans providing for monthly interest payments commencing on the Effective Date and interest at Treasury Rate plus 1.5% per annum, with principal due at maturity five (5) years from the Effective Date. Citibank will retain its liens on its pre-petition collateral a lien on the real estate assets to the extent given by the Attachment Order. The promissory notes issued to Citibank will be subject to reduction if (i) Citibank collects on account of such debt from any guarantor or other source, and/or (ii) by any judgment obtained by the Reorganized Debtors against Citibank on the Citibank Action Counterclaims. New notes will be issued and old notes cancelled upon any reduction or final allowance with respect to any disputed amount.</p>	100% over 5 year period plus interest

Class	Type of Claim or Equity Interest	Treatment	Estimated Recovery
2	Citibank Guaranteed Taxi Club Claim	Impaired. Reorganized Debtors will issue a promissory note to Citibank on account of the actual amount owed on such loan providing for monthly interest payments commencing on the Effective Date and interest at Treasury Rate plus 1.5% per annum, with principal due at maturity five (5) years from the Effective Date. Citibank will retain its pre-petition collateral package and a lien on certain real estate assets to the extent granted by the Attachment Order. The promissory note issued to Citibank will be subject to reduction if (i) Citibank collects on account of such debt from any guarantor or other source, and/or (ii) by any judgment obtained by the Reorganized Debtors against Citibank on the Citibank Action Counterclaims. New notes will be issued and old notes cancelled upon any reduction or final allowance with respect to any disputed amount.	100% over 5 year period plus interest
3	Secured Tax Claims	Impaired. This class includes New York State's secured tax claims. Such holders will receive 100% of their claims with interest at the Applicable Federal Rate over sixty (60) equal monthly payments commencing on the Effective Date.	100% over 5 year period plus interest
4	General Unsecured Claims – Non-Personal Injury Claims	Impaired. This class includes all general unsecured claims against the Debtors exclusive of personal injury related claims, including subrogation claims and pre-petition claims from professionals. Such creditors will be paid 100% of their allowed claims in equal monthly installments over two (2) years commencing at the later of the Effective Date or Allowance Date.	100% over 2 year period

Class	Type of Claim or Equity Interest	Treatment	Estimated Recovery
5	General Unsecured Claims – Personal Injury Claims Less Than TLC Insurance Coverage Minimums	Unimpaired. This class includes all general unsecured tort claims to the extent they do not exceed the TLC insurance coverage minimums. Such holders shall be paid 100% of their allowed claims by the relevant Management Companies at the later of the Effective Date or Allowance Date.	100%
6	General Unsecured Claims – Personal Injury Claims Exceeding TLC Insurance Coverage Minimums	Impaired. This class includes general unsecured tort claims to the extent they exceed the TLC insurance coverage minimums. Such creditors will be paid 100% of their allowed claims in equal monthly installments over two (2) years commencing at the later of the Effective Date or Allowance Date.	100% over 2 year period
7	Old Equity Interests	Unimpaired. All Old Equity Interests will receive all equity in the Reorganized Debtors subject to the consideration given in the Plan Sponsorship agreement.	Equity Interests in Reorganized Debtors

What follows is a summary of the Plan, which is qualified in its entirety by the full text of the Plan, which is attached hereto as Exhibit A. Capitalized terms utilized herein, unless otherwise defined, shall have the meaning ascribed thereto in the Plan. The Plan, if confirmed by the Bankruptcy Court, will be binding upon the Debtors and their Creditors and Holders of Equity Interests. All Creditors and Holders of Equity Interests are encouraged to read the Plan carefully. The Plan classifies Claims and Equity Interests in various Classes and also provides for the payment of non-classified Claims. The Plan states whether each Class of Claims or Interests is Impaired or Unimpaired. The Plan provides the treatment each Class will receive.

3.1. Treatment of Administrative Expenses and Priority Tax Claims.

Pursuant to Bankruptcy Code § 1123(a), certain types of claims are not placed into voting classes. They are not considered Impaired, and they do not vote on the Plan because they are automatically entitled to specific treatment provided in the Bankruptcy Code. As such, Administrative Expense Claims and Priority Tax Claims are treated separately pursuant to the terms set forth in this Section.

(a) Administrative Expenses and Fees.

(1) Administrative Expense Claims.

All Administrative Expenses incurred during the pendency of the Chapter 11 Case will be paid in full on the later of the Effective Date or on the date such Administrative Expense Claim is Allowed by the Bankruptcy Court, unless a particular claimant agrees to a different treatment; provided, however, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtors or liabilities arising under loans made or advances extended to the Debtors, whether or not incurred in the ordinary course of business, shall be paid in full and performed by the Reorganized Debtors in the ordinary course of business consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions.

(2) Professional Claims.

All Persons seeking an award by the Bankruptcy Court of compensation for services rendered and/or reimbursement of expenses incurred through and including the Effective Date under Bankruptcy Code §§ 330 or 331 or entitled to the priorities established pursuant to Bankruptcy Code §§ 503(b)(2), (b)(3), (b)(4) or (b)(5) and 507(a) shall (a) file their respective final applications for allowance of compensation for services rendered and reimbursement of

expenses incurred through the Effective Date on or before the date which is forty-five (45) days after the Effective Date, or such other date as may be fixed by the Bankruptcy Court and (b) if granted such an award by the Bankruptcy Court, shall be paid in full in Cash in such amounts as are Allowed by the Bankruptcy Court, at the option of the Reorganized Debtors, (i) on the later of the Effective Date and the date upon which such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as 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 Reorganized Debtors or (iii) in accordance with the terms of any order entered by the Bankruptcy Court.

All Professionals shall submit to Debtors' counsel, no later than five (5) business days before the Confirmation Hearing, an estimate of their fees and expenses for the time period up to and including the date of Confirmation, for which they anticipate they will seek Court approval.

(3) Statutory Fees.

All quarterly fees due and owing to the United States Trustee pursuant to 28 U.S.C. § 1930 through the date on which the Plan is confirmed shall be paid in full in Cash on the Effective Date. Such fees that are due after the Effective Date until such time as all objections to administrative claims and priority tax claims are fully resolved, shall be paid by the Reorganized Debtors. Thereafter, all quarterly fees due and owing to the United States Trustee pursuant to 28 U.S.C. § 1930 shall be paid by the Reorganized Debtors in Cash when due.

(4) Administrative Claims Other Than Ordinary Course or Professional Person Claims and Administrative Claim Bar Date.

The Holder of an Administrative Expense Claim, other than (a) a Claim for compensation for services rendered and/or reimbursement of expenses by a Professional Person, or (b) a liability incurred and paid in the ordinary course of business by the Debtors, must file with the

Bankruptcy Court and serve on the Debtors and their counsel, notice of such Administrative Expense Claim within thirty (30) days after the Effective Date. Such notice must include, at a minimum (i) the name of the Holder of such Claim, (ii) the basis of the Claim, and (iii) the amount of the Claim. Failure to timely file and serve such notice shall result in the Administrative Expense Claim being forever barred and discharged. This provision shall not modify the provisions of any Order fixing a Bar Date for any Administrative Expense Claim. Without limiting the generality of the foregoing, this provision shall not extend the Bar Date for any Claims which were required to be filed on or before such Bar Date.

(b) Priority Tax Claims.

Except to the extent that a holder of an Allowed Priority Tax Claim has been paid by the Debtors 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, at the sole option of the Reorganized Debtors: (i) Cash in an amount of such Holder's Allowed Claim on the Effective Date; or (ii) in accordance with the provisions of Bankruptcy Code § 1129(a)(9)(c), the amount of such Holder's Allowed Claim, plus interest accrued at the applicable statutory rate, in regular equal annual installment payments in Cash, of a total value, as of the Effective Date, equal to the amount of such Claim over a period of five years after the Petition Date. Such payments shall be made, with interest at the regular statutory rate, in monthly installments commencing on the first day of the first month following the Effective Date (or Allowed Date as the case may be) and ending on that month which expires on a date which is on or before five years from the Petition Date; *provided, however*, that the Reorganized Debtors shall have the right to pay any Allowed Priority Tax Claim, or any remaining balance, in full, at any time on or after the Effective Date, without premium or penalty. Under the Plan, Holders of Allowed Priority Tax Claims against the

Debtors shall not be entitled to any payments on account of any post Petition Date interest or penalty with respect to or in connection with an Allowed Priority Tax Claim. Any such Claim or demand for any post Petition Date interest or penalty will be discharged upon the entry of the Confirmation Order by Bankruptcy Code § 1141(d)(1), and the Allowed Priority Tax Claim Holder shall not assess or attempt to collect such accrued interest or penalty from the Debtors, Reorganized Debtors or their property. The Debtors have estimated the Priority Tax Claims are approximately \$300,000, a majority of which is disputed and will be subject to a claims allowance process.

3.2. Classification and Treatment of Claims and Equity Interests.

(a) General Overview.

As required by the Bankruptcy Code, the Plan classifies Claims and Equity Interests in various Classes according to their right to priority of payments as provided in the Bankruptcy Code. The Plan states whether each Class of Claims or Equity Interests is Impaired or Unimpaired. The Plan provides the treatment each Class will receive under the Plan. Claims are classified for all purposes, including voting, confirmation and distribution pursuant to the Plan as set forth in this Article III.

(b) Deemed Consolidation

Given the lack of prejudice to creditors and the commonality of the Debtors in business model, types of claims, revenues and management, the Debtors shall be deemed consolidated for purposes of seeking confirmation of this Plan. However, the Debtors shall remain separate and distinct legal entities. In the event the Plan is not confirmed or is confirmed but is not consummated fully, no creditor of any single Debtor shall have the right to assert a claim against any other Debtor.

The Debtors aver that the common business purpose, common secured creditors, some common unsecured creditors and lack of prejudice to any creditor will permit the deemed substantive consolidation for purposes of confirming the Plan of Reorganization. The Debtors will issue consolidated financial statements, but will continue to file separate tax returns. The Liens held by Citibank, to the extent they are not reduced or subject to set off on account of the Citibank Action Counterclaims, secure a majority of the value of the Debtors' Medallions. If the Debtors were liquidated, the Citibank Claims were allowed in full, and the Medallions ultimately had a liquidation value of approximately \$750,000 or less, then unsecured creditors of the individual Debtors would receive nothing upon liquidation of the assets of the respective individual Debtors and on a consolidated basis, unsecured creditors of all of the Debtors would also receive nothing upon liquidation of all of the Debtors.

Accordingly, as of the Effective Date: (a) all assets (and proceeds thereof) and liabilities of the Debtors shall be deemed merged and treated as though they were merged into the Reorganized Debtors; (b) no distributions shall be made under the Plan on account of any inter-company Claims (i.e. between and among each Debtor) and all such inter-company Claims shall be eliminated; (c) all Claims against any Debtor for which one or more of the Debtors is also liable, whether such liability is joint, several or joint and several, and whether it is primary or secondary, will be merged into a single Claim against the consolidated Reorganized Debtor for Plan purposes only; and (d) each and every Claim filed or to be filed in any of the Cases shall be deemed filed against the consolidated Reorganized Debtor, and shall be deemed one Claim against the Consolidated Reorganized Debtor. Such deemed consolidation shall not (other than for purposes of effectuating the terms of this Plan) affect the legal and corporate structures of the Debtors and in the event the Plan is either not confirmed or is confirmed but is not fully

consummated, then no creditor shall have a right to assert its claim against any Debtor other than that or those liable to it prior to the Petition Date. Notwithstanding the deemed consolidation provided for herein, each and every Debtor shall remain responsible for the payment of quarterly fees pursuant to 28 U.S.C. § 1930 to the Office of the United States Trustee until such time as a particular Case pertaining to such Debtor is closed, dismissed or converted.

Unless the Bankruptcy Court has ordered the deemed consolidation of the Debtors' estates for Plan and voting purposes before the Confirmation Hearing, the Plan will serve as, and will be deemed to be, a motion for entry of an order substantively consolidating the Debtors' estates for Plan purposes only. If no objection to the deemed substantive consolidation is timely filed and served by the date as may be established by the Bankruptcy Court, an order approving the deemed substantive consolidation (which may be the Confirmation Order) may be entered by the Bankruptcy Court. If any such objections are timely filed and served, a hearing with respect to substantive consolidation of the Chapter 11 Cases and the objections thereto will be scheduled by the Bankruptcy Court, which hearing may, but is not required to, coincide with the Confirmation Hearing.

If the Bankruptcy Court authorizes the Debtors to consolidate for voting and distribution purposes fewer than all of the Classes of Claims sought to be consolidated for these purposes, pursuant to Bankruptcy Code § 1122, the Debtors may proceed with separate classifications for any such non-consolidated Classes. If the Debtors elect to proceed with separate classifications for any such non-consolidated Classes of Claims and Interests, such Classes of Claims and Interests will be treated as against each individual non-consolidated Debtor for voting and distribution purposes. In such event, each Class of Claims and Interests shall be divided into

subclasses; one for each of the Debtors. In some situations a particular Debtor may not have any claims asserted against it in a particular Class.

(c) Designation of Classes Under the Plan.

Each Holder of a Claim, as defined in Bankruptcy Code § 101(4), of whatever nature, whether or not scheduled, liquidated or unliquidated, absolute or contingent, including all Claims arising from the rejection of executory contracts and unexpired leases, will be bound by the provisions of the Plan. The Plan contains six (6) classifications of Claims and Equity Interests, as follows:

<u>Class</u>	<u>Status</u>
Class 1 – Citibank Secured Debtors Loans Claims	Impaired
Class 2 – Citibank Guaranteed Taxi Club Claim	Impaired
Class 3 – Secured Tax Claims	Impaired
Class 4 – General Unsecured Claims – Non-Personal Injury Claims	Impaired
Class 5 – Personal Injury Claims Less Than TLC Insurance Coverage Minimums	Unimpaired
Class 6 – Personal Injury Claims in Excess of TLC Insurance Coverage Minimums	Impaired
Class 7 – Old Equity Interests	Unimpaired

(d) Class 1 – Citibank Secured Debtors Loans Claims.

On the Effective Date, the Reorganized Debtors will issue promissory notes to Citibank on account of the actual amount owed on such loans providing for monthly interest payments commencing on the Effective Date and interest at the Treasury Rate plus 1.5% per annum, with principal due at maturity five (5) years from the Effective Date. Citibank will retain its liens on its pre-petition collateral plus the collateral that is the subject of the Attachment Order. The

promissory notes issued to Citibank will be subject to reduction if (i) Citibank collects on account of such debt from any guarantor or other source, and/or (ii) by any judgment obtained by the Reorganized Debtors against Citibank on the Citibank Action Counterclaims. Amended notes will be issued and the original notes will be cancelled upon any reduction or final allowance with respect to any disputed amount.

(e) Class 2 – Citibank Guaranteed Taxi Club Claim.

On the Effective Date, the Reorganized Debtors will issue a promissory note to Citibank on account of the actual amount owed on such loan providing for monthly interest payments commencing on the Effective Date and interest at the Treasury Rate plus 1.5% per annum, with principal due at maturity five (5) years from the Effective Date. Citibank will retain its collateral pre-petition collateral plus any collateral that is the subject of the Attachment Order. The promissory note issued to Citibank will be subject to reduction if (i) Citibank collects on account of such debt from any guarantor or other source, and/or (ii) by any judgment obtained by the Reorganized Debtors against Citibank on the Citibank Action Counterclaims. Amended notes will be issued and the original notes will be cancelled upon any reduction or final allowance with respect to any disputed amount.

(f) Class 3 – Secured Tax Claims

Holders of Allowed Class 3 Claims shall be paid 100% of the amount of their Allowed Class 3 Claims in equal monthly installments over five (5) years commencing on the Effective Date. Holders of such claims shall keep such collateral and security as they had on the Petition Date until such claims are paid in full at which time all liens will be released and discharged.

(g) Class 4 – General Unsecured Claims – Non-Personal Injury Claims.

Holders of Allowed Class 4 Claims shall be paid 100% of the amount of their Allowed Class 4 Claim by the Reorganized Debtors in equal monthly installments over two (2) years

commencing at the later of the Effective Date or the date on which the Claim becomes an Allowed Claim.

(h) Class 5 – Personal Injury Claims Less Than TLC Insurance Coverage Minimums.

Holders of Allowed Class 5 Claims shall be paid 100% of the amount of their Allowed Class 5 Claim by the Management Company which leased the Medallion that was on the Taxi Vehicle at the time such Taxi Vehicle was involved in the incident that gave rise to the Allowed Class 5 Claim on the later of the Effective Date or the date on which the Claim becomes an Allowed Claim.

(i) Class 6 – Personal Injury Claims in Excess of TLC Insurance Coverage Minimums.

Holders of Class 6 Claims shall be paid 100% of the amount of their Allowed Class 6 Claim by the Reorganized Debtors in equal monthly installments over two (2) years commencing at the later of the Effective Date or the date on which the Claim becomes an Allowed Claim.

(j) Class 7 – Old Equity Interests.

Holders of Old Equity Interests shall receive all Equity Interests of like kind issued by the Reorganized Debtors subject to the terms of the Plan Sponsorship Agreement.

(k) Objections to and Resolution of Administrative Expense Claims and Claims.

Except as to applications for allowance of compensation and reimbursement of expenses under Bankruptcy Code §§ 330, 331 and/or 503, the Reorganized Debtors shall, on and after the Effective Date, have the exclusive right to make and file objections to Administrative Expense Claims and Claims. On and after the Effective Date, the Reorganized Debtors shall have the authority to compromise, settle, otherwise resolve or withdraw any objections to Administrative Expense Claims and Claims and compromise, settle or otherwise resolve Disputed Administrative Expense Claims and Disputed Claims without approval of the Bankruptcy Court.

Unless otherwise ordered by the Bankruptcy Court, the Debtors and, on and after the Effective Date, the Reorganized Debtors, shall file all objections to Administrative Expense Claims that are the subject of proofs of Claim or requests for payment filed with the Bankruptcy Court (other than applications for allowances of compensation and reimbursement of expenses) and Claims (except that the Management Companies shall be entitled to file objections to Class 5 Claims or any Administrative Claims related to accidents with the Medallions or Taxi Vehicles) and serve such objections upon the Holder of the Administrative Expense Claim or Claim as to which the objection is made as soon as is practicable, but in no event later than sixty (60) days after the Effective Date or such later date as may be approved by the Bankruptcy Court.

(l) No Distribution Pending Allowance.

Notwithstanding any other provision of the Plan, no Pro Rata share of Cash and/or Equity Interests in the Reorganized Debtors shall be distributed under the Plan on account of any Disputed Claim or Disputed Equity Interest unless and until such Claim or Equity Interest is deemed Allowed.

(m) Estimation.

The Debtors, or after the Effective Date, the Reorganized Debtors may, at any time, request that the Bankruptcy Court estimate any contingent or Disputed Claim pursuant to Bankruptcy Code § 502(c) regardless of whether the Debtors have previously objected to such Claim. In the event the Bankruptcy Court estimates any contingent or Disputed Claim, the estimated amount may constitute a maximum limitation on such Claim, as determined by the Bankruptcy Court. Notwithstanding this, the Debtors, or after the Effective Date, the Reorganized Debtors may elect to pursue any supplemental proceedings to object to the allowance and payment of such Claim. All of the aforementioned Claims objection and estimation procedures are cumulative and not exclusive of one another.

3.3. Acceptance or Rejection of the Plan.

(a) Voting of Claims.

Each Holder of an Allowed Claim in an Impaired Class of Claims pursuant to Article IV of the Plan is entitled to vote to accept or reject the Plan. For purposes of calculating the number of Allowed Claims in a Class of Claims that have voted to accept or reject the Plan under Bankruptcy Code § 1126(c), all Allowed Claims in such Class held by a Person or any Affiliate thereof shall be aggregated and treated as one Allowed Claim in such Class.

(b) Elimination of Vacant Classes.

Any Class of Claims that is not occupied as of the date of the commencement of the Confirmation Hearing by an Allowed Claim or a Claim temporarily Allowed under Bankruptcy Rule 3018 shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to Bankruptcy Code § 1129(a)(8).

(c) Nonconsensual Confirmation.

If any Impaired Class of Claims or Equity Interests entitled to vote shall not accept the Plan by the requisite statutory majorities provided in Bankruptcy Code § 1126(c), the Debtors reserve the right to amend the Plan in accordance with Article XI thereof or undertake to have the Bankruptcy Court confirm the Plan under Bankruptcy Code § 1129(b) or both. With respect to any Impaired Classes of Claims or Equity Interests that are deemed to reject the Plan, the Debtors shall request that the Bankruptcy Court confirm the plan under Bankruptcy Code § 1129(b).

3.4. Executory Contracts and Unexpired Leases.

(a) Assumption of Executory Contracts and Unexpired Leases.

(1) Executory Contracts and Unexpired Leases.

Pursuant to Bankruptcy Code §§ 365(a) and 1123(b)(2), all executory contracts and unexpired leases that exist between the Debtors and any Person or Entity shall be deemed rejected on the Confirmation Date and effective as of the Effective Date, except for any executory contract or unexpired lease (i) that has been assumed pursuant to an order of the Bankruptcy Court entered prior to the Confirmation Date, (ii) as to which a motion for approval of the assumption of such executory contract or unexpired lease has been filed and served prior to the Confirmation Date; or (iii) that is listed as an assumed executory contract or unexpired lease on Exhibit H attached hereto, including the Debtors' Surety Bonds.

(2) Approval of Assumption or Rejection.

Entry of the Confirmation Order shall, subject to and upon the occurrence of the Effective Date, constitute the approval, pursuant to Bankruptcy Code §§ 365(a) and 1123(b)(2), of (i) the rejection of the executory contracts and unexpired leases rejected pursuant to Article VII of the Plan, and (ii) the assumption of the executory contracts and unexpired leases to be rejected pursuant to Article VII of the Plan.

(3) Bar Date for Rejection Damages Claims.

If the rejection of any executory contract or unexpired lease in accordance with Article VII of the Plan gives rise to a Claim by the other party or parties to such contract or lease, the Claim Holder must file and serve on the Debtors and Debtors' counsel a proof of claim within thirty (30) days after the earlier of (i) the Effective Date, or (ii) such other date as may be fixed by the Bankruptcy Court. Failure to file and serve such proof of claim shall serve as a waiver of

any such Claim, and the Holder of such Claim shall be forever barred from asserting such Claim against the Debtor.

3.5. Means for implementation of the Plan.

(a) Funding for the Plan.

(1) Cash.

On the Effective Date, other than cash on hand from normal business operations, it is estimated that the Debtors will require approximately \$1 million to fund the Plan pursuant to the terms set forth in the Plan Sponsorship Agreement attached hereto as Exhibit D (“Plan Sponsorship Agreement”). Pursuant to the terms of the Plan, the estimated amount required to make the Plan effective will be deposited with Debtors’ counsel’s escrow prior to the Confirmation Hearing.

Further, the Reorganized Debtors or Distribution Agent will be entitled to draw on the Plan Sponsor Funding Commitment amounts and at times when needed to effectuate the Plan and restructure the Citibank Secured Claim (the “Plan Sponsor Funding Commitment”), on the terms described generally in the Plan Sponsorship Agreement. As a condition to funding the Plan as set forth herein, the Plan Sponsors shall require that all Creditors and Equity Interest Holders provide general releases to the Plan Sponsors, and a general injunction enjoining Holders of Claims from asserting any claims against Plan Sponsors during the five (5) year term of the Plan (unless they are Holders of Class 5 Claims, in which case they may continue to assert Claims and collect against the Management Companies as permitted under the Plan). The Cash made available by the Plan Sponsor Funding Commitment is to be provided on the terms described generally in the Plan Sponsorship Agreement.

(2) Post-Confirmation Operations.

As indicated by the Projections attached hereto as Exhibit B, the Debtors anticipate that the Reorganized Debtors will have sufficient cash flow from post-Confirmation operations and the Plan Sponsor Funding Commitment to fund its ongoing operations and any remaining payment obligations under the Plan.

(b) Cancellation and Issuance of Securities.

(1) Cancellation of Old Equity Interests.

On the Effective Date: (1) the Old Equity Interests shall be cancelled, extinguished and of no further force and effect solely as to the Debtors, and the Reorganized Debtors shall not have any continuing obligations thereunder; and (2) the obligations of the Debtors pursuant, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing or relating to, the Old Equity Interests or any other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any Claim or Equity Interest, shall be released and discharged.

(2) Issuance of New Equity Interests in Reorganized Debtors.

Holders of Old Equity Interests shall receive all Equity Interests of like kind issued by the Reorganized Debtors in accordance with the terms of the Plan Sponsorship Agreement. No distributions shall be made on account of the equity in the Reorganized Debtors unless and until every obligation under the Plan Sponsorship Agreement is satisfied.

(c) Appointment of Distribution Agent.

The Plan provides for the appointment of a Distribution Agent who shall be charged with the obligation to enforce the Plan Sponsorship Agreement and to make all Distributions to the holders of Allowed Class 4 and Class 6 Claims, Professional Fee Claims, Administrative

Expense Claims and Statutory Fees. As of the Effective Date, the Distribution Agent shall be The Rising Group Consulting, Inc., through its principal, Joshua Rizack.

(1) Distribution Agent Agreement.

The Distribution Agent Agreement shall be executed and delivered by the Reorganized Debtors and the Distribution Agent. The Distribution Agent Agreement provides, *inter alia*, that the Distribution Agent shall hold certain assets of the Reorganized Debtors for the purposes of making certain Distributions under the Plan, and shall have the right to enforce the Plan Sponsorship Agreement as against the Plan Sponsors.

(2) Appointment.

As of the Effective Date, in addition to any other powers described in this Plan, the powers and duties of the Distribution Agent shall consist of the following:

- i. To take in, hold and Distribute the Initial Distribution Agent Deposit as provided for in the Distribution Agent Agreement and this Plan;
- ii. To make Distributions on account of all Allowed Administrative Expense Claims, Allowed Professional Fees, Statutory Fees, Allowed Class 4 Claims, and Allowed Class 6 Claims, consistent with the terms of this Plan;
- iii. To enforce the terms of the Plan Sponsorship Agreement to the extent necessary to fund the timely Distributions on account of all Allowed Administrative Expense Claims, Allowed Professional Fees, Statutory Fees, Allowed Class 4 Claims, and Allowed Class 6 Claims;
- iv. To retain persons and professionals to assist in carrying out the powers and duties enumerated pursuant to this Plan and/or Distribution Agent Agreement;
- v. To enter into contracts as necessary to assist in carrying out the powers and duties enumerated pursuant to this Plan and/or Distribution Agent Agreement;
- vi. To pay expenses incurred in carrying out the powers and duties enumerated in pursuant to this Plan and/or Distribution Agent Agreement, including professional fees incurred after the Effective Date;

- vii. To open and maintain bank accounts and deposit funds and draw checks and make disbursements in accordance with the Plan and/or Distribution Agent Agreement;
- viii. To effectuate any of the applicable provisions in this Plan and the Distribution Agent Agreement; and
- ix. At the appropriate time, to ask the Bankruptcy Court to enter the final decree if not done by the Reorganized Debtors.

(d) Distributions Under the Plan.

(1) Plan Administration.

The Plan provides that Distributions to (i) Priority Tax Claims, Class 1, Class 2, Class 3 and Class 7 shall be made by the Reorganized Debtors, (ii) Class 5 and any Administrative Claims related to accidents with the Taxi Vehicles or Medallions shall be made by the Management Companies, and (iii) Professional Fee Claims, Class 4 and Class 6 shall be made by the Distribution Agent in accordance with the provisions of the Plan.

(2) Dates of Distributions.

Distributions shall be made on the Distribution Dates in accordance with the Plan. Any distribution required to be made on the date on which a Claim becomes an Allowed Claim will be deemed to be made on such date if the distribution is made on the nearest Distribution Date occurring after such date.

(3) Manner of Distributions.

At the option of the Reorganized Debtor, Distribution Agent and/or the Management Companies, any cash distributions required under the Plan may be made in Cash, by wire transfer or by a check drawn on a domestic bank. No distributions shall be made on Claims that are less than one hundred (\$100.00) dollars in amount, unless request is made, in writing, to the Reorganized Debtors, Distribution Agent and Management Companies.

(4) Intercompany Claims.

Any inter-company claims by any of the Debtors which may be on the books for accounting purposes shall not share in any distributions under the Plan and shall be eliminated.

(5) Undeliverable and Unclaimed Distributions.

If any Holder's distribution is returned as undeliverable, the Reorganized Debtor, Distribution Agent and/or Management Companies will take reasonable steps to attempt to deliver the distribution to the Holder of the Allowed Claim. Any Holder of an Allowed Claim that does not advise the Reorganized Debtor, Distribution Agent and Management Companies that it has not received its, his or her distribution within four (4) months after the date of attempted distribution will have its, his or her Claim for such undeliverable distribution discharged and will be forever barred from asserting any such Claim against the Reorganized Debtor, Distribution Agent and the Management Companies or their property. Distributions must be negotiated within 120 days of the date of distribution. Any distributions which are undeliverable and unclaimed or have not been cashed within the time periods set forth above, shall become available for distribution to the Holders of Allowed Claims in accordance with the Plan and the Holder of an unclaimed or undeliverable distribution shall not be entitled to any further distribution under the Plan.

(e) Post-Confirmation Management.

(1) Managers and Directors of Reorganized Debtors.

On the Effective Date, the Reorganized Debtors' sole Manager and/or Director, as applicable, shall be Freidman.

(2) Other Management of the Debtors.

On the Effective Date, Freidman shall be the President and Chief Executive Officer or Managing Member of each of the Reorganized Debtors. The Reorganized Debtors shall have no other officers on the Effective Date.

(f) Corporate Action.

On the Effective Date, all actions contemplated by the Plan will be deemed authorized and approved in all respects (subject to the provisions of the Plan) and shall be deemed to have occurred and shall be in effect from and after the Effective Date pursuant to all applicable law and regulations without any requirement of further action by the Reorganized Debtors.

On the Effective Date, Freidman, in his capacity as President and Chief Executive Officer or Managing Member of the Reorganized Debtors is authorized and directed to execute and to deliver any and all agreements, documents and instruments and make all distributions contemplated by the Plan and/or necessary for the Consummation of the Plan.

(g) Dissolution of Creditors' Committee.

On the Effective Date, the powers and duties of the Creditors' Committee will terminate and the Creditors' Committee will cease to exist. The professionals retained by the Creditors' Committee and the members thereof shall not be entitled to compensation or reimbursement of expenses for any services rendered or expenses incurred after the Effective Date, except for services rendered and expenses incurred in connection with any applications by such professionals or Creditors' Committee members for allowance of compensation and reimbursement of expenses, related to pre Effective Date services rendered and disbursements, which is pending on the Effective Date or timely filed after the Effective Date as provided in the Plan, as approved by the Court. As of the Effective Date, all claims, rights or causes of action of any kind or nature of the Estate that the Creditors' Committee may hold, control or have the right

to prosecute, shall be deemed null and void and any right to pursue the Freidman Claims shall revert back to the Reorganized Debtors.

3.6. Conditions to Confirmation.

The following conditions must be satisfied on or before Confirmation of the Plan:

- i. The Initial Distribution Agent Deposit must be deposited in the attorney escrow account of Klestadt Winters Jureller Southard & Stevens, LLP, which will be used to satisfy Administrative Expense Claims as ordered by the Bankruptcy Court with the residual remitted to the Distribution Agent on the Effective Date; and
- ii. The entry of the Confirmation Order shall be in form and substance reasonably satisfactory to the Debtors and shall contain provisions that, among other things: (i) authorize the implementation of the Plan in accordance with its terms; (ii) approve in all respects the other settlements, transactions, and agreements to be effected pursuant to the Plan; and (iii) find that the Plan complies with all applicable provisions of the Bankruptcy Code, including that the Plan was proposed in good faith and that the Confirmation Order was not procured by fraud.

3.7. Conditions to Effective Date.

The occurrence of the Effective Date is subject to the satisfaction, or joint and express written waiver by the Debtors of each of the following conditions:

- i. the Confirmation Order has become a Final Order;
- ii. the New Citibank Notes and New Citibank Loan Documents shall have been executed and delivered to Citibank;

- iii. the Plan Sponsors shall have made the Initial Distribution Agent Deposit (of approximately \$1 million) into the escrow account of Debtors' counsel, and then to the Distribution Agent;
- iv. the Plan Sponsorship Agreement shall have been entered into;
- v. the Distribution Agent Agreement shall have been entered into; and
- vi. there is no stay or injunction in effect with respect to the Confirmation Order.

The Debtors in their sole discretion, may waive the Final Order condition in subpart (i) above at any time from and after the Confirmation Date. In that event, the Debtors will be entitled to render any or all of its performance under the Plan prior to what otherwise would be the Effective Date if the above-referenced conditions were not waived, including, but not limited to, the right to perform under any circumstances which would moot any appeal, review or other challenge of any kind to the Confirmation Order if the Confirmation Order is not stayed pending such appeal, review or other challenge.

3.8. Retention of Jurisdiction.

Notwithstanding entry of the Confirmation Order, or the occurrence of the Effective Date or "substantial consummation" of the Plan, the Chapter 11 Cases having been closed, or a Final Decree having been entered, the Bankruptcy Court shall have and retain jurisdiction of matters arising out of, and related to the Chapter 11 Cases and the Plan under, and for the purposes of, Bankruptcy Code §§ 105(a), 1127, 1142 and 1144 and for, among other things, the following purposes:

- (1) allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Equity Interest, including the resolution

of any request for payment of any Administrative Claim and the resolution of any and all objections to the allowance or priority of Claims or Equity Interests;

(2) grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan, for periods ending on or before the Effective Date;

(3) resolve any matters related to the assumption, assignment or rejection of any executory contract or unexpired lease to which a Debtor is party or with respect to which a Debtor may be liable and to hear, determine and, if necessary, liquidate any Claims arising therefrom, including those matters related to any amendment to the Plan after the Effective Date pursuant to Section 12.05 of the Plan, adding executory contracts or unexpired leases to the list of executory contracts and unexpired leases to be assumed;

(4) ensure that Distributions to holders of Allowed Claims and Allowed Equity Interests are accomplished pursuant to the provisions of the Plan;

(5) decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters, including, without limitation, Retained Causes of Action, and grant or deny any applications involving a Debtor that may be pending on the Effective Date or instituted by the Reorganized Debtors after the Effective Date, provided, however, that the Reorganized Debtors shall reserve the right to commence actions in all appropriate jurisdictions;

(6) enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all other contracts, instruments, releases, indentures and other agreements or documents adopted in connection with the Plan, Plan Supplement or the Disclosure Statement;

(7) resolve any cases, controversies, suits or disputes that may arise in connection with the Effective Date, interpretation or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;

(8) issue and enforce injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with the Effective Date or enforcement of the Plan, except as otherwise provided in the Plan;

(9) enforce Sections 10.02, 10.03, 10.04, and 10.05 of the Plan;

(10) resolve any cases, controversies, suits or disputes with respect to the releases, injunction and other provisions contained in Article X of the Plan, and enter such orders as may be necessary or appropriate to implement or enforce all such releases, injunctions and other provisions;

(11) enter and implement such orders as necessary or appropriate if the Confirmation Order is modified, stayed, reversed, revoked or vacated;

(12) resolve any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order, the Plan Sponsorship Agreement, the Distribution Agent Agreement or any contract, instrument, release, indenture or other agreement or document adopted in connection with the Plan or the Disclosure Statement; and

(13) enter an order and/or the decree contemplated in Fed. R. Bankr. P. 3022 closing the Chapter 11 Cases.

3.9. Failure Of Bankruptcy Court To Exercise Jurisdiction.

If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction, or is otherwise without jurisdiction over any matter arising under, arising in or related to the Bankruptcy Case, including any of the matters set forth in the Plan, the Plan shall not prohibit or

limit the exercise of jurisdiction by any other court of competent jurisdiction with respect to such matter.

3.10. Other Plan Provisions.

(a) Governing Law.

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules), the internal laws of the State of New York shall govern the construction and implementation of the Plan and any agreements, documents, and instruments executed in connection with the Plan, without regard to the conflict of laws provisions of the State of New York.

(b) Post-Effective Date Fees and Expenses.

From and after the Effective Date, the Reorganized Debtors and Distribution Agent shall, in the ordinary course of business and without the necessity of any approval by the Bankruptcy Court, pay the reasonable fees and expenses of professional persons thereafter incurred by the Reorganized Debtors and Distribution Agent, respectively, including without limitation, those fees and expenses incurred in connection with the implementation and consummation of the Plan.

(c) Compliance With Tax Requirements.

In connection with the Plan, the Debtors shall comply with all withholding and reporting requirements imposed by federal, state, local and foreign taxing authorities. Under Bankruptcy Code § 1146(a), the issuance, transfer, or exchange of a security, or the making or delivery of an instrument of transfer or merger agreement and related documents under the Plan shall not be taxed under any law imposing a stamp tax or similar tax.

(d) Severability.

Should any provision in the Plan be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any and all other provisions of the Plan.

(e) Successors And Assigns.

The rights, benefits and obligations of any Person named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, the heir, executor, administrator, successor or assign of such Person.

(f) Reliance.

The Reorganized Debtors and Distribution Agent, their agents, employees and professionals, while acting in their capacity to consummate and implement the Plan, including but not limited to, objecting to Claims, making Distributions to Creditors holding Allowed Claims, and approving settlement of actions, as the case may be, shall be permitted to reasonably rely on any certificates, sworn statements, instruments, reports, claim dockets, schedules, or other documents reasonably believed by it to be genuine and to have been prepared or presented by the Bankruptcy Court Clerk's Office, the Debtors, and the Debtors' Professional Persons.

(g) Bar Date for Administrative Expense Claims.

The Confirmation Order will establish an Administrative Claims Bar Date for filing Administrative Expense Claims (other than for Professional Person Claims), which will be thirty (30) days after the Effective Date of the Plan. Holders of asserted Administrative Expense Claims not paid before the Effective Date shall submit proofs of claim on or before such Administrative Claims Bar Date or forever be barred from doing so. The notice of Confirmation to be delivered under Bankruptcy Rules 3020(c) and 2002(f) will set forth such date and constitute notice of this Administrative Claims Bar Date. The Reorganized Debtors shall have

thirty (30) days (or such longer period as may be allowed by order of the Bankruptcy Court) following the Administrative Claims Bar Date to review and object to such Administrative Expense Claims before a hearing for determination of allowance of such Administrative Expense Claims.

(h) Withdrawal or Modification of the Plan.

The Debtors reserve the right to withdraw the Plan at any time before the entry of the Confirmation Order, in which event the Plan shall be deemed null and void and be of no force and effect as if it had never been drafted or filed.

The Debtors may alter, amend or modify the Plan at any time before Confirmation, provided that the Plan, as altered, amended or modified, satisfies the conditions of Bankruptcy Code §§ 1122 and 1123, and the Debtors shall have complied with Bankruptcy Code § 1125. However, the Bankruptcy Court may, in its discretion, require a new disclosure statement and/or re-voting on the Plan if Debtors modify the plan before Confirmation.

The Debtors may also seek to alter, amend or modify the Plan at any time after Confirmation so long as (1) the Plan has not been substantially consummated, (2) as altered, amended or modified the Plan satisfies the conditions of Bankruptcy Code §§ 1122 and 1123, and (3) the Bankruptcy Court authorizes the proposed modification after notice and a hearing under Bankruptcy Code § 1129.

A Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such Holder. Prior the Effective date, the Debtors may make appropriate technical non-material modifications to the Plan or the Disclosure Statement without further order or approval of the Bankruptcy Court,

provided that such technical modifications do not adversely affect the treatment of Holders of Claims or Equity Interest.

The Debtors further reserve the right to modify the treatment of any Allowed Claims at any time after the Effective Date of the Plan upon the consent of the Creditor whose Allowed Claim treatment is being modified, so long as no other Creditors are materially adversely affected.

(i) Good Faith.

Confirmation of the Plan will constitute a finding that the Plan has been proposed in good faith and in compliance with all applicable provisions of the Bankruptcy Code.

(j) Post-Confirmation Conversion/Dismissal.

A creditor or party in interest may bring a motion to convert or dismiss the Bankruptcy Case under Bankruptcy Code § 1112(b), after the Plan is confirmed, if there is a default in performance of the Plan or if cause exists under Bankruptcy Code § 1112(b). If the Bankruptcy Court orders the case converted to chapter 7 after the Plan is confirmed, then all property that had been property of the chapter 11 estate, and that has not been disbursed pursuant to the Plan, will re-vest in the chapter 7 estate, and the automatic stay will be re-imposed upon the re-vested property only to the extent that relief from stay was not previously granted by the Bankruptcy Court during this case. In addition, any Allowed Claims for Administrative Expenses which are not paid on the Effective Date shall continue to be entitled to administrative priority, under Bankruptcy Code § 507(a)(1) in any such subsequent Chapter 7 case to which this case is converted.

(k) Post-Confirmation Quarterly Fees.

Quarterly fees pursuant to 28 U.S.C. § 1930(a)(6) continue to be payable to the Office of the United States Trustee post-confirmation until such time as the case is converted, dismissed, or closed pursuant to Final Decree.

IV. CONFIRMATION REQUIREMENTS

PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THE PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON CONFIRMING A PLAN OF REORGANIZATION IS VERY COMPLEX. The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues, which they may wish to consider, as well as certain deadlines for filing claims. The proponents CANNOT and DO NOT represent that the discussion contained below is a complete summary of the law on this topic.

Many requirements must be met before the Bankruptcy Court can confirm a Plan. Some of the requirements include that the Plan must be proposed in good faith, that creditors or interest holders have accepted the Plan, that the Plan pays creditors at least as much as creditors would receive in a Chapter 7 liquidation, and that the Plan is feasible. These requirements are not the only requirements for confirmation.

4.1. Acceptance.

(a) Votes Necessary for a Class to Accept the Plan.

A Class of Claims is considered to have accepted the Plan when more than one-half ($\frac{1}{2}$) in number and at least two-thirds ($\frac{2}{3}$) in dollar amount of the Allowed Claims that actually voted, voted in favor of the Plan.

(b) Votes Necessary to Confirm the Plan.

If Impaired Classes exist, the Bankruptcy Court cannot confirm the Plan unless (1) at least one Impaired Class has accepted the Plan without counting the votes of any insiders within that class, and (2) all Impaired Classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cramdown” on non-accepting classes.

4.2. Liquidation Analysis.

Another confirmation requirement is the “Best Interest Test”, which requires a liquidation analysis. Under the Best Interest Test, if a Holder of a Claim or Equity Interest is in an Impaired Class and that Holder of a Claim or Equity Interest does not vote to accept the Plan, then that Holder of a Claim or Equity Interest must receive or retain under the Plan property of a value not less than the amount that such Holder would receive or retain if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code.

In order to calculate what creditors would recover in a chapter 7 liquidation, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the Debtors’ assets if the Chapter 11 Case was converted to chapter 7 and the assets were liquidated by a trustee in bankruptcy. Conversion of the Chapter 11 Case to a Chapter 7 Case will necessarily entail additional Administrative Claims, as there will be an additional layer of Administrative Expenses flowing from the appointment of a chapter 7 trustee, which will have priority with respect to unencumbered assets. Further, the chapter 7 trustee will likely also employ Professional Persons, many of the same types of Professionals Persons already retained by the Debtors, to assist him or her in the administration of the Debtors’ estate. However, the chapter 7 trustee would likely retain different Professional Persons than currently involved, resulting in a duplication of efforts, as the chapter 7 trustee’s professionals learn, at the estate’s expense, what the Debtors’ Professional Persons already know. Further, distributions would be

significantly delayed, as the chapter 7 trustee and related professionals attempted to familiarize themselves with the case background and fully administer the case, as distributions in a chapter 7 would not occur until the end of the case. After liquidation of assets, Secured Creditors are paid first from the sales proceeds of properties and other assets upon which the Secured Creditor has a Lien. Administrative Claims are paid next. Next, Unsecured Creditors are paid from any remaining sales proceeds, according to each creditors' respective rights to priority under the Bankruptcy Code. Unsecured Creditors with the same priority share in proportion to the amount of its Allowed Claims. Finally, Equity Interest Holders receive the balance that remains after all Creditors are paid, if any.

In order for the Bankruptcy Court to be able to confirm the Plan, the Bankruptcy Court must find that all Creditors and Equity Interest Holders who do not accept the Plan will receive at least as much under the Plan as such Holders would receive under a chapter 7 liquidation. The Debtors and their CRO have evaluated the return to Holders of Claims under the Plan and have compared that anticipated return with what they believe will be realized if a forced liquidation occurs in a chapter 7. Based on this evaluation and the assumptions set forth in the liquidation analysis affixed hereto as Exhibit C, the Debtors and their financial advisors believe that unsecured creditors will obtain a recovery from the estate under the Plan of a value in excess of what otherwise would be available if the assets of the Debtors were liquidated and distribution made pursuant to chapter 7 of the Bankruptcy Code.

The Debtors believe that in the event of a liquidation of their assets in a chapter 7, Holders of Allowed Class 3, Class 4, and Class 6 Claims would receive nothing on account of their respective Claims.

The liquidation analysis contains estimates of the amount of Claims that will ultimately be Allowed Claims. These estimates are based solely upon the CRO's review of the Debtors' books and records. No order has been entered to date estimating or otherwise fixing the amount of Claims in the projected amounts of Allowed Claims set forth in the liquidation analysis. These estimates should not be relied upon for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of Allowed Claims under the Plan.

The Debtors are unaware of any other avoidance action claims against any creditors or other parties in interest other than the potential Freidman Claims.

Based upon the foregoing, the Debtors respectfully submit that the Creditors will fare far better under the proposed Plan than under a chapter 7 liquidation and urges all Creditors to vote to accept the Plan.

4.3. Feasibility.

Another requirement for confirmation involves the feasibility of the Plan, which means that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan.

There are at least two important aspects of a feasibility analysis. The first aspect considers whether the Debtors will have enough Cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on such date. The second aspect considers whether the Debtors will have enough cash over the life of the Plan to make the required Plan payments.

In determining whether the Debtors meet these requirements, the Debtors prepared projections of its financial performance. These projections are annexed hereto as Exhibit B. The

Debtors believe that the projections indicate that they have sufficient cash flow to make all payments and distributions required under the Plan and that confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization. Therefore, the Debtors believe that the Plan complies with the financial feasibility standard of Bankruptcy Code § 1129(a)(11).

The attached projections are based upon certain assumptions that the Debtors believe to be reasonable under the circumstances; however, the Debtors makes no representation as to the achievability of the projections. Actual results may vary from the projected results and the variations may be material and adverse. Although the projections were prepared by the Debtors' management, they have not been audited by accountants. Although presented with numerical specificity, the projections are based on a variety of assumptions, some of which may not be realized. Moreover, the Debtors' future performance is subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Debtors. Consequently, the projections should not be regarded as a representation or guaranty by the Debtors or any other Person that the projections will be realized.

Most of the Cash payments to be made pursuant to this Plan are those payments required to be made after the Effective Date, which shall be paid over time. Also, the Plan Sponsors will make a contribution of approximately \$1 million prior to Confirmation of the Plan for the purpose of making Distributions required on the Effective Date. For that reason, the Debtors believe they will have sufficient Cash on hand on the Effective Date to implement the Plan. The Debtors also believe that the Plan Sponsor Funding Commitment, as set forth in the Plan Sponsor Agreement, will provide the Debtors with sufficient cash to make future distributions in the amounts and at the times required by the Plan.

4.4. Cramdown.

The Bankruptcy Code contains a provision for confirmation of a plan, even if the plan is not accepted by all Impaired Classes, provided at least one Impaired Class of Claims has voted to accept the plan. These “cramdown” provisions are set forth in Bankruptcy Code § 1129(b). According to this provision, the Plan may be confirmed if, in addition to satisfying other requirements of Bankruptcy Code § 1129, the Plan (i) “does not discriminate unfairly”; and (ii) “is fair and equitable with respect to each class of claims or equity interests that is impaired under, and has not accepted, the Plan.”

The requirement that the plan “not unfairly discriminate” means that a dissenting Class must be treated equally with respect to other Classes of equal rank. 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 by treating each Holder of a Claim in each Class the same, the Debtors submit that the Plan does not “discriminate unfairly” with respect to any class of Claims.

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 that the Holder of such Claim 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.

With respect to a Class of Unsecured Creditors, a plan can 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 any property under the plan on account of such junior Claim or Equity Interest.

4.5. Alternatives to Confirmation and Consummation of the Plan.

(a) Liquidation Under Chapter 7.

If no chapter 11 plan can be confirmed, the Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code in which a trustee(s) would be elected or appointed to liquidate the assets of the Debtors. A discussion of the effect that a chapter 7 liquidation would have on the recoveries of Holders of Claims is set forth above and in the attached liquidation analysis. The Debtors believe that liquidation under chapter 7 would result in no distribution to unsecured creditors.

(b) Alternative Plan of Reorganization.

If the Plan is not confirmed, the Debtors (or any other party in interest if the exclusivity period has expired or has been terminated) could attempt to formulate a different plan of reorganization. Such a plan might involve either a reorganization or an orderly liquidation of the Debtors and their assets. However, in the opinion of the Debtors, the Plan represents the best alternative to protect the interests of creditors and parties in interest and enables the Debtors to successfully emerge from chapter 11, preserve their business, maintain jobs and allow Creditors and Equity Holders to realize the highest recoveries under the circumstances. Also, the proposer of any alternative plan could not compel the Plan Sponsors to provide the funding and

commitments being provided in connection with the Plan as such provisions are strictly voluntary.

In a chapter 11 liquidation, the Debtors' assets would be sold in an orderly fashion, although a trustee would not be appointed unless otherwise ordered by the Bankruptcy Court. Accordingly, certain creditors would receive greater recoveries than in a chapter 7 liquidation, and a chapter 11 liquidation may be preferable to a chapter 7 liquidation. Notwithstanding the foregoing, the Debtors believe that a liquidation under chapter 11 is a much less attractive alternative than confirmation of the Plan because creditors will receive a greater return under the Plan.

V. EFFECT OF CONFIRMATION OF THE PLAN

5.1. Discharge.

IN CONJUNCTION WITH BANKRUPTCY CODE § 1141, EXCEPT AS OTHERWISE PROVIDED FOR HEREIN, THE RIGHTS AFFORDED HEREIN AND THE TREATMENT OF ALL CLAIMS AND EQUITY INTERESTS HEREIN SHALL BE IN EXCHANGE FOR AND IN COMPLETE SATISFACTION, DISCHARGE AND RELEASE OF CLAIMS AND EQUITY INTERESTS OF ANY NATURE WHATSOEVER, INCLUDING ANY INTEREST ACCRUED ON SUCH CLAIMS FROM AND AFTER THE PETITION DATE, AGAINST THE DEBTORS, AND OF THE ASSETS OR PROPERTIES OF THE DEBTORS' BANKRUPTCY ESTATES. EXCEPT AS OTHERWISE PROVIDED IN THE PLAN, (I) ON THE EFFECTIVE DATE, ALL CLAIMS AGAINST THE DEBTORS WHICH AROSE BEFORE THE CONFIRMATION DATE SHALL BE SATISFIED, DISCHARGED AND RELEASED IN FULL, (II) ON THE EFFECTIVE DATE, THE RIGHTS AND INTERESTS OF ALL HOLDERS OF OLD EQUITY INTERESTS SHALL BE TERMINATED, CANCELED AND OF NO FORCE AND EFFECT, AND (III) ALL PERSONS SHALL BE

PRECLUDED FROM ASSERTING AGAINST THE DEBTORS OR REORGANIZED DEBTORS THEIR SUCCESSORS, OR ANY OF THEIR ASSETS OR PROPERTIES ANY OTHER OR FURTHER CLAIMS OR EQUITY INTERESTS BASED UPON ANY ACT OR OMISSION, TRANSACTION OR OTHER ACTIVITY OF ANY KIND OR NATURE THAT OCCURRED BEFORE THE CONFIRMATION DATE, AS WELL AS ANY DEBT OF A KIND SPECIFIED IN BANKRUPTCY CODE §§ 502(G), 502(H), OR 502(I), IRRESPECTIVE OF WHETHER (X) A PROOF OF CLAIM BASED ON SUCH A DEBT HAS BEEN FILED, OR DEEMED TO HAVE BEEN FILED, UNDER BANKRUPTCY CODE §§ 501 OR 1111(a), (Y) SUCH CLAIM IS ALLOWED UNDER BANKRUPTCY CODE § 502, OR (Z) THE HOLDER OF THE CLAIM HAS ACCEPTED THE PLAN.

5.2. Binding Effect of Plan/Injunction.

UPON THE EFFECTIVE DATE, BANKRUPTCY CODE § 1141 SHALL BECOME APPLICABLE WITH RESPECT TO THE PLAN AND THE PLAN SHALL BE BINDING ON ALL PARTIES TO THE FULLEST EXTENT PERMITTED BY BANKRUPTCY CODE § 1141(a). IN ACCORDANCE WITH BANKRUPTCY CODE § 1141, ALL OF THE DEBTORS' PROPERTY SHALL BE VESTED IN THE REORGANIZED DEBTORS FREE AND CLEAR OF ALL CLAIMS, LIENS AND INTERESTS OF CREDITORS AND EQUITY INTEREST HOLDERS.

UPON THE EFFECTIVE DATE, ALL PERSONS AND ENTITIES SHALL BE PERMANENTLY ENJOINED BY THE PLAN FROM COMMENCING OR CONTINUING ANY ACTION, EMPLOYING ANY PROCESS, ASSERTING OR UNDERTAKING AN ACT TO COLLECT, RECOVER, OR OFFSET, DIRECTLY OR INDIRECTLY, ANY CLAIM, RIGHTS, CAUSES OF ACTION, LIABILITIES OR INTERESTS IN OR AGAINST ANY PROPERTY DISTRIBUTED OR TO BE DISTRIBUTED UNDER THE PLAN, OR VESTED

IN THE REORGANIZED DEBTORS, BASED UPON ANY ACT, OMISSION, TRANSACTION, OR OTHER ACTIVITY THAT OCCURRED BEFORE THE EFFECTIVE DATE, EXCEPT TO THE EXTENT A PERSON OR ENTITY HOLDS AN ALLOWED CLAIM UNDER THE PLAN AND IS ENTITLED TO A DISTRIBUTION UNDER THE PLAN IN ACCORDANCE WITH ITS TERMS, AND TO ENFORCE ITS RIGHTS TO DISTRIBUTION UNDER THE PLAN.

5.3. Releases.

AS OF THE EFFECTIVE DATE, IN CONSIDERATION FOR THE VALUE PROVIDED TO EFFECTUATE THE PLAN, TO THE FULLEST EXTENT PERMISSIBLE UNDER LAW, THE HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE DEEMED TO RELEASE AND FOREVER WAIVE AND DISCHARGE AS AGAINST THE DEBTORS, FREIDMAN, THE MANAGEMENT COMPANIES, AND EACH OF THE RESPECTIVE AFFILIATES (PAST AND PRESENT), PARENT COMPANIES AND SUBSIDIARIES, MEMBERS, PARTNERS, SUCCESSORS, HEIRS, ASSIGNS, REPRESENTATIVES, ATTORNEYS, ACCOUNTANTS, AGENTS, INVESTMENT BANKERS, CONSULTANTS, OFFICERS AND DIRECTORS AND FINANCIAL ADVISORS OF THE FOREGOING: ALL ACTIONS, COSTS, CLAIMS, CAUSES OF ACTION, DAMAGES, DEMANDS DEBTS, EXPENSES (INCLUDING ATTORNEYS' FEES), JUDGMENTS, LOSSES (INCLUDING ANY CLAIMS FOR CONTRIBUTION NOR INDEMNIFICATION), LIABILITIES, OBLIGATIONS, RIGHTS OR SUITS, WHETHER MATURED OR UNMATURED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, THEN EXISTING OR THEREAFTER ARISING, IN LAW, EQUITY OR OTHERWISE THAT ARE BASED IN WHOLE OR PART ON ANY ACT, OMISSION, TRANSACTION, EVENT OR OTHER OCCURRENCE TAKING PLACE ON OR PRIOR TO THE EFFECTIVE DATE RELATING IN ANY WAY

TO THE DEBTORS OR THE CASE; PROVIDED, THAT THE FOREGOING SHALL NOT CONSTITUTE A WAIVER OR RELEASE OF ANY RIGHT OF THE HOLDER OF AN ALLOWED CLAIM OR ANY OF THE RIGHTS OF ANY PARTIES IN RESPECT OF LIABILITIES ASSUMED BY THE REORGANIZED DEBTORS UNDER THIS PLAN, THE RELEASES SET FORTH IN THIS PARAGRAPH SHALL BE BINDING UPON AND SHALL INURE TO THE BENEFIT OF THE REORGANIZED DEBTORS.

5.4. Exculpation and Limitation of Liability.

THE DEBTORS, THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, ATTORNEYS, ACCOUNTANTS, INVESTMENT BANKERS, RESTRUCTURING CONSULTANTS AND FINANCIAL ADVISORS, AND THE CREDITORS' COMMITTEE, ITS MEMBERS (SOLELY IN THEIR CAPACITY AS MEMBERS OF THE CREDITORS' COMMITTEE) AND ITS ATTORNEYS AND FINANCIAL ADVISORS, IF ANY, SHALL NOT HAVE NOR INCUR ANY LIABILITY TO ANY PERSON OR ENTITY FOR ANY ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH, OR RELATED TO THE FORMULATION, NEGOTIATION, PREPARATION, DISSEMINATION, SOLICITATION, IMPLEMENTATION, ADMINISTRATION, CONFIRMATION OR CONSUMMATION OF THE PLAN, THE DISCLOSURE STATEMENT OR ANY OTHER CONTRACT, INSTRUMENT, RELEASE OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO IN CONNECTION WITH THE PLAN OR ANY OTHER ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH OR IN CONTEMPLATION OF THE RESTRUCTURING OF THE DEBTORS; PROVIDED HOWEVER, THAT THE FOREGOING PROVISIONS OF THIS SECTION. SHALL HAVE NO EFFECT ON THE LIABILITY OF ANY PERSON OR ENTITY THAT RESULTS FROM ANY SUCH ACT OR

OMISSION THAT IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

5.5. Freidman Preservation and Injunction.

NOTHING IN THE PLAN SHALL BE DEEMED TO HAVE RELEASED FREIDMAN OF ANY OBLIGATION HE HAS TO THE DEBTORS TO REPAY THE SHAREHOLDER LOANS. ALL RIGHTS OF THE DEBTORS, AND ANY COUNTERCLAIMS AND DEFENSES OF FREIDMAN, ARE STRICTLY PRESERVED (INCLUDING COUNTERCLAIMS AND DEFENSES FREIDMAN MIGHT HAVE AS EVIDENCED BY THE FREIDMAN CLAIMS).

HOWEVER, THE PLAN PROVIDES THAT IN CONSIDERATION OF THE SUBSTANTIAL BENEFITS PROVIDED BY OR ON BEHALF OF FREIDMAN IN THE PLAN, AND THE CONTRIBUTIONS MADE BY THE PLAN SPONSORS UNDER THE PLAN SPONSORSHIP AGREEMENT, AND SO LONG AS THERE IS NO DEFAULT UNDER THE PLAN SPONSORSHIP AGREEMENT AND THE REORGANIZED DEBTORS AND DISTRIBUTION AGENT HAVE MADE ALL DISTRIBUTIONS REQUIRED UNDER THE PLAN, THEN THE HOLDERS OF ALL CLAIMS, INCLUDING BUT NOT LIMITED TO CITIBANK, SHALL BE ENJOINED FROM THE FOLLOWING FROM AND AFTER THE EFFECTIVE DATE:

- i. COMMENCING OR CONTINUING IN ANY MANNER OR IN ANY PLACE, ANY ACTION, EMPLOYMENT OF PROCESS, OR OTHER PROCEEDING OF ANY KIND AGAINST FREIDMAN OR THE FREIDMAN ENTITIES, THEIR SUCCESSORS AND ASSIGNS, AND ANY OF THEIR RESPECTIVE ASSETS AND PROPERTIES;
- ii. ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST FREIDMAN OR THE FREIDMAN ENTITIES, THEIR SUCCESSORS AND ASSIGNS, AND ANY OF THEIR RESPECTIVE ASSETS AND PROPERTIES;

- iii. CREATING, PERFECTING OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST FREIDMAN OR THE FREIDMAN ENTITIES, THEIR SUCCESSORS AND ASSIGNS, AND ANY OF THEIR RESPECTIVE ASSETS AND PROPERTIES; OR
- iv. ASSERTING ANY RIGHT OF SETOFF OR SUBROGATION OF ANY KIND AGAINST ANY OBLIGATION DUE FROM FREIDMAN OR THE FREIDMAN ENTITIES, OR THEIR RESPECTIVE SUCCESSORS AND ASSIGNS, OR AGAINST ANY OF THEIR RESPECTIVE ASSETS AND PROPERTIES.

THE PLAN FURTHER PROVIDES THAT ALL STATUTES OF LIMITATIONS WITH RESPECT TO ANY CLAIMS OR CAUSES OF ACTION BY THE REORGANIZED DEBTORS WITH RESPECT TO COLLECTING ON THE SHAREHOLDER LOANS, AND ANY DEFENSES OR SETOFFS THERETO THAT MAY BE ASSERTED BY FREIDMAN OR THE FREIDMAN ENTITIES, SHALL BE TOLLED FOR THE DURATION OF THE INJUNCTION GRANTED UNDER THE PLAN.

5.6. No Limitations on Effect of Confirmation.

Nothing contained in the Plan or this Disclosure Statement will limit, waive or restrict in any way the effect of Confirmation as set forth in Bankruptcy Code § 1141. Confirmation will bind the Debtors, all Creditors, Equity Interest Holders and other parties in interest to the provisions of the Plan, whether or not the Claim or Equity Interest of such Creditor or Equity Interest Holder is Impaired under the Plan and whether or not such Creditor or Equity Interest Holder has accepted the Plan and whether or not a proof of Claim or Equity Interest has been filed or deemed to have been filed under Bankruptcy Code §§ 501 or 1111(a), or such Claim or Equity Interest is allowed under Bankruptcy Code § 502.

5.7. Preservation of Rights of Action.

The Debtors as Reorganized Debtors reserve the right to commence and pursue, after Confirmation, Causes of Action, whether arising prior to or after the Petition Date, in any court

or other tribunal. Unless a Cause of Action is expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order, the Debtors on behalf of themselves and as the Reorganized Debtors expressly reserves all Causes of Action for later adjudication and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches shall apply to any Causes of Action upon Confirmation or the Effective Date.

After investigation, the Debtors are not aware of any material claims that they may have against any third parties that are not already the subject of pending litigation or that would not be asserted as a defense to a filed Proof of Claim.

5.8. Revesting of Property in the Reorganized Debtors.

Except as otherwise expressly provided in the Plan or in the Confirmation Order, on the Effective Date, but retroactive to the Confirmation Date, without any further action, the Reorganized Debtors will be vested with all of the property of the Debtors' estate, wherever situate, free and clear of all Claims, Liens and Old Equity Interests, and may operate their businesses and may use, acquire or dispose of their assets free of any restrictions imposed by the Bankruptcy Code or by the Bankruptcy Court. Without limiting the generality of the foregoing and except as otherwise expressly provided herein or in the Confirmation Order, any Causes of Action will be preserved and retained solely for the Reorganized Debtors' commencement, prosecution, use and benefit.

5.9. Maintenance of Administrative Expense Claim Status Post-Discharge.

Notwithstanding any discharge granted to the Debtors, Allowed Administrative Expense Claims shall maintain their administrative priority status under Bankruptcy Code § 507(a)(2) until paid in full.

VI. RISK FACTORS

The following discussion is intended to be a non-exclusive summary of certain risks attendant upon the consummation of the Plan. You are encouraged to supplement this summary with your own analysis and evaluation of the Plan and Disclosure Statement, in its entirety, and in consultation with your own advisors. Based on the analysis of the risks summarized below, the Debtors believe that the Plan is viable and will meet all requirements of confirmation:

6.1. Business Risks.

There can be no assurance that the industry conditions under which the Debtors operate will enable it to successfully implement new programs, achieve the revenues, or obtain the margins thereon that the Debtors relied upon to project future business prospects.

Additionally, it is uncertain what effect, if any, this case may have had upon the Debtors' continued operations. Some entities are uncomfortable doing business with a company that has sought protection under the Bankruptcy Code. Accordingly, it is uncertain whether these proceedings might have an adverse effect on the Debtors' relationships with customers and/or employees.

6.2. Tax Consequences.

SUBSTANTIAL UNCERTAINTY EXISTS WITH RESPECT TO TAX ISSUES REGARDING YOUR TREATMENT UNDER THIS PLAN. THEREFORE, EACH HOLDER OF A CLAIM IS URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE PLAN. NO RULINGS HAVE BEEN REQUESTED FROM THE INTERNAL REVENUE SERVICE WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN (INCLUDING THE STATEMENT SET FORTH BELOW). THE TAX CONSEQUENCES OF THE PLAN COULD BE COMPLEX AND, IN MANY AREAS, UNCERTAIN. THEREFORE, EACH

HOLDER OF A CLAIM IS STRONGLY URGED TO CAREFULLY REVIEW THE TAX DISCLOSURE PROVIDED HEREIN BUT NOT TO RELY ON ANYTHING CONTAINED IN THIS PLAN AND TO CONSULT HIS OR HER OWN TAX ADVISOR REGARDING SUCH CONSEQUENCES.

THE FOREGOING IS A SUMMARY ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE TAX CONSEQUENCES OF THE PLAN COULD BE COMPLEX AND, IN MANY AREAS, UNCERTAIN. THEREFORE, EACH HOLDER OF A CLAIM IS STRONGLY URGED NOT TO RELY ON THE FOREGOING AND TO CONSULT HIS OR HER OWN TAX ADVISOR REGARDING SUCH CONSEQUENCES.

6.3. Bankruptcy Risks.

If Administrative Expense Claims or Priority Tax or Non-Tax Claims are determined to be Allowed Claims in amounts greatly exceeding the Debtors' estimates, or if Holders of Allowed Administrative Expense Claims do not consent to the payment in accordance with the Plan terms, there may be insufficient Cash on the Effective Date to pay such Claims, and the Plan may not become effective.

Additionally, the distributions and recoveries estimated in this Disclosure Statement are based on the Debtors' estimates of Allowed Claims. The Debtors project that the Claims asserted against it will be resolved and reduced to an amount that approximates its estimates and will seek an order or orders from the Bankruptcy Court estimating the dollar amount of certain Allowed and Disputed Claims. There can be no assurance that such assumptions will prove accurate. Moreover, if and to the extent that the Debtors have underestimated the amount of Allowed Claims or reserves for Disputed Claims, the Debtors could be required to redirect Cash

to such Disputed Cash reserves, resulting in a potential dilution of available Cash. The Debtors reserve the right to object to the amount or classification of any Claim.

VII. CONCLUSION

It is extremely important for you to exercise your right to vote on the Plan. A Ballot is being provided to you simultaneously herewith for voting purposes, together with a copy of the Order establishing the hearing date to consider confirmation of the Plan.

The Plan provides a distribution to Administration Expense, Priority and General Unsecured Creditors, in excess of what could possibly be expected in the event of a chapter 7 liquidation. **AS SUCH, THE DEBTORS SUBMIT THAT THE PLAN IS FAIR AND EQUITABLE AND IN THE BEST INTEREST OF ALL HOLDERS OF CLAIMS AND INTERESTS AND URGES ALL SUCH HOLDERS THAT ARE ENTITLED TO VOTE ON THE PLAN TO VOTE TO ACCEPT THE PLAN.**

Dated: March 14, 2016

By: /s/ Joshua Rizack
Name: Joshua Rizack
Title: Chief Restructuring Officer

Exhibit A

Plan of Reorganization

Exhibit B

Cash Flow Projections (5 Years)

(to be provided in supplement)

Exhibit C

Liquidation Analysis

(to be provided in supplement)

Exhibit D

Plan Sponsorship Agreement

(to be provided in supplement)

Exhibit E

Distribution Agent Agreement

(to be provided in supplement)

Exhibit F

Form New Citibank Promissory Note

(to be provided in supplement)

Exhibit G

Form New Management Company Agreements

(to be provided in supplement)

Exhibit H

List of Assumed Executor Contracts and Unexpired Leases

(to be provided in supplement)