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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

-----X
In re:

JNL FUNDING, CORP.,

Debtor.

-----X
In re:

JOSEPH G. FORGIONE,

Debtor.

-----X

Case No.: 10-73724-ast

Chapter 11

(Jointly Administered)

Case No.: 10-73726-ast

Chapter 11

DEBTORS' JOINT DISCLOSURE STATEMENT

This Joint Disclosure Statement is filed pursuant to Section 1125 of Title 11 of the United States Code (the "Bankruptcy Code"), on behalf of JNL Funding Corp. ("JNL") and Joseph G. Forgione ("Forgione"), the debtors and debtors-in-possession (collectively, "Debtors") in the above-captioned jointly administered Chapter 11 Cases in connection with the Joint Chapter 11 Plan of Reorganization (the "Plan") filed by Debtors, the Consolidated Official Committee of Unsecured Creditors (the "Committee"), and Textron Financial Corporation and TD Bank, N.A, f/k/a TD BankNorth, N.A. ("TD") (collectively, "TFC", and with the Debtors

and the Committee, the "Plan Proponents") in the Chapter 11 Cases. (The Plan is annexed hereto as Exhibit "A".)

THIS IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS 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 BY THE BANKRUPTCY COURT, BUT HAS NOT BEEN APPROVED.

I.

INTRODUCTION/NOTICE OF HEARING

Pursuant to Section 1125 of the "Bankruptcy Code", the Debtors in these jointly administered Chapter 11 Cases, provide this Joint Disclosure Statement (the "Disclosure Statement") to all of their known Creditors and other parties in interest in order to provide information deemed by the Debtors to be material and necessary to enable such Creditors and parties in interest to make a reasonably informed decision in the exercise of their rights to vote on and participate in the Plan.

Terms utilized in this Disclosure Statement, if not defined herein, shall have the same meaning as used or defined in the Plan unless the context hereof requires a different meaning.

The information contained in this Disclosure Statement is based on the representations made by the Debtors in their Petition and Schedules, monthly operating reports, and all other documents and information provided by the Debtors. While the information and documentation submitted herewith is believed to be accurate, it has not been subjected to a certified audit or independent review. Therefore, no representation or warranty is made as to its accuracy or completeness. The Debtors have reasonably endeavored to obtain and supply all

material information on an accurate basis. The Bankruptcy Court will conduct a hearing on the adequacy of the Disclosure Statement.

THE BANKRUPTCY COURT HAS SET APRIL 27, 2010 AT 9:30 A.M. AS THE DATE AND TIME OF THE HEARING ON APPROVAL OF THE DISCLOSURE STATEMENT AND OBJECTIONS THERETO, WHICH HEARING WILL BE HELD IN THE UNITED STATES BANKRUPTCY COURT, EASTERN DISTRICT OF NEW YORK, 290 FEDERAL PLAZA, CENTRAL ISLIP, NEW YORK 11722, ROOM 960. CREDITORS OF, AND HOLDERS OF INTERESTS IN, THE DEBTORS MAY ATTEND SUCH HEARING. THE BANKRUPTCY COURT HAS SET APRIL __, 2010 AT 12:30 P.M. AS THE DATE AND TIME BY WHICH ALL WRITTEN OBJECTIONS TO THE DISCLOSURE STATEMENT SHALL BE FILED WITH THE BANKRUPTCY COURT AND SERVED UPON THE ATTORNEYS FOR THE PLAN PROPONENTS AND THE UNITED STATES TRUSTEE ("UST").

IN ORDER TO BE CONFIRMED, THE PLAN MUST BE ACCEPTED BY A MAJORITY IN NUMBER AND TWO-THIRDS IN AMOUNT OF THOSE VOTING IN EACH CLASS IMPAIRED UNDER THE PLAN.

YOU ARE URGED TO REVIEW THE PLAN AND THIS DISCLOSURE STATEMENT WITH COUNSEL OF YOUR CHOICE.

THE DEBTORS BELIEVE THAT THE TREATMENT OF CREDITORS UNDER THE PLAN CONTEMPLATES A GREATER RECOVERY FOR SUCH CREDITORS THAN WOULD BE AVAILABLE UNDER ANY ALTERNATIVE PLAN OR IN A CHAPTER 7 LIQUIDATION. IN THIS REGARD, THE FOLLOWING IMPORTANT BENEFITS ARE NOTED:

THE PLAN OFFERS GENERAL UNSECURED CREDITORS THE OPPORTUNITY TO OBTAIN AN APPROXIMATELY 10% DISTRIBUTION OF THEIR ALLOWED CLAIMS IN INSTALLMENTS OVER NOT MORE THAN FOUR YEARS FROM THE EFFECTIVE DATE OF THE PLAN. CONVERSELY, NO DISTRIBUTION WOULD LIKELY BE AVAILABLE TO UNSECURED CREDITORS IN A CHAPTER 7 LIQUIDATION OF JNL, AND A DISTRIBUTION SUBSTANTIALLY LESS THAN THAT PROPOSED IN THE PLAN WOULD BE LIKELY TO UNSECURED CREDITORS IN A CHAPTER 7 LIQUIDATION OF FORGIONE. ALSO THE PLAN AVOIDS SIGNIFICANT POTENTIAL LITIGATION AGAINST MANY OF THE UNSECURED CREDITORS.

ACCORDINGLY, DEBTORS BELIEVE THAT CONFIRMATION OF THE PLAN IS IN THE BEST INTEREST OF CREDITORS AND RECOMMEND THAT CREDITORS ACCEPT THE PLAN.

Other than the information set forth in this Disclosure Statement, the Debtors have not authorized any person or entity to make representations concerning the Debtors, their businesses, future income, the value of their assets, or the amounts to be distributed under the Plan. Any representations or inducements made to secure your acceptance of the Plan other than as contained in this Disclosure Statement should not be relied upon by you in determining whether to accept or reject the Plan.

I.

PRE-PETITION HISTORY OF THE DEBTORS

A. The Business of JNL.

JNL is a specialty real estate finance company that provides short-term financing for borrowers with specialized expertise in the acquisition, rehabilitation, and resale of vacant one to four family residential properties in New York City and Long Island, New York. JNL also offers construction financing for the properties subject to its mortgages and for special situations. JNL's loans are secured by first mortgages on the properties being acquired and/or rehabilitated by the borrower, and are generally personally guaranteed by the principals of the borrower. Most of JNL's loans are made to repeat customers who have multiple loans from Debtor at any given time. JNL currently has approximately 64 mortgage loans outstanding with an aggregate principal balance of approximately \$43,581,186, as of January 31, 2011.

JNL's recent loans typically bear interest at the rate of 14% per annum and JNL typically receives four (4.0) percentage points for originating the loan. JNL's loans to its borrowers are non-cash flowing loans. The points, accrued interest, and principal are paid to

JNL upon the closing of the borrower's sale of the subject property or refinancing of the JNL mortgage. JNL lends money to its clients based upon a percentage of the appraised value of the property. At the inception of JNL's dealings with TFC in August 2006 and in a portion of 2007, JNL would lend money in amounts up to 70% of the appraised value of the subject property ("Loan to Value" or "LTV"). Given changes in market conditions, starting in 2007, JNL steadily reduced the LTV upon which it was willing to lend from 70% LTV to 50% LTV. After 2007, JNL's loans have usually been based on 50% LTV.

The amount actually received by the borrower however was, in fact less, because the actual amount disbursed to the borrower was net of all of the fees due and owing to JNL. For example, if JNL obtained an appraisal of a subject property in the amount of \$100,000, JNL would lend on that property an amount up to only \$50,000, based on a 50% LTV. From the \$50,000 loan amount, JNL would deduct its fees consisting of four origination points (4.0%) plus accrued interest at the rate of 14% per annum, for a total of 18.0% of the loan principal of \$50,000 or \$9,000, so that the net amount funded to the borrower would be \$41,000. Thus, JNL's net exposure was approximately 41% of the value of the property on the day the loan funded, with the LTV increasing each day thereafter.

When JNL is funding construction or repairs, it often loans an amount based on the "as repaired" value of the property but creates a reserve for the anticipated construction or repair costs, which is deducted from the loan amount at the closing of the loan. The repair or construction costs are only advanced by JNL after the work is completed and verified by JNL's inspector. For example, if \$10,000 in repairs is budgeted for in a loan made by JNL, that amount is deducted from the total loan proceeds advanced upon the closing of the loan and is only advanced upon satisfactory proof that the repairs have been made. Prior to making a loan, JNL

obtains an independent appraisal of the “as repaired” and “as is” value of the property securing the loan, and typically loans on a 50% loan to value ratio on the “as repaired” value.

Knowing the precise timing of the funding of any particular loan is difficult because of the nature of JNL's business. Since JNL is not a bank, but a "hard money" lender, borrowers are willing to pay fees in excess of bank charges because JNL can issue a term sheet and then fund on short notice. Since JNL's buyers are purchasing their properties for investment purposes they are usually paying substantially below market prices. The properties are sold by real estate owned (REO) bank departments or individual sellers. At the time the borrowers negotiate for the properties they are generally not ready for sale because of title issues, violations, back taxes, estate issues, or as a result of the difference in the asking price and the offering price. The contracts between the seller and the buyer generally are of a “time of the essence” nature, subject to resolution of the outstanding issues. However, it is not possible to know the exact date of funding because the date is dependant upon the above issues being resolved. Historically, JNL has issued a term sheet for these transactions and as long as all of JNL's conditions are met, JNL can close promptly.

When JNL is funding construction loans, it knows the total amount that it is obligated to advance the timing of each advance is almost impossible to predict because it cannot be known with certainty when a particular aspect of a project may be completed such that the borrower will request additional funds.

JNL typically has several loans for which it has already issued term sheets and is awaiting the necessary documentation for funding. These loans are considered to be in the "pipe line" and, although JNL is aware that it has issued a term sheet, JNL cannot predict precisely

when all of the elements required for closing will be completed by the borrower which will then allow JNL to fund. In fact, some of these loans may not fund at all.

It is also impossible to predict the timing of loan payoffs, which usually occurs when the subject property is sold, because there are a number of variables. The repair of the properties must be completed before they can be sold, and the properties must be marketed so as to maximize the purchase price. Once a purchaser is found, the purchaser requires bank funding, and the funding process has slowed dramatically due to the current nature of the real estate market. Banks often want additional appraisals as well as additional documentation, and are constantly changing their guidelines, which adds to the uncertainty of the timing of the repayment of the loans.

B. Formation of JNL.

JNL is a New York corporation formed in September 2002. It commenced operations in 2003, and has elected to be treated as a small business corporation (S Corporation) for federal and state income tax purposes. Forgione is the President and owner of 100% of the voting shares of JNL. The Forgione Family 2003 Trust (the "Trust") is the owner of 100% of the non-voting shares of JNL.

Prior to forming JNL, Forgione operated a sole proprietorship known as Joseph Forgione d/b/a JNL Funding ("DBA"). DBA was started in 1998. DBA first invested in construction loans and later added residential rehabilitation loans to its portfolio. The original source of the funds lent by DBA to its borrower customers came from a combination of Forgione's personal capital as well as that of private investors ("Note Holders") who made unsecured loans to Forgione evidenced by promissory notes. After JNL was incorporated in 2002, as loans made by DBA matured and were paid off, the proceeds were contributed to JNL

to fund additional loans. JNL's business increased and by 2006, it became apparent that funding from investors alone would not generate sufficient capital to accommodate all of JNL's new business.

C. The TFC Loan Agreement.

On August 18, 2006, JNL and TFC entered into a "Loan and Security Agreement Among JNL Funding Corp., as Borrower, Each of the Financial Institutions Signatory Hereto, as Lenders, and Textron Financial Corporation, as Agent", dated as of August 18, 2006 (the "Loan Agreement"). Pursuant to Paragraph 1.1(a) of the Loan Agreement and the definition of "Maximum Credit" in the Loan Agreement, the Loan Agreement provided for TFC to make available to JNL a secured revolving credit facility (the "TFC Facility") in a maximum amount of \$25 Million. As collateral security for JNL's obligations under the Loan Agreement, JNL gave TFC a first priority blanket security interest in all of JNL's assets, including without limitation, the mortgages made by JNL prior to and after the commencement of the Loan Agreement, and the proceeds of all such mortgages.

In connection with the Loan Agreement, Forgione executed and delivered to TFC a personal guaranty, limited to damages to TFC arising from fraud, intentional misrepresentation or intentional omission committed by Forgione or a breach of any of the representations and warranties set forth at paragraph 6 of the guaranty agreement, and Forgione gave TFC a pledge of all of his stock in JNL as additional collateral security for JNL's and Forgione's obligations under the Loan Agreement and guaranty.

Under the Loan Agreement, all proceeds received by JNL from its mortgages were deposited directly into a TFC account under TFC's exclusive control, and JNL was required to requisition from TFC all funds needed for operations and capital distributions.

On March 26, 2007, JNL, as borrower, and TFC, "as Agent and sole Lender", entered into a First Amendment to Loan and Security Agreement, dated as of March 27, 2007, amending the Loan Agreement ("First Amendment"). The First Amendment amended the definition of "Maximum Credit" in the Loan Agreement, to increase the maximum available credit under the TFC Facility to \$30 Million. In June 2007, JNL, as borrower, TFC, as the original lender, and as agent for the lenders, and TD entered into a Second Amendment to Loan and Security Agreement, dated as of June 1, 2007, amending the Loan Agreement ("Second Amendment"). The Second Amendment added TD as a lender, amended the definition of "Maximum Credit" in the Loan Agreement, to increase the maximum available credit under the TFC Facility to \$50 Million, and amended the term of the Loan Agreement to expire on June 1, 2010.

A significant portion of the TFC Facility was used by Forgione to pay his personal loan obligations to the Note Holders.

Since August of 2006, JNL borrowed approximately \$153,000,000 from TFC and repaid approximately \$122,000,000.

D. The Matrimonial Action.

Forgione and Kathy Forgione were married on August 24, 1991 and have three (3) minor children. In 2009, Kathy Forgione commenced an action for divorce and related relief against Forgione, entitled "*Kathy Forgione, Plaintiff, -against- Joseph Forgione, Defendant*", which is pending in the Supreme Court of the State of New York, County of Nassau, Index No.

203361/2009 (the “Matrimonial Action”). There has been no order or judgment entered in the Matrimonial Action regarding child support, maintenance or equitable distribution payable by either party to the other.

III.

EVENTS LEADING UP TO CHAPTER 11

On October 17, 2008, TFC announced its intent to exit some lines of business, including the group that provided the TFC Facility to JNL. Despite extensive negotiations between JNL and TFC to obtain either an extension of the TFC Facility (which was due to expire/mature on June 1, 2010) from TFC, or a new credit facility from TD, TFC and TD elected not to continue financing JNL.

By letter dated April 15, 2010, TFC notified JNL of alleged breaches of the requirements in the Loan Agreement.

On May 5, 2010, TFC ceased funding JNL requests for draw-downs under the TFC Facility. As a result, JNL was unable to fund new and existing loans, construction advances or its operating expenses.

By letter dated May 11, 2010, from TFC’s counsel, TFC declared the Loan Agreement terminated, demanded payment in full of the loan principal in the amount of \$31,168,105.72, plus default rate interest, an early termination fee of \$375,000, attorneys fees, and expenses.

On May 12, 2010, TFC sent a letter to JNL’s customers instructing them to make all payments of principal and interest on JNL mortgages directly to TFC.

Faced with the possibility that TFC would seek to take possession of its collateral and shut down JNL’s operations, JNL filed its Chapter 11 petition on May 14, 2010 (the “Filing

Date”). Because Forgione had given TFC a pledge of his voting stock in JNL as collateral security for his limited guaranty of JNL’s obligations under the TFC Facility, Forgione was presented with the possibility that TFC would take control of his stock and divest him of control over JNL and the JMNL Chapter 11 Case. Accordingly, Forgione also filed his voluntary Chapter 11 petition on the Filing Date.

IV.

HISTORY OF THE DEBTORS’ CHAPTER 11 CASES

A. Procedural Background.

The Debtors commenced these cases by filing voluntary petitions, pursuant to Chapter 11 of the Bankruptcy Code, with the Bankruptcy Court for the Eastern District of New York (the “Bankruptcy Court”) on the Filing Date.

On June 8, 2010, the United States Trustee (“UST”) appointed the Committee in the JNL Chapter 11 Case pursuant to Section 1102(a)(1) of the Bankruptcy Code [D.R. 203]¹.

B. Joint Administration.

By Order, dated October 27, 2010 [D.R. 204] in the JNL Case and an Order, dated October 27, 2010 [JF D.R. 53]² in the Forgione Chapter 11 Case, the Bankruptcy Court approved the joint administration of the JNL Chapter 11 Case and the Forgione Chapter 11 Case under case number 10-73724-ast (the “Chapter 11 Cases”). On October 28, 2010, the UST appointed the Committee in the Forgione Chapter 11 Case [JF D.R. 54].

¹ References to the Bankruptcy Court Docket in the JNL Chapter 11 Case are denoted “D.R.” followed by the relevant docket number.

² References to the Bankruptcy Court Docket in the Forgione Chapter 11 Case are denoted by “JF D.R.” followed by the relevant docket number.

By Order entered July 13, 2010, September 21, 2010 was set as the last date for filing of claims in the JNL Chapter 11 Case[D.R. 71]. By Order entered July 27, 2010, October 4, 2010 was set as the last date for filing claims in the Forgione Chapter 11 Case [JF D.R. 24].

C. Retention of Professionals By Debtor and Committee.

By Order, dated June 23, 2010 [D.R. 46], JNL was authorized to retain the law firm of Pryor & Mandelup, L.L.P. as its counsel in the JNL Chapter 11 Case.

By Order, dated October 13, 2010 [JF D.R. 50], Forgione was authorized to retain the law firm of McBreen & Kopko as his counsel in the Forgione Chapter 11 Case.

By Order, dated June 21, 2010 [D.R. 40], the Committee was authorized to retain the law firm of Thaler & Gertler, LLP as its counsel in the JNL Chapter 11 Case.

By Order, dated July 1, 2010 [D.R. 59], the Committee was authorized to retain the accounting firm of Marcum LLP as its accountants in the JNL Chpater 11 Case.

D. The TFC Trustee Motion.

On June 21, 2010, TFC filed an emergency motion seeking the appointment of a Chapter 11 trustee pursuant to Section 1104(a) of the Bankruptcy Code (the “Trustee Motion”) [D.R. 38 and 39]. On July 1, 2010, the Bankruptcy Court held a status conference on the Trustee Motion. As a result thereof, the Bankruptcy Court entered a scheduling order on the Trustee Motion, setting a trial on the Trustee Motion for July 23, 2010, and setting various discovery deadlines incident thereto [D.R. 60]. On July 30, 2010, the Bankruptcy Court entered an Amended Scheduling Order setting various deadlines for discovery, and adjourning the trial on the Trustee Motion to August 25, 2010 (the “Amended Scheduling Order”) [D.R. 96].

On August 9, 2010, JNL filed an emergency motion seeking to adjourn the trial on the Trustee Motion and setting new discovery deadlines (the “Adjournment Motion”) [D.R. 103]. On August 10, 2010, the Bankruptcy Court entered an Order scheduling certain deadlines with respect to the Adjournment Motion [D.R. 107]. On August 11, 2010, the Bankruptcy Court entered an Order granting the Adjournment Motion in part, and vacating the Amended Scheduling Order as same related to the Trustee Motion (the “August 11 Order”) [D.R. 109]. As part of the August 11 Order, the Bankruptcy Court also directed JNL to appear and show cause on August 25, 2010, why an examiner should not be appointed, and set certain deadlines for submission of pleadings related thereto.

E. The Examiner.

On August 26, 2010, the Bankruptcy Court issued an order in the JNL Chapter 11 Case directing that an examiner be appointed by the UST, and establishing the scope of the examiner’s role in investigating and reporting on the four primary issues raised by TFC in the Trustee Motion (the “Appointment Order”) [D.R. 154]. On September 7, 2010, the Bankruptcy Court granted the UST’s application to appoint Christopher G. Ellis as Examiner (the “Examiner”) [D.R. 160].

On November 15, 2010, the Examiner issued a report of his findings (the “Examiner’s Report”) [D.R. 209]. On or about January 21, 2011 and January 25, 2011, the Debtors, TFC, and the Committee filed their respective responses to the Examiner’s Report [D.R. 247, 248, and 252] (collectively, the “Responses to the Examiner’s Reports”), and on January 31, 2011, the Examiner filed a Reply to the Responses to the Examiner’s Report (D.R. 257).

On February 1, 2011, the Bankruptcy Court advised the Parties that the Bankruptcy Court had not yet completed its review of the Examiner's Report, that the Responses to the Examiner's Report, and the Trustee Motion was deemed fully submitted, and that the Bankruptcy Court would render a decision at a later date. Also, on February 1, 2011, the Bankruptcy Court previewed for the Parties that the Bankruptcy Court was considering expanding the Examiner's powers.

On February 10, 2011, the Bankruptcy Court issued a Decision and Order Expanding the Powers of the Court Appointed Examiner (the "Expansion Order") [D.R. 266]. Pursuant to the Expansion Order, the Bankruptcy Court, among other things, expanded the powers of the Examiner to (i) continue his investigation of the transfers and transactions described or discussed in the Examiner's Report, (ii) determine if the JNL Estate may benefit by the pursuit of any claims or causes of action, and (iii) file such suits if deemed appropriate by the Examiner in his independent judgment, acting as a fiduciary for the Estate (collectively, the "Examiner Investigation").

By Response of the Examiner to the Decision and Order of the Court Expanding Powers of Court Appointed Examiner, filed on February 18, 2010 [D.R. 278], the Examiner accepted his expanded role as set forth by the Bankruptcy Court in the Expansion Order.

On March 11, 2011, the Bankruptcy Court entered an Order [D.R. 297] extending to May 31, 2011, the Examiner's time in which to commence performance of his expanded duties under the February 10, 2011 Order.

F. Retention of the Examiner's Professionals.

By Order, dated September 17, 2010 [D.R. 172], the Court authorized the Examiner to retain the law firm of Hodgson & Russ LLP as counsel to the Examiner in the JNL Chapter 11 Case. By Order, dated October 19, 2010 [D.R. 197], the Court authorized the Examiner to retain the law firm of Abrams, Fensterman, Fensterman, Eisman, Greenberg, Formato & Einiges, LLP as his substitute counsel in place of Hodgson & Russ LLP.

By Order, dated October 6, 2010 [D.R. 189], the Court authorized the Examiner to retain Consensus Advisory Services LLC as his financial advisor in the JNL Chapter 11 Case.

G. The UST Trustee Motion.

On February 17, 2011, the UST filed a Motion For Reconsideration of the Order Expanding the Examiner's Role (the "Reconsideration Motion") [D.R. 273], and a separate Motion seeking appointment of a Chapter 11 trustee or alternatively, conversion of the JNL Chapter 11 Case to Chapter 7 [D.R. 274] (the "Trustee/Conversion Motion", and together with the Reconsideration Motion, the "UST Motions").

On February 22, 2011, the Bankruptcy Court issued two separate Orders scheduling a hearing on the Reconsideration Motion for March 30, 2011 at 9:30 a.m. and a status conference in connection with the Trustee/Conversion Motion to be held on March 30, 2011 at 9:30 a.m. [D.R. 280,281].

H. The Committee Adversary Proceeding and the Committee Motions.

On August 9, 2010, the Committee commenced an action against TFC and TD under the caption *Unsecured Creditors' Committee of JNL Funding Corp. v. T.D. Banknorth, NA and Textron Financial Corporation* (Adv. Pro. No. 10-8325) (the "Committee Adversary

Proceeding”). The Complaint [CAP D.R. 154]³ filed by the Committee in the Committee Adversary Proceeding seeks, *inter alia*, to invalidate that portion of the Lenders’ secured claim that relates to the advances by TD on the grounds that TD’s security interest in JNL’s assets was not properly perfected. On September 10, 2010, TFC filed a motion to dismiss the Complaint in the Committee Adversary Proceeding [CAP D.R.4-6].

By Order entered November 9, 2010, as amended December 31, 2010 [CAP D.R. 11, 16], the Bankruptcy Court converted TFC’s motion to dismiss into a motion for summary judgment, and directed the Committee to file a motion seeking authorization to commence the Committee Adversary Proceeding. On December 8, 2010, the Committee filed its motion seeking authorization to commence the Committee Adversary Proceeding (the “First Committee Authorization Motion”) [D.R. 218]. On February 1, 2011, the Committee filed a separate motion [D.R. 258], seeking authority to commence an adversary proceeding against TFC and TD pertaining to three causes of action: (i) aiding and abetting a breach of fiduciary duty; (ii) aiding and abetting fraud, and (iii) equitable subordination (the “Second Committee Authorization Motion” and with the First Committee Authorization Motion, the “Committee Motions”). On February 4, 2011, the Committee filed a letter with the Court informing parties in interest that a status conference in connection with the Committee Motion would be held on March 30, 2011 [D.R. 262].

I. The TFC Adversary Proceeding.

On August 13, 2010, TFC commenced an adversary proceeding against Forgione in the Consolidated Case, under the caption *TFC, individually and as agent for itself and TD Bank v. Joseph G. Forgione* (Adv. Pro. No.10-8333) (the “TFC Adversary Proceeding”). The

³ References to the Bankruptcy Court docket in the Committee Adversary Proceeding are denoted “CAP D.R.” followed by the relevant docket number.

Complaint filed by TFC in the TFC Adversary Proceeding seeks, *inter alia*, a determination that Forgione's guaranty debt to TFC is non-dischargeable. [TFCAP D.R. 31]⁴

J. Interim Cash Collateral Orders.

On May 18, 2010 JNL filed a motion (the "Initial Cash Collateral Motion") [D.R. 7] seeking the Court's authorization to use cash collateral pursuant to Section 363 of the Bankruptcy Code, and Rules 4001 and 9014 of the Bankruptcy Rules; and upon the Debtor's supplemental motion seeking this Court's authorization to use cash collateral (the "Supplemental Cash Collateral Motion", [D.R. 73], and together with the Initial Cash Collateral Motion, the "Cash Collateral Motions". TFC filed limited objections to the Cash Collateral Motions [D.R. 11, 78 and 149].

In connection with the Cash Collateral Motions, the Court has entered the following consensual orders: (i) on May 25, 2010, the Court issued and entered an interim order (the "First Interim Order") providing for, *inter alia*, the Debtor's use of TFC's Cash Collateral from May 21, 2010, through and including May 27, 2010 and the grant of certain adequate protection to TFC; (ii) (the "First Interim Order", [D.R. 21]); (ii) on June 11, 2010, the Court issued and entered a second interim order providing for, *inter alia*, the Debtor's use of TFC's Cash Collateral from May 28, 2010, through and including July 2, 2010 and the grant of certain adequate protection to TFC (the "Second Interim Cash Collateral Order", [D.R.33]); (iii) on July 23, 2010, the Court issued and entered a third interim order providing for, *inter alia*, the Debtor's use of TFC's Cash Collateral from July 3, 2010, through and including July 23, 2010 and the grant of certain adequate protection to TFC (the "Third Interim Order", [D.R. 90]); (iv) on

⁴ References to the Bankruptcy Court docket in the TFC Adversary Proceeding are denoted "TFCAP D.R." followed by the relevant docket number.

September 9, 2010, the Court issued and entered a fourth interim order providing for, *inter alia*, the Debtor's use of TFC's Cash Collateral from July 24, 2010, through and including August 26, 2010 and the grant of certain adequate protection to TFC (the "Fourth Interim Order", [D.R. 162]); (v) on November 10, 2010, the Court issued and entered a fifth interim order providing for, *inter alia*, the Debtor's use of TFC's Cash Collateral from August 27, 2010, through and including October 29, 2010 and the grant of certain adequate protection to TFC (the "Fifth Interim Cash Collateral Order", [D.R.207]); (vi) on November 10, 2010, the Court issued and entered a sixth interim order providing for, *inter alia*, the Debtor's use of TFC's Cash Collateral from October 29, 2010 through and including December 3, 2010 and the grant of certain adequate protection to TFC(the "Sixth Interim Cash Collateral Order", [D.R. 208]); (vii) on December 8, 2010, the Court issued and entered a seventh interim order providing for, inter alia, the Debtor's use of TFC's Cash Collateral from December 4, 2010 through and including December 17, 2010, and the grant of certain adequate protection to TFC (the "Seventh Interim Cash Collateral Order", [D.R. 222]); (viii) on January 5, 2011, the Court issued and entered an eighth interim order providing for, *inter alia*, the Debtor's use of TFC's Cash Collateral from December 18, 2010 through and including February 4, 2011, and the grant of certain adequate protection to TFC (the "Eighth Interim Cash Collateral Order"[D.R. 237]); and (ix) on February 1, 2011 the Court "so ordered" the record, approving *inter alia* a ninth interim use by the Debtor of TFC's Cash Collateral from February 5, 2011 through and including March 31, 2011, and the grant of certain adequate protection to TFC (the "Ninth Interim Cash Collateral Order").

K. The Mediation.

By order entered December 10, 2010 [D.R. 223], the Bankruptcy Court referred all pending matters in the Chapter 11 Cases to Hon. Carla E. Craig for mediation (the

“Mediation”). The Mediation was conducted on January 24, and 25, 2011 with representative and counsel for Debtors, the Committee, and TFC, but did not then result in a settlement. However, negotiations continued between Debtors, the Committee, and TFC which eventually resulted in the Plan.

L. Joint Chapter 11 Plan Term Sheet/Stipulation.

On March 4, 2011, the Debtors, the Committee, and TFC filed with the Court a Joint Plan Term Sheet [D.R. 294], which, *inter alia*, contemplates a global resolution of the Chapter 11 Cases, including all investigations and adversary proceedings related thereto.

On March 11, 2011, the Debtors, the Committee, and TFC filed with the Court a Stipulation and Agreed Order in Furtherance of Joint Plan Term Sheet [D.R. 296] providing for: (i) implementation of the Plan Term Sheet by transfer of the TFC Collateral to TFC and commencement of liquidation of that Collateral, in partial satisfaction of TFC’s claims; (ii) a further cash collateral budget for the period from execution of the Stipulation on March 11 through the Effective Date; (iii) transfer of certain amounts from the JNL DIP account and the Forgione DIP account to an escrow account to be held by JNL’s counsel for use in paying Allowed Administrative Claims under the Plan; (iv) transfer of the balance in JNL’s DIP accounts to TFC, in partial satisfaction of TFC’s claims; (v) an interim stay of all pending litigations and investigations by the parties to the Stipulation (and the Examiner and his professionals) pending confirmation and effectiveness of the Joint Plan; (vi) deadlines for filing the Plan and Disclosure Statement, ant the Disclosure Statement hearing, and Confirmation Hearing, and entry of the Confirmation Order; and (vii) certain representations and warranties by JNL, Forgione, and JNL’s CFO, Timothy Mayette.

M. Reduction of Forgione Salary.

By Order entered February 2, 2011 [D.R. 259], the Bankruptcy Court reduced Forgione's salary from JNL, during the pendency of the JNL Chapter 11 Case, to \$3,750 per week, (\$195,000 per year).

V.

TERMS OF THE PLAN

The Plan contains the following substantive terms.

A. Substantive Consolidation.

The Plan provides that upon the Effective Date of the Plan (five (5) business days following the day upon which the Confirmation Order becomes Final), the Debtors' Estates shall be deemed substantively consolidated solely for the purposes of voting, confirmation, and making distributions to the holders of Allowed Claims and Allowed Interests under the Plan. The Debtors shall not be merged or consolidated.

As a result of this limited substantive consolidation, on the Effective Date: (i) all guaranties by each Debtor of the payment, performance, or collection by the other Debtor with respect to Claims against such other Debtor, and all Claims based on such guaranties, shall be deemed eliminated, cancelled, released, and of no further force and effect; (ii) any obligations of each Debtor and all guaranties by the other Debtor with respect to the Claims of the first Debtor shall be treated as a single obligation; (iii) each Claim against either Debtor shall be deemed to be against the Consolidated Debtors and shall be deemed a single Claim against, and a single obligation of, the Consolidated Debtors; and (iv) each Debtor's inter-Debtor Claims shall be deemed eliminated as a result of the substantive consolidation of the Debtors, and therefore

holders thereof shall not be entitled to vote on the Plan, or receive any distributions or other allocations of value under the Plan.

The limited substantive consolidation shall not, other than for purposes related to the Plan, affect the legal and corporate structure of JNL or affect any obligations under any unexpired leases or executory contracts assumed in the Plan or otherwise after the Filing Date. Notwithstanding the substantive consolidation of the Debtors for Plan purposes, the Debtors shall each pay all UST fees on all disbursements, including distributions under the Plan and disbursements in and outside the ordinary course of business, until the entry of a Final Decree finally closing the Chapter 11 Cases, dismissal of the Chapter 11 Cases, or conversion of the Chapter 11 Cases to cases under Chapter 7 of the Bankruptcy Code.

The Plan shall serve as, and shall be deemed to be, a motion for entry of an order substantively consolidating the Debtors' Estates as provided in the Plan. If no objection to consolidation under the Plan is timely filed and served, then the holders of Claims will be deemed to have consented to substantive consolidation for the purposes provided for in the Plan only and the Bankruptcy Court may approve such consolidation of the Debtors' Estates in the Confirmation Order. If such objection to the consolidation provided for in the Plan is timely filed and served, a hearing with respect to the substantive consolidation of the Estates as provided for in the Plan and the objections thereto will be scheduled by the Bankruptcy Court, which hearing may coincide with the Confirmation Hearing.

B. Liquidating Trust.

On or before the Effective Date, JNL shall establish the Liquidating Trust, pursuant to the Liquidating Trust Agreement between JNL, TFC, and the Liquidating Trustee. The Liquidating Trustee shall be designated by TFC. The trust agreement for the Liquidating

Trust shall set forth the rights and obligations of the Liquidating Trust. TFC shall have the right to receive and retain all net proceeds in and from the Liquidating Trust, regardless of amount, in satisfaction of the Allowed TFC Secured Claim.

On or before the Effective Date, JNL shall surrender to the Liquidating Trust: (i) the TFC Collateral identified on Exhibit "D" to the Plan, including all cash in the JNL DIP Accounts (other than the amounts to be paid to Allowed Administrative Claims in the Consolidated Case and to the Distribution Trust, as provided in the Plan and discussed below); (ii) all funds in the Pryor & Mandelup, L.L.P. Attorney Trust (IOLA) Account pertaining to Centurion Settlement Services, LLC; (iii) all escrows, if any, being held by Jay Yackow, Esq. in connection with or related to the TFC Collateral; (iv) all causes of action pertaining to the TFC Collateral; and (v) all of JNL's rights in and to the TFC Collateral.

On or before the Effective Date, Forgione, JNL, and any third party representatives of JNL, shall cooperate with TFC and the Liquidating Trustee to transfer to the Liquidating Trust all documents and files (including legal files) deemed necessary by the trustee of the Liquidating Trust for the liquidation of the TFC Collateral.

On the Effective Date, Forgione, as may be requested by the Liquidating Trustee, will assist the Liquidating Trustee in liquidating the TFC Collateral held by the Liquidating Trust and will receive a finder's fee as follows: (i) \$5,000 per month on a month to month basis (which may be terminated by either the Liquidating Trustee or Forgione at will), plus (ii) either (a) a finders fee of 2.5% of the net proceeds from any sale facilitated through Forgione in connection with which sale a broker's fee is also payable; or (b) a finders fee of 5% of the net proceeds from any sale facilitated through Forgione in connection with which sale no broker's fee is payable. From and after the Effective Date, all proceeds from the disposition of the TFC Collateral (which

disposition takes place from and after such date), shall be subject to the finder's fee to be paid to Forgione. Pursuant to the Stipulation, proceeds from the disposition of the TFC Collateral from the execution of the Stipulation on March 11, 2011 through the Effective Date also are subject to the percentage portion of the finder's fee to be paid to Forgione.

The Liquidating Trust pay \$1,500,000 to the Distribution Trust for distribution to holders of Allowed Unsecured Claims other than (i) the Allowed TFC Deficiency Claim and (ii) Allowed Claims to be paid by Forgione, as provided in the Plan (including Tax Claims and Kathy Forgione Claims) as follows:

- on the Effective Date, the sum of \$1,000,000; and
- six (6) months after the Effective Date, on the same day of the month as the Effective Date, the sum of \$500,000.

C. Distribution Trust and Forgione Collateral.

On the Effective Date, the Distribution Trust shall be established with a trustee(s) nominated by the Committee. The trust agreement for the Distribution Trust shall set forth the governance, rights, and obligations of the Distribution Trust.

Forgione will pay \$1.0 Million (the "Forgione Obligation") to the Distribution Trust for distribution to holders of Allowed Unsecured Claims (other than: (i) the Allowed TFC Deficiency Claim and (ii) the Allowed Reclassified Claims, Allowed Priority Tax Claims, Allowed Non-Priority Tax Claims, Allowed Priority Kathy Forgione Claims, and Allowed Non-Priority Kathy Forgione Claims, all to be paid by Forgione as follows:

- on the Effective Date, the sum of \$150,000;
- on the first anniversary of the Effective Date, the sum of \$175,000;

- on the second anniversary of the Effective Date, the sum of \$200,000;
- on the third anniversary of the Effective Date, the sum of \$240,000; and
- on the fourth anniversary of the Effective Date, the sum of \$235,000.

On the Effective Date, Forgione also shall execute and deliver to the trustee(s) of the Distribution Trust the Pledge Agreement and/or such collateral security agreements (“CSA’s”), as the trustee(s) of the Distribution Trust shall reasonably request, to pledge or provide the Distribution Trust with security interests in the Forgione Collateral to secure payment of the Forgione Obligation. The Forgione Collateral consists of a deed to residential real property at 80 Earl Street, Deer Park, NY, held by Quail Run Development Corp. (“Quail Run”), a corporation owned by Forgione, a first mortgage held by Quail Run on residential real property at 645 Beck Street, Uniondale, NY, and a two-thirds interest in a mortgage held by Forgione on real property located at 881 South Walnut Street, Lindenhurst, NY. The Distribution Trust shall be responsible for the costs associated with the preparation and filing of the Pledge Agreement and/or CSA’s and any related financing statements or other documents evidencing the pledge and/or security interest to be given by Forgione.

Commencing on the Effective Date, Forgione shall liquidate the Forgione Collateral for the Distribution Trust. Forgione shall advance all Liquidation Costs and Forgione shall be reimbursed for all such Liquidation Costs at the time of the liquidation of the Forgione Collateral from the gross proceeds of the liquidation of the Forgione Collateral. All Net Proceeds from the liquidation of the Forgione Collateral shall be turned over to the Distribution

Trust and applied to the last payments due under the Forgione Obligation and the Forgione Obligation shall be reduced accordingly. Forgione estimates that liquidation of the Forgione Collateral could yield approximately \$550,000 for Unsecured Creditors, net of Liquidation Costs, which will be applied to the last payment due under the Forgione Obligation, resulting in a quicker payment of the Forgione Obligation.

Upon the occurrence of an Event of Default based on Forgione's non-payment or late payment of any part of the Forgione Obligation or Forgione's payment obligations to holder of Allowed Tax Claims or to Kathy Forgione under Sections "6.2.5", "7.2", and/or "7.3.2" of the Plan, the Distribution Trust may exercise its rights under the Pledge Agreement and/or CSA's to accelerate all amounts owed under the Forgione Obligation, take possession of the Forgione Collateral, liquidate the Forgione Collateral, and apply all Net Proceeds towards the payment of the Forgione Obligation.

Upon payment in full of the Forgione Obligation: (i) any Forgione Collateral not previously liquidated and any excess proceeds from the liquidation of the Forgione Collateral not needed for payment in full of the Forgione Obligation, net of the Liquidation Costs, shall be turned over to Forgione; and (ii) the trustee(s) of the Distribution Trust shall duly execute and deliver to Forgione: (a) a release of the Pledge Agreement and any other CSA's, (b) satisfactions, in recordable form, of all financing statements and other CSA's given in connection with the Pledge Agreement, and (c) any other documents necessary to remove of record any pledge, security interest, and/or CSA's in the Forgione Collateral granted by Forgione to the Distribution Trust. The Distribution Trust shall be responsible for the costs associated with the preparation and filing of any such documents.

Neither the trustee(s) of the Distribution Trust, Debtors, TFC, the Liquidating Trustee, the Note Holders, nor any creditor of either of the Debtors' estates, shall have any authority to bring any avoidance actions or other actions or proceedings arising out of either or both of the Chapter 11 Cases or the pre-petition conduct of either Debtor; provided however, notwithstanding the foregoing, nothing contained herein shall be deemed to limit or waive the rights of the Liquidating Trustee to pursue any claims or causes of action pertaining to the TFC Collateral and/or the liquidation thereof against any Person not expressly released herein.

On the Effective Date, the Distribution Trust may obtain a policy of term life insurance on Forgione's life with a death benefit of at least \$300,000 and not more than \$500,000, naming the Distribution Trust as the beneficiary (the "Forgione Life Insurance") as partial security for payment of the Forgione Obligation. Forgione will cooperate in the obtaining of the Forgione Life Insurance. All premiums for the Forgione Life Insurance shall be paid directly by the Distribution Trust. Upon payment in full of the Forgione Obligation, as provided herein, the trustee(s) of the Distribution Trust shall, as Forgione directs, either cancel or assign the Forgione Life Insurance to Forgione or as he shall direct; provided however, following any assignment of the Forgione Life Insurance to Forgione, Forgione shall be responsible for any premiums in connection with such policy which arise from and after the effective date of such assignment. In the event of Forgione's death and the receipt of the death benefit under the Forgione Life Insurance by the trustee(s) of the Distribution Trust in an amount which exceeds the then unpaid balance of the Forgione Obligation, the excess of such death benefit, net of premiums paid by the Distribution Trust on the Forgione Life Insurance, shall be paid, within thirty (30) days of receipt, to the executor(s) or administrator(s) of Forgione's estate.

On the Effective Date, Forgione shall deliver to the trustee(s) of the Distribution Trust all of the files pertaining to the Forgione Collateral and all JNL and DBA files and documentation as to all transactions relating to the Unsecured Claims filed or scheduled in the Chapter 11 Cases which the trustee(s) of the Distribution Trust reasonably deem(s) necessary to verify, qualify, and/or disclaim such Claim(s), other than as to the Allowed TFC Deficiency Claim and Claims to be paid by Forgione as provided herein.

D. Classification of Claims and Interest.

The Plan divides all claims and interests into the following Classes, plus Administrative Claims:

Administrative Claims

Allowed Administrative Claims consist of the Allowed Administrative Professional Claims (claims for fees incurred during the Chapter 11 Cases by JNL's counsel, Forgione's counsel, the Committee's counsel, the Committee's accountants, the Examiner, the Examiner's attorneys, and the Examiner's financial advisors (collectively, the "Professionals"), all retained by order of the Bankruptcy Court) and Allowed Administrative Non-Professional Claims (consisting of all Allowed Administrative Claims other than the Allowed Administrative Professional Claims). The unpaid Administrative Professional Claims totaled \$973,184.04, as of February 18, 2011, and additional Professional fees to complete the Chapter 11 Cases have been capped by the Stipulation in the aggregate amount of \$61,800. Upon information and belief, there are no Administrative Non-Professional Claims.

Class 1

Class 1 consists of the TFC Secured Claim which shall be deemed Allowed in the amount of \$23,492,556.00. The basis for the TFC Secured Claim is indebtedness from loans and

other financial accommodations made by TFC to JNL under certain agreements, including, without limitation, (i) the Loan and Security Agreement, dated as of August 18, 2006; (ii) the First Amendment to the Loan and Security Agreement, dated as of March 27, 2007, and (iii) the Second Amendment to the Loan and Security Agreement, dated as of June 1, 2007, between TFC and JNL.

Class 2

Class 2 consists of the Allowed Priority Kathy Forgione Claims, if any. Objections to these Claims have been filed [D.R. 286, 287; JF D.R. 67] and are pending before the Bankruptcy Court. Debtors expect there to be no Allowed Priority Claims.

Class 3

Class 3 consists of the Allowed Priority Tax Claims of the IRS and NYS, if any. Objections to these Claims have been filed [D.R. 286, 287; JF D.R. 67] and are pending before the Bankruptcy Court.

Class 4

Class 4 consists of the Allowed Claims of the Unsecured Creditors, including, without limitation, the Allowed TFC Deficiency Claim, the Allowed Reclassification Claims, the Allowed Non-Priority Kathy Forgione Claims, if any, and the Allowed Non-Priority Tax Claims, if any.

Class 5

Class 5 consists of the holders of Allowed Interests in the Debtors and consists of the Trust as 100% non-voting shareholder of JNL, and Forgione as 100% voting shareholder of JNL.

E. Treatment of Classes of Claims not Impaired Under the Plan.

Administrative Claims and Class 3 (Priority Tax Claims) are not be impaired under the Plan.

Administrative Claims

Allowed Non-Professional Administrative Claims will be paid in full by Forgione on the later of: (i) ten (10) days after the Effective Date or (ii) ten (10) days after the date such Non-Professional Administrative Claim becomes an Allowed Claim. Allowed Non-Professional Administrative Claims are not impaired under Section 1124(1) of the Bankruptcy Code and are not entitled to vote under Section 1126(f) of the Bankruptcy Code.

Holders of Professional Administrative Claims shall file fee applications with the Bankruptcy Court, pursuant to Section 330 of the Bankruptcy Code, seeking allowance and payment of all fees and disbursement, incurred during the Chapter 11 Cases. Upon approval of such applications by the Bankruptcy Court, but not before the Effective Date, Allowed Professional Administrative Claims shall be paid from the balance remaining in the Administrative Claims Escrow, which shall be comprised of: (A) \$1 million previously transferred to the Administrative Claims Escrow from the JNL DIP Accounts pursuant to the Stipulation; (B) \$35,000 previously transferred to the Administrative Claims Escrow from the Forgione DIP Account pursuant to the Stipulation, less (C) all amounts paid to the Professionals after February 18, 2011 from the Administrative Claims Escrow or the JNL DIP Accounts.

After such payments funds from the Administrative Claims Escrow will be applied as follows: (i) first to pay the Allowed and unpaid Administrative Claims of the Professionals for the period from the Filing Date through and including February 18, 2011, approved by the Bankruptcy Court, in the aggregate amounts not to each exceed the amounts for

each Professional set forth on Exhibit “E” to the Plan; and (ii) second to pay the Allowed Administrative Claims of the Professionals for the Stipulation Period as follows: (x) Pryor & Mandelup, L.L.P.’s fees (JNL counsel) up to an aggregate cap of \$50,000; plus (y) Thaler & Gertler, LLP’s (Committee counsel) and/or Marcum, LLP’s (Committee accountants) fees up to an aggregate cap of \$7,500; plus (z) McBreen & Kopko, LLC’s (Forgione counsel) fees up to an aggregate cap of \$4,300. No fees will be accrued or paid to the Examiner and/or his professionals after February 18, 2011, and fees incurred prior to that date, to the extent Allowed, will be paid from the Administrative Claims Escrow.

Any Allowed Administrative Professional Claims in excess of the foregoing amounts shall be deemed waived. The Professionals each agree not to object to the Administrative Claim of any other of the Professionals. TFC agrees not to object to the Administrative Claim of any of the Professionals. Notwithstanding the foregoing waiver of Professional fees incurred during the Stipulation Period in excess of budgeted amounts, in the event that any of the Professionals budgeted for fees during the Stipulation Period are awarded fees for said Period in an amount less than the budgeted amount, the difference shall be shared *pro rata* with any other budgeted Professionals whose awarded fees for the Stipulation Period exceed the amount budgeted. In the event that the aggregate amount of Allowed Administrative Professional Claims is less than \$1,035,000, then the first \$35,000 of any such savings shall be remitted to Forgione and any savings above \$35,000 shall be remitted to TFC.

To the extent not paid in full, holders of Allowed Professional Administrative Claims are impaired under Section 1124(1) of the Bankruptcy Code. However, all holders of Professional Administrative Claims have consented to the foregoing *pro rata* treatment of their

Allowed Professional Administrative Claims in the event said Claims are not paid in full and shall be deemed to have accepted the Plan.

Priority Tax Claims

Debtors have objected to: (i) the Disputed Priority Tax Claims and the Disputed Non-Priority Tax Claims. To the extent that all or any portion of a Disputed Priority Tax Claim is not expunged and becomes an Allowed Priority Tax Claim, then such Allowed Priority Tax Claim shall be paid in full by Forgione in equal monthly installments commencing on the later of (i) the Effective Date or (ii) thirty (30) days after such Claim becomes an Allowed Priority Tax Claim and continuing each month through and including May 13, 2015. Said payments shall include interest at the statutory rate. Treatment of Allowed Class 3 Claims in the foregoing manner satisfies the requirements of Section 1129(a)(9)(C) of the Bankruptcy Code. The Debtors may satisfy the Allowed Class 3 Claims prior to the last payment date, by payment of the outstanding principal and accrued interest, if any, as of the pre-payment date, without penalty. The Allowed Class 3 Priority Tax Claims are not impaired under Section 1124(1) of the Bankruptcy Code and are not entitled to vote under Section 1126(f) of the Bankruptcy Code.

F. Treatment of Classes that are Impaired Under the Plan.

Classes 1, 2, 4, and 5 are impaired under the Plan.

The Class 1 Allowed TFC Secured Claim

In consideration of its Allowed Class 1 Secured Claim, TFC shall retain its security interest in JNL's assets with the same validity, priority, and extent as existed prior to the Filing Date, and the Allowed Class 1 TFC Secured Claim shall be satisfied as follows: (i) on or before the Effective Date, JNL will surrender to the Liquidating Trust all of the TFC Collateral (as identified on Exhibit "D" to the Plan, except for cash in the JNL Operating accounts to be

retained by JNL to pay holders of Allowed Professional Administrative Claims as provided in the Plan) in full satisfaction of the Allowed Class 2 TFC Secured Claim. By reason of the distributions to be made from the JNL DIP Accounts to holders of Allowed Administrative Claims and from the Liquidating Trust to the Distribution Trust, as provided herein, the Class 1 Allowed TFC Secured Claim is impaired under Section 1124(1) of the Bankruptcy Code, and therefore shall be entitled to vote to accept or reject the Plan. TFC has agreed to vote to accept the Plan.

The Class 2 Allowed Kathy Forgione Priority Claims

On February 25, 2011, Debtors objected to the Disputed Priority Kathy Forgione Claims and the Disputed Non-Priority Kathy Forgione Claims. To the extent that a Disputed Priority Kathy Forgione Claim is not expunged and is allowed in some amount as an Allowed Priority Kathy Forgione Claim, then payment on account of such Allowed Priority Kathy Forgione Claim shall be made by Forgione over seven (7) years, payable in equal annual installments, together with interest thereon at the rate of four percent (4%) per annum, commencing on the later of (i) thirty (30) days after such Allowed Priority Kathy Forgione Claim becomes an Allowed Claim, or (ii) thirty (30) days after the Effective Date, and continuing each year thereafter for six (6) years on each anniversary of such date.

The Class 2 Allowed Priority Kathy Forgione Claim, if any, is impaired under Section 1124(1) of the Bankruptcy Code and is entitled to vote under Section 1126(f) of the Bankruptcy Code. In the event that Kathy Forgione has an Allowed Class 2 Claim and does not accept the treatment proposed in the Plan, the Plan will not be confirmable, pursuant to Section 1129(a)(a)(B) of the Bankruptcy Code. Debtors believe that the objections to the Kathy Forgione Priority Claims will be successful. In the event that Kathy Forgione is found to have an

Allowed Priority Claim and objects to or votes to reject the Plan, Debtors will either agree with her on treatment of her Priority Claim or file an amended plan providing for payment of such Claim consistent with Section 1126(f) of the Bankruptcy Code.

Class 4 (Allowed Unsecured Claims)

Allowed Class 4 Unsecured Claims (other than the Allowed Reclassified Claims, (Priority Kathy Forgione or Priority Tax Claims reclassified as Unsecured Claims), the Allowed Non-Priority Kathy Forgione Claims, the Allowed Non-Priority Tax Claims and the Allowed TFC Deficiency Claims) shall be paid by the Distribution Trust from the Plan Funding Payments paid to the Distribution Trust by Forgione and the Liquidating Trust as provided in the Plan. At the discretion of the Trustee(s) of the Distribution Trust, after its receipt of funds from the Liquidating Trust, Forgione or liquidation of the Forgione Collateral, as provided in the Plan, however, thirty (30) days after all Allowed Reclassified Claims are determined, the trustee(s) of the Distribution Trust shall make distributions as follows: (i) first, to professionals retained by the Distribution Trust for services rendered to the Distribution Trust after the Effective Date; (ii) second, to pay expenses which are the obligation of the Distribution Trust expressly provided for herein, and (iii) third, *pro rata* to holders of Allowed Unsecured Claims (other than the Allowed Reclassified Claims, the Allowed Non-Priority Kathy Forgione Claims, the Allowed Non-Priority Tax Claims, and the Allowed TFC Deficiency Claim). There shall be no payments to Allowed Administrative Claims deducted from the Plan Funding Payments paid to the Distribution Trust.

Simultaneously with each distribution by the Distribution Trust to holders of Allowed Unsecured Claims, Forgione shall disburse to the holders of such Allowed Reclassified Claims, Allowed Non-Priority Kathy Forgione Claims, and Allowed Non-Priority Tax Claims,

an amount equal to the same *pro-rata* percentage of such Allowed Claims disbursed by the Distribution Trust to holders of Allowed Unsecured Claims. The trustee(s) of the Distribution Trust shall give at least five (5) business days notice to Forgione prior to each distribution to be made to holders of Allowed Unsecured Claims.

TFC shall retain the Allowed TFC Deficiency Claim which shall be deemed an Allowed Unsecured Claim in the amount of \$8,000,000. TFC shall be entitled to vote its Allowed TFC Deficiency Claim as an Allowed Class 4 Unsecured Claim arising from the JNL Chapter 11 Case. TFC has agreed to vote its Allowed TFC Deficiency Claim to accept the Plan. Upon the Effective Date, TFC waives its TFC Guaranty Claim filed in the Forgione Chapter 11 Case. Upon the Effective Date, TFC waives any right to a distribution from the Distribution Trust with respect to the Plan Funding Payments (together with any interest earned thereon) paid to the Distribution Trust, provided however to the extent that there are any distributions to holders of Allowed Unsecured Claims on account of such Claims from sources other than the Plan Funding Payments, TFC shall share *pro rata* with holders of other Allowed Unsecured Claims to the extent of its Allowed Unsecured Claim (Allowed TFC Deficiency Claim) in the amount fixed herein.

As provided in the Plan, and subject to section 7.3.3 of the Plan with respect to the Allowed TFC Deficiency Claim, holders of Allowed Unsecured Claims (including Reclassified Claims, Allowed Non-Priority Kathy Forgione Claims, and Allowed Non-Priority Tax Claims) shall receive a *pro rata* distribution of the net proceeds to be distributed by the Distribution Trust. As a result, Class 4 Claims are impaired under Section 1124(1) of the Bankruptcy Code and are entitled to vote under Section 1126(f) of the Bankruptcy Code.

Class 5 (Interests)

The Interest Holders shall receive no distribution on account of their Interests, but Forgione shall retain his Interest in the property of his Estate. Upon the Effective Date: (i) the shares of stock in JNL held by Forgione and the Trust shall be deemed cancelled, and (ii) all right, title, and interest in the names “JNL” and “JNL Funding” shall be deemed assigned to Forgione free and clear of all liens, claims, encumbrances, and other interests, and the Confirmation Order shall so provide. Class 5 Interests are impaired. The Class 5 Interests have consented to their treatment under the Plan and have agreed to vote in favor of acceptance of the Plan.

Non-Voting One Member Classes

In the event that a class of Claims which is impaired under the Plan consists of only one (1) holder of an Allowed Claim in such class and such holder fails timely to vote for acceptance or rejection of the Plan, such class shall be deemed to have accepted the Plan.

G. Funding of Plan.

The Plan shall be funded by: (i) the Plan Funding Payments (the payments of \$1.5 Million by the Liquidation Trust from the TFC Collateral to the Distribution Trust, the payment by Forgione to the Distribution Trust of the Forgione Obligation of \$1.0 Million and/or liquidation of the Forgione Collateral, and Forgione’s payment of any Allowed Tax Claims and Allowed Kathy Forgione Claims); and (ii) the Administrative Claims Escrow, funded from the TFC Collateral.

H. Distributions.

Cash payments made by the Distribution Trust and/or Forgione, as provided herein, shall be made in U.S. dollars by checks drawn on a domestic bank selected by the payor, or by wire transfer from a domestic bank, at the option of the payor.

All distributions under the Plan shall be deemed made at the time such distribution is deposited in the United States mail, postage prepaid. Except as otherwise agreed with the holder of an Allowed Claim, any distribution on account of an Allowed Claim shall be distributed by mail to: (i) the latest mailing address filed of record for the party entitled thereto or to a holder of a power of attorney designated by such holder to receive such distributions or (ii) if no such mailing address has been so filed, the mailing address reflected on Debtors' filed Schedules of Assets and Liabilities or in the Debtors' books and records.

If any distribution is returned to the trustee(s) of the Distribution Trust or Forgione (whichever made the distribution) as undeliverable, no further distributions shall be made to the holder of the Allowed Claim on which such distribution was made unless and until the trustee(s) or Forgione (whichever made the distribution) are notified in writing of such holder's then-current address. Undeliverable distributions shall remain in the possession of the Distribution Trust or Forgione (whichever made the distribution) until such time as a distribution becomes deliverable or is deemed canceled (as hereinafter provided). Any unclaimed distribution held by the Distribution Trust or Forgione (whichever made the distribution) shall be accounted for separately, but the trustee(s) of the Distribution Trust and/or Forgione shall be under no duty to invest any such unclaimed distribution in any manner. Any holder of an Allowed Claim that does not present a Claim for an undeliverable distribution, within one hundred and twenty (120) days after the date upon which a distribution is first made available to

such holder, shall have its right to such distribution discharged and shall be forever barred from asserting any such Claim against the Distribution Trust, the trustee(s) of the Distribution Trust, Debtors or the property of Debtors, Forgione or the property of Forgione, or against any other Person or entity. All unclaimed or undistributed distributions made by the Distribution Trust or Forgione, shall be the property of the Person making the distribution and shall be treated as determined by the trustee(s) of the Distribution Trust or Forgione (whichever made the distribution), in their sole and absolute discretion.

I. Treatment of Executory Contracts and Leases.

Upon the Effective Date, the Consolidated Debtors shall be deemed to have assumed and assigned to Forgione all right, title, and interest of JNL and Forgione in and to the Jaguar Lease. On or before the Effective Date, Forgione shall pay all cure amounts, if any, due in connection with the assumption of the Jaguar Lease. Forgione agrees to indemnify the Distribution Trust from any costs or expenses associated therewith, and/or any Administrative Claim arising from the Jaguar Lease.

Unless the Confirmation Order shall otherwise provide, or JNL shall have filed a motion to assume and assign any executory contracts or unexpired leases, on the Effective Date, JNL shall be deemed to have rejected all executory contracts and unexpired leases of JNL (other than the Jaguar Lease).

Unless the Confirmation Order shall otherwise provide, or Forgione shall have filed a motion to reject any executory contracts or unexpired leases, on the Effective Date, Forgione shall assume all executory contracts and leases to which Forgione is a party, which have not otherwise expired by their own terms, and, upon the Effective Date, Forgione shall cure any arrears under such executory contracts and unexpired leases.

A proof of claim for any Claim arising from the rejection of an executory contract or unexpired lease shall be filed with the Clerk of the Court within thirty (30) days after the date of entry of an order rejecting the executory contract or unexpired lease and the Claim arising from the rejection of such executory contract or unexpired lease for which a proof of claim is not filed within such time shall be disallowed in its entirety, expunged, and forever barred.

J. Duplicate Claims/ Disputed Claims.

On the Effective Date, the Claims scheduled or filed in the Forgione Chapter 11 Case which are duplicate of Claims scheduled or filed in the JNL Chapter 11 Case or duplicates of other Claims filed in the JNL Chapter 11 Case (as identified on Exhibit “F” to the Plan), shall be deemed expunged and shall be entitled to no distribution under the Plan.

On and after the Effective Date, except as provided herein to the contrary, the trustee(s) of the Distribution Trust shall have the exclusive authority to object to any Unsecured Claims scheduled or filed in the Chapter 11 Cases, other than the TFC Allowed Deficiency Claim and the Tax and Kathy Forgione Claims to be objected to by the Debtors.

On and after the Effective Date, no distributions shall be made by the Distribution Trust to the holders of Disputed Claims. At the time of any distribution under the Plan, the Distribution Trust and/or Forgione (whichever makes the distribution) shall reserve and shall not distribute cash equal to the amount that the holders of Disputed Claims at the time of such distribution would have received had the Disputed Claims been Allowed Claims. After the Bankruptcy Court has determined all Disputed Claims, the remaining reserved amount, if any, in excess of the amount necessary to satisfy the Allowed amount of all Disputed Claims shall be distributed in accordance with the provisions of the Plan. At such time as a Disputed Claim becomes an Allowed Claim, the amount that would have been dispersed had the Disputed Claim

been an Allowed Claim on the Effective Date shall be distributed by the Distribution Trust and/or Forgione (as may be applicable), without interest, to the holder of such Allowed Claim within thirty (30) days after the Disputed Claim becomes an Allowed Claim pursuant to Final order of the Bankruptcy Court.

K. Remedies for Event of Default.

In addition to any other remedies for an Event of Default provided for herein, upon occurrence of an Event of Default the non-defaulting party to whom the obligation is owed under the Plan may exercise its legal remedies and the defaulting party shall reimburse the non-defaulting party to whom the obligation is owed for any and all costs and expenses associated with collection or enforcement of the defaulting party's obligations under the Plan, including but not limited to reasonable attorney's fees.

L. Legal Effects of Confirmation and Effectiveness of the Plan.
Discharge, Release, and Injunction

Entry of the Confirmation Order shall constitute an order of the Bankruptcy Court, subject to the payments to be made under the Plan that:

- Upon the Effective Date, the rights afforded in the Plan, and the treatment of all Claims and Interests thereunder, (i) shall be in exchange for, and in complete satisfaction, discharge, and release of all Claims (including any interest accrued on such Claims from and after the Filing Date), against each of the Debtors and any of their assets or properties and any liability thereunder, except that notwithstanding the foregoing, no release shall be deemed given to any Persons to the extent they constitute borrowers and owe obligations to JNL under the notes and/or mortgages and/or guarantees which constitute TFC

Collateral. Furthermore, nothing contained herein shall be deemed to release any Person or entity for matters (including personal or business banking matters or relationships) unrelated to JNL or Forgione and (ii) shall terminate all JNL Interests of any nature whatsoever.

- Upon completion of payments by Forgione of all amounts due from him under the Plan, Forgione shall be deemed discharged and released from all Claims or Interests that arose prior to the Effective Date against Forgione and his property or assets (including any interest accrued on such Claims from and after the Filing Date), and all debts of the kind specified in Sections 502(g), 502(h), or 502(i) of the Bankruptcy Code. This discharge and release shall be effective whether or not: (i) a proof of claim or proof of interest based on such Claim, Administrative Claim, or Interest is filed or deemed filed pursuant to Section 501 of the Bankruptcy Code, (ii) a Claim, Administrative Claim, or Interest is Allowed pursuant to the Bankruptcy Code, or (iii) the holder of a Claim, Administrative Claim or Interest has accepted the Plan. The discharge shall void any judgment against Forgione at any time obtained to the extent that it relates to a Claim, Administrative Claim, or Interest that has been discharged or terminated.

- All Persons and governmental units shall be permanently enjoined by Section 524 of the Bankruptcy Code from asserting against the Debtors, their successors, assigns, or their assets or properties, any other further Claims, Administrative Claims, or Interests based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date.

- All Persons and governmental units who have held, currently hold, or may hold a Claim, Administrative Claim, or Interest discharged or terminated pursuant to the terms of the Plan shall be permanently enjoined by Section 524 of the Bankruptcy Code from taking any of the following actions on account of any such discharged Claim or terminated Interest: (i) commencing or continuing in any manner any action or other proceeding against the Debtors, their successors, assets, or properties; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against the Debtors, their successors, assets, or properties; (iii) creating, perfecting, or enforcing any lien or encumbrance against the Debtors, their successors, assets, or properties; (iv) asserting any setoff, right of subrogation, or recoupment of any kind against any obligation due to the Debtors, their successors, assets, or properties; and (v) commencing or continuing any action, in any manner or place, that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order. Any Person or governmental unit violating such injunction may be liable for actual damages, including costs and attorneys' fees and, in appropriate circumstances, punitive damages.

- All Persons and governmental units who have held, currently hold, or may hold a Claim, Administrative Claim, or Interest discharged or terminated pursuant to the terms of the Plan shall be permanently enjoined by Section 524 of the Bankruptcy Code from commencing or continuing in any manner any action or other proceeding against any party on account of a Claim or cause of action that was property of the Debtors' Estates, including, without limitation, any

derivative Claims capable of being brought on behalf of the Debtors, and all such Claims and causes of action shall to the extent same constitute part of the TFC Collateral, be vested exclusively in TFC subject to any release contained herein, and otherwise such Claims of the Debtors and causes of action shall be deemed expunged. The Plan shall be binding upon and govern the acts of all Persons including, without limitation, all holders of Claims, Administrative Claims, and Interests, all filing agents or officers, title agents or companies, recorders, registrars, administrative agencies, governmental units and departments, agencies or officials thereof, secretaries of state, and all other Persons who may be required by law, the duties of their office, or contract to accept, file, register, record, or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the assets of the Debtors.

- Neither the Debtors, nor counsel to the Debtors or any Professional employed in the Chapter 11 Cases, nor any of their respective members, shareholders, officers, directors, employees, attorneys, advisors or agents shall have or incur any liability to any holder of a Claim or Interest for any act or omission in connection with, or arising out of, the Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan, or the property to be distributed under the Plan, except for willful misconduct, fraud, breach of fiduciary duty or gross negligence.

- On the Effective Date, TFC, the Committee, Forgione, JNL, all officers and directors of JNL (as listed on Exhibit “C” to the Plan), Chapter 11 Professionals (as listed on Exhibit “E” to the Plan), each of the “Affiliates”

identified by the Examiner in his report (as listed on Exhibit “A” to the Plan), the Trust, the Forgione Family LLC, and all Note Holders and other Creditors of both JNL and Forgione shall be deemed to have released each other from all claims arising out of JNL and the DBA, except for their respective obligations under the Plan. Notwithstanding the foregoing, no release shall be deemed given to any such Persons to the extent they constitute borrowers and owe obligations to JNL under the notes and/or mortgages and/or guarantees which constitute TFC Collateral. Furthermore, nothing contained herein shall be deemed to release any Person or entity for matters (including personal or business banking matters or relationships) unrelated to JNL or Forgione.

- The representations and warranties of JNL, Forgione and Timothy Mayette set forth in paragraph 7 of the Stipulation, shall survive for a period of six (6) months after the Effective Date.

Revesting of Property of the Estate and Release of Liens

Except as otherwise provided in the Stipulation, the Plan, any contract, instrument, or other agreement or document created in connection with the Plan, or the Confirmation Order, on the Effective Date, all property of the Forgione Estate, wherever situated, shall be revested in Forgione, and except as set forth herein shall be free and clear of all Claims, mortgages, deeds of trust, liens, security interests, encumbrances, and other interests of any Person, and Forgione may thereafter operate his business and may use, acquire, and dispose of property and compromise or settle any Claims or interests without the supervision or approval of the Bankruptcy Court, free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules, the LBR, and the guidelines and requirements of the UST.

Dissolution of Unsecured Creditors Committee

The Committee shall continue in existence until the Effective Date to exercise those powers and perform those duties specified in Section 1103 of the Bankruptcy Code. On the Effective Date, the Committee shall be dissolved and its members shall be deemed released of all their duties, responsibilities, and obligations in connection with the Chapter 11 Cases, the Plan and its implementation. The retention or employment of the Committee's attorneys, financial advisors, and other agents shall terminate as of the Effective Date; provided, however, such attorneys and financial advisors shall be entitled to pursue their own Administrative Professional Claims, as provided herein.

Votes Solicited in Good Faith

The Debtors have, and upon Confirmation of the Plan shall be deemed to have, solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code. The Debtors (and each of their respective affiliates, agents, directors, officers, members, employees, advisors, and attorneys) have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code and therefore have not been, and shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the distributions made under the Plan.

Professional Fees Incurred After the Effective Date

Claims incurred by Forgione after the Effective Date including (without limitation) Claims for Professionals' fees and expenses incurred after such date, may be paid by Forgione in the ordinary course of business and without application for or obtaining of Bankruptcy Court approval.

Termination of Litigation

On the Effective Date: (i) the TFC Adversary Proceeding and the Committee Adversary Proceeding shall be deemed discontinued with prejudice, with waiver of costs and right to appeal, and (ii) the Committee Motions shall be deemed withdrawn with prejudice, with waiver of costs and right to appeal.

Notice of Future Litigation

Except with respect to asserted claims or actions commenced by TFC in connection with the liquidation of the TFC Collateral, to the extent that either TFC, the trustee of the Liquidating Trust, the Committee, or the trustee(s) of the Distribution Trust assert any claim or commence any action against any Person not released under the provisions of the Plan, written notice thereof shall be given (as provided herein) to the other of Plan Proponents, within thirty (30) days after the assertion of such claim and/or commencement of such action.

Retention of Jurisdiction. The Bankruptcy Court shall retain jurisdiction of the Consolidated Case pursuant to and for the purposes set forth in Section 1127(b) of the Bankruptcy Code and, *inter alia*, for the following purposes:

- To determine additional objections, if any, to the allowance of Claims or Interests;
- To determine any and all applications for compensation and reimbursement of expenses for Professionals' fees and any other fees and expenses authorized to be paid or reimbursed under the Bankruptcy Code;
- To amend or modify the Plan to remedy any defect, cure any omission, or reconcile any inconsistency in the Plan or the Confirmation Order as

may be necessary or advisable to carry out the purposes and intent of the Plan to the extent authorized by the Bankruptcy Code or the Bankruptcy Rules;

- To determine any and all controversies and disputes arising under or related to the Plan, the Liquidating Trust, and/or the Distribution Trust;
- To construe and enforce any and all provisions of the Plan;
- To determine any and all applications, motions, adversary proceedings and contested or litigated matters pending before the Bankruptcy Court concerning the administration of the Debtors' Estates, or their property;
- To determine any and all controversies and disputes arising under or related to any settlement of an adversary proceeding or contested matter approved by the Bankruptcy Court, either before or after entry of the Confirmation Order; and
- To enter a Final Decree in the Consolidated Case upon notice to the UST.

Section 1129(a)(15) of the Bankruptcy Code

In the event that one or more holders of Allowed Unsecured Claims in the Forgione Chapter 11 Case objects to the confirmation of the Plan, a hearing to determine whether or not the Plan is in compliance with Section 1129(a)(15)(B) of the Bankruptcy Code will be scheduled by the Bankruptcy Court, which hearing may coincide with the Confirmation Hearing.

Transfer Taxes

Under section 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of a security, or the making or delivery of an instrument of transfer, in accordance with this Plan (including, but not limited to, the transfer of the TFC Collateral to the Liquidating

Trust), whether effectuated or implemented by the Debtors or the Liquidating Trust, shall not be taxed under any law imposing a stamp tax or similar tax.

Notices

Any notice to be provided under the Plan shall be in writing and sent by certified mail, return receipt requested, postage pre-paid (with additional copy to the Debtors) or by hand delivery, addressed as follows:

If to the Debtors:

Pryor & Mandelup, L.L.P.
675 Old Country Road
Westbury, New York 11590
Attn.: A. Scott Mandelup, Esq.

With copies to:

Joseph G. Forgione
4792 Hempstead Turnpike
Farmingdale, New York 11735

and

McBreen & Kopko, LLP
500 North Broadway
Jericho, New York 11753
Attn.: Kenneth A. Reynolds, Esq.

If to the Committee or the Trustee(s) of the Distribution Trust:

Thaler & Gertler, LLP
90 Merrick Avenue, Suite 400
East Meadow, New York 11554
Attn.: Richard G. Gertler, Esq.

If to TFC or the Trustee of the Liquidating Trust:

Epstein Becker & Green, P.C.
250 Park Avenue
New York, New York 10177-1211
Attn.: Maura I. Russell, Esq.

-and-

Textron Financial Corporation
Attn: Paul F. Green
40 Westminster Street
Providence, Rhode Island 02903

All payments, notices and requests to Claimants, shall be sent to them at their last known address. The Debtors, the Committee or any Claimant or any trust established under the Plan may designate in writing any other address for purposes of this section, which designation shall be effective upon receipt, which receipt shall be deemed to be on the third business day after the mailing. Any payment required under the Plan shall be deemed to have been paid on the date when such payment is mailed.

VI

Requirements for Confirmation of the Plan

A. Confirmation and Disclosure Statement Hearing.

The Bankruptcy Court has set April 27, 2011 at 9:30 a.m. as the date and time for a hearing to determine whether the Disclosure Statement should be approved. A second hearing on confirmation of the Plan has been set for May 31, 2011, at 2:00 p.m. At that hearing (the “Confirmation Hearing”), the Court will determine whether (a) the Plan has been accepted by the requisite number of Creditors and (b) whether the other requirements for confirmation of the Plan have been satisfied. Each Creditor will receive notice of the Confirmation Hearing.

B. Requirements for Confirmation.

In order to confirm the Plan, Section 1129 of the Bankruptcy Code requires the Bankruptcy Court to make a series of determinations concerning the Plan, including that:

- the Plan classifies Claims and Interests in a permissible manner;

- the Plan complies with the technical requirements of Chapter 11 of the Bankruptcy Code;
- the Plan Proponents have proposed the Plan in good faith;
- the Plan Proponents' disclosures concerning the Plan have been adequate and have included information concerning all payments and distributions to be made in connection with the Plan; and
- Confirmation of the Plan will not be followed by the need for liquidation or the need for further financial reorganization of the Debtors.

The Debtors believe that all of these conditions have been met or will be met by the time of the Confirmation Hearing, and the Debtors will seek a determination of the Bankruptcy Court at the Confirmation Hearing that each of these elements have been met.

C. Acceptances Necessary for Confirmation

The Bankruptcy Code requires that the Plan place each Creditor's Claim and each Interest in a class with other Claims or Interests which are substantially similar. The Debtors believe that the classification system in the Plan meets the Bankruptcy Code's standard. Although the Bankruptcy Court must independently conclude that the Plan's classification system is legally authorized, any Creditor or Interest holder who believes that the Plan has improperly classified any group of Claims or Interests may object to Confirmation of the Plan.

The Bankruptcy Code requires that the Plan be accepted by requisite votes of Creditors and Interest Holders in impaired classes. Under Section 1124 of the Bankruptcy Code Class of Claims is impaired unless, with respect to each Claim or Interest of such class, the Plan-

- (1) leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of each claim or interest; or

(2) notwithstanding any contractual provisions or applicable law that entitles the holder of such claim or interests to demand or receive accelerated payments of such claim or interest after the occurrence of a default –

(A) cures any such default that occurred before or after the commencement of the case under this title, other than a default of a kind specified in section 365(b)(2) of this title or of a kind that section 365(b)(2) expressly does not require to be cured;

(B) reinstates the maturity of such claim or interest as such maturity existed before such default;

(C) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law;

(D) if such claim or such interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A), compensates the holder of such claim or such interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and

(E) does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

At the Confirmation Hearing, the Bankruptcy Court must determine, among other things, whether the Plan has been accepted by each class of Creditors and Interest holders whose Claims or Interests are impaired under the Plan. Under Section 1126 of the Bankruptcy Code, any impaired class is deemed to accept the Plan if it is accepted by at least two-thirds in amount and more than one-half in number of the Allowed Claims or Interests of class members who have voted on the Plan. The Plan provides that if a class consists of a single member and that

member fails to timely vote for acceptance or rejection of the Plan, that class shall be deemed to have accepted the Plan.

The Plan must also provide that with respect to the Allowed Kathy Forgione Priority Claims, each holder of such a Claim will receive (i) if such class has accepted the Plan, deferred cash payments of a value, as of the Effective Date, equal to the Allowed amount of such Claim; or (ii) if such class has not accepted the Plan, deferred cash payments of a value, as of the Effective Date, equal to the Allowed amount of such Claim. With respect to Priority Tax Claims, the Plan must provide that the holder of the Claim will receive regular installment payments in cash (i) of a total value, as of the Effective Date, equal to the Allowed amount of the Claim, (ii) over a period ending not later than five(5) years after the Filing Date, and (iii) in a manner not less favorable than the most favored Non-Priority Unsecured Claim provided for by the Plan.

Further, at least one impaired Class must accept the Plan, without counting the vote of Insiders of the Debtors.

Finally, unless there is unanimous acceptance of the Plan by an impaired Class, the Court must also determine that under the Plan, Class members will receive property of value as of the Effective Date of the Plan that is not less than the amount such Class members would receive or retain if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date.

D. Confirmation of the Plan Without Necessary Acceptances

The Plan may be confirmed even if it is not accepted by all of the impaired classes if the Court finds that the Plan was accepted by at least one impaired Class and does not discriminate unfairly against, and is fair and equitable with respect to, all non-accepting impaired

Classes. This provision is set forth in Section 1129(b) of the Bankruptcy Code and requires, among other things, that the holders of Claims or Interests which are impaired must either receive or retain the full value of their Claims or, if they receive less, no Class with a junior priority may receive anything.

E. Absolute Priority Rule

With certain exceptions, one of the requirements for confirmation is that a Plan not provide for any payments to a junior class unless all senior classes are paid in full. Since Unsecured Claims are superior to Interests, stockholders may not retain their Interests unless one of three situations occur:

- The Plan provides for full payment to general unsecured creditors;
- or
- The stockholders seeking to retain their equity interests contribute “money or money’s worth” in the form of needed capital to the Reorganized Company reasonably equivalent in value to that of the equity interest sought to be retained; or
- The class of unsecured creditors waive their rights by consenting to the Plan as proposed.

Under the Plan, the shareholders of JNL are not retaining their stock in JNL.

In a case in which the debtor is an individual, the debtor may retain property included in the Estate under Section 1115 of the Bankruptcy Code. Other than the Forgione Collateral under the Plan, Forgione will retain his interests in all property of his bankruptcy estate.

F. Persons Entitled to Vote on the Plan.

Only the votes of Classes whose Claims or Interests are impaired by the Plan will be counted in connection with confirmation. Generally, this includes any holders of Claims who, under the Plan, will have their contractual rights to payment altered under the Plan. The

following Classes of Creditors are impaired and are entitled to vote to accept or reject the Plan: Classes 1, 2, 4, and 5.

G. Solicitation of Acceptances

This Disclosure Statement must be approved by the Bankruptcy Court in accordance with Section 1125 of the Bankruptcy Code and be provided to Creditors which have been scheduled by the Debtors or which have filed a proof of claim and are impaired under the Plan. This Disclosure Statement is intended to assist holders of Claims which are impaired in evaluating the Plan and in determining whether to accept or reject the Plan. Under the Bankruptcy Code, a determination that the Disclosure Statement contains “adequate information”, as required by the Bankruptcy Code, does not constitute a recommendation by the Bankruptcy Court either for or against the Plan.

H. Voting Procedures

Only Impaired Classes of Claims are entitled to vote for or against the Plan. Ballots will be mailed to holders of Classes 1, 2, 4, and 5.

VII

POTENTIAL AVOIDANCE ACTIONS

The Debtors, after consultation with their professionals have determined that there are very few, if any, preference or fraudulent conveyance actions that could be brought under Sections 547, 548 or 544 of the Bankruptcy Code. Under a cost benefit analysis, any such litigation would not materially increase the distribution to any class of Creditors. The Debtors have agreed that no such actions will be brought in these Chapter 11 Cases. To the extent such actions could be brought against certain holders of Unsecured Claims, it was agreed, as part of the settlement that resulted in the Plan, that such actions would not be brought.

VIII

TAX CONSEQUENCES TO HOLDERS OF ALLOWED CLAIMS

The federal income tax consequences with respect to payments of cash to holders of Allowed Claims in partial or full satisfaction of debt, or pursuant to a tax free recapitalization or other restructuring, depend on the allocation of such payments to principal and interest owed on the debt. The allocation of payments between interest and principal may affect:

- the existence and timing of recognition of interest income by a cash basis Claimant;
- the existence and timing of interest deductions on a cash basis (and sometimes to an accrual basis) Debtor;
- the amount (and possibly the character) of worthless debt loss recognized by the Claimants;
- the amount of cancellation of indebtedness income recognized by the Debtor; and
- the amount of gain or loss recognized by the Claimant pursuant to a recapitalization under the Internal Revenue Code, 26 U.S.C. § 368(a)(1)(E).

An Allowed Claimant will recognize ordinary income to the extent that any stock, debt securities, other premises, or cash received is attributable to interest (including original issue discount) ("OID") which has accrued while the Claimant held the debt and which the Claimant previously included in income, exceeds the fair market value of stock, debt and cash received by the Claimant which is attributable to such accrued interest (including OID).

In addition, such Claimants will realize gain on such amount equal to the excess of the fair market value of stock, debt, other premises and cash received (excluding amounts attributable to interest and discussed above) over the cost or other tax basis of the debt claims surrendered (excluding any tax basis allocated to accrued interest). The gain may be a capital

gain or ordinary gain unless the exchange has the effect of the distribution of a dividend under Internal Revenue Code, 26 U.S.C. § 305 (discussed below) in which case gain recognized that is not in excess of earning and profits of the Debtor will be treated as a dividend. A corporate Claimant who receives a dividend may qualify for a dividend received deduction with respect to the dividend.

The rules regarding taxation of payments to Claimants which are attributable to other accrued but unpaid income items (e.g., rents, compensation, royalties, dividends, etc.) are similar to the rules described above for payments allocated to interest.

-Importance of Obtaining Professional Tax Assistance.

THE FOREGOING IS INTENDED TO BE ONLY A SUMMARY OF SELECTED FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH, AND RECEIPT OF ADVICE FROM, A TAX PROFESSIONAL. THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN THAT ARE DESCRIBED HEREIN AND THE STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN THAT ARE NOT ADDRESSED HEREIN, ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. SUCH CONSEQUENCES MAY ALSO VARY BASED ON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM. ACCORDINGLY, EACH CLAIMANT AND EQUITY HOLDER IS STRONGLY URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN.

IX

FINANCIAL INFORMATION

The Debtors have filed with the Bankruptcy Court monthly operating reports. This financial information has not been included in this Disclosure Statement, but may be examined in the office of the Clerk of the Bankruptcy Court, 290 Federal Plaza, Central Islip, New York, or at the offices of Pryor & Mandelup, L.L.P., 675 Old Country Road, Westbury, NY 11590, during normal business hours.

Annexed hereto as Exhibit “B” is JNL’s statement of post-petition operations as of January 31, 2011.

Annexed hereto as Exhibit “C” are seven (7) years cash flow projections for Forgione.

X

MODIFICATION OR REVOCATION OF THE PLAN

Subject to the restrictions on modifications set forth in Section 1127 of the Bankruptcy Code, the Debtors and the Reorganized Debtors reserve the right to alter, amend, or modify the Plan before or after the Effective Date. No alterations, amendments, or modifications may be made by any party except the Debtors or the Reorganized Debtors. If the Plan is modified by the Debtors or the Reorganized Debtors they will give notice of the amendment or modification to the U.S. Trustee. A hearing on such issues and any re-solicitation of ballots likely would significantly delay Confirmation and, consequently, significantly delay distributions under the Plan.

The provisions of the Plan are not severable unless such severance is agreed to by the Debtors or the Reorganized Debtors and such severance would constitute a permissible modification of the Plan pursuant to Section 1127 of the Bankruptcy Code.

XII

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated, the alternatives to the Plan include (i) liquidation of the Debtors under Chapter 7 of the Bankruptcy Code, and (ii) an alternative plan of reorganization for JNL and/or a plan of liquidation for Forgione.

A. Alternative Plan of Reorganization or Plan of Liquidation.

If the Plan is not confirmed, the Bankruptcy Court could confirm a different plan. The Plan is, in essence, liquidation of JNL and a reorganization of Forgione and a different plan might involve either a reorganization and continuation of JNL's business or an orderly liquidation of Forgione's assets. The Debtors believe that the Plan, as described herein, enables creditors and interest holders to realize the highest and best value under the circumstances. The Debtors believe that any other liquidation of the Debtors' assets or alternative forms of a Chapter 11 plan are much less attractive alternatives to Creditors than the Plan because of the far greater returns and certainty provided by the Plan. Other alternatives could involve diminished recoveries, significant delay, uncertainty, and substantial litigation and additional administrative costs. The Debtors believe that their Plan provides the best recovery for their Creditors without the uncertainty, expenses, and risk from the litigation between the Committee, TFC, the Unsecured Creditors, Debtors, and the Examiner that would almost certainly result if the Plan is not confirmed

B. Liquidation Under Chapter 7.

If no plan is confirmed, the Chapter 11 Cases may be converted to cases under Chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate the Debtors' assets for distribution in accordance with the priorities established by Chapter 7 of the Bankruptcy Code. An analysis of the effects that a Chapter 7 liquidation would have on the recoveries of holders of Claims and Equity Interests is set forth in the Liquidation Analyses to be filed by each Debtor with the Court within ten (10) business days after the filing of this Disclosure Statement. For the reasons set forth above, the Debtors believe that a liquidation under Chapter 7 of the Bankruptcy Code would result in no distribution to holders of

Unsecured Claims in the JNL Chapter 11 Case and will result in lesser, or no, distributions being made to Creditors in the Forgione Chapter 11 Case than those provided for in the Plan, and believe that Unsecured Creditors in the Forgione Case will be exposed to potential clawback litigation, under preference or fraudulent conveyance theories, to recover funds paid to them pre-petition by Debtors.

XII

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Committee was very active in all phases of the litigation and administration of the Chapter 11 Cases, as well as the settlement discussions which led to the Committee's consent to the Plan. The Committee believes that the Plan is in the best interest of the Unsecured Creditors and Note Holders under the circumstances and urges all Unsecured Creditors to accept the Plan.

CONCLUSION

The Debtors believe that the Plan will result in creditors receiving more than they would under a hypothetical Chapter 7 liquidation and believe that Confirmation of the Plan of Reorganization is in the best interests of creditors and interest holders of the Debtors.

Accordingly, the Debtors urge all Creditors to accept the Plan.

Dated: Farmingdale, New York
March 18, 2011

JNL FUNDING CORP.

By: s/Joseph G. Forgione
Joseph G. Forgione, President

Dated: Farmingdale, New York
March 18, 2011

By: s/ Joseph G. Forgione
Joseph G. Forgione

Dated: Westbury, New York
March 18, 2011

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Dated: Jericho, New York
March 18, 2011

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