DRAFT – NOT FOR SOLICITATION PURPOSES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	Chapter 11
METRO AFFILIATES, INC., *et al.*[1],	Case No. 13-13591 (SHL)
Debtors.	Jointly Administered

DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE FOR THE JOINT CHAPTER 11 PLAN OF LIQUIDATION FOR METRO AFFILIATES, INC. AND ITS AFFILIATED DEBTORS PROPOSED BY THE DEBTORS AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE FOR USE IN THE SOLICITATION OF ACCEPTANCES OF THE PLAN DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISTRIBUTION OF THIS DISCLOSURE STATEMENT IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, AS A SOLICITATION OF ACCEPTANCES OF SUCH PLAN. THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THIS DISCLOSURE STATEMENT CONTAINS "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE.[2]

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer identification number, are: 180 Jamaica Corp. (7630); Amboy Bus Co., Inc. (2369); Atlantic Escorts, Inc. (8870); Atlantic Express Coachways, Inc. (2867); Atlantic Express New England, Inc. (4060); Atlantic Express of California, Inc. (5595); Atlantic Express of Illinois, Inc. (5759); Atlantic Express of LA, Inc. (1639); Atlantic Express of Missouri, Inc. (3116); Atlantic Express of New Jersey, Inc. (8504); Atlantic Express of Pennsylvania, Inc. (0330); Atlantic Express Transportation Corp. (4567); Atlantic Queens Bus Corp. (0276); Atlantic Paratrans of NYC, Inc. (1114); Atlantic Paratrans, Inc. (3789); Atlantic Transit, Corp. (7142); Atlantic-Hudson, Inc. (5121); Block 7932, Inc. (3439); Brookfield Transit, Inc. (8247); Courtesy Bus Co., Inc. (5239); Fiore Bus Service, Inc. (1233); Groom Transportation, Inc. (7208); G.V.D. Leasing, Inc. (0595); James McCarty Limo Services, Inc. (8592); Jersey Business Land Co. Inc. (3850); K. Corr, Inc. (4233); Merit Transportation Corp. (8248); Metro Affiliates, Inc. (0142); Metropolitan Escort Service, Inc. (9197); Midway Leasing, Inc. (7793); R. Fiore Bus Service, Inc. (3609); Raybern Bus Service, Inc. (9412); Raybern Capital Corp. (6990); Raybern Equity Corp. (3830); Robert L. McCarthy & Son, Inc. (4617); Staten Island Bus, Inc. (6818); Temporary Transit Service, Inc. (0973); Atlantic Express of Upstate New York Inc. (1570); Transcomm, Inc. (4493); and Winsale, Inc. (2710). The Debtors' service address at Metro Affiliates, Inc.'s corporate headquarters is 7 North Street, Staten Island, NY 10302.

[2] Legend to be removed by the Clerk of the Bankruptcy Court upon entry of Order of the Bankruptcy Court approving this Disclosure Statement.

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Dated: March 31, 2014

AKIN GUMP STRAUSS
HAUER & FELD LLP
Lisa G. Beckerman
Rachel Ehrlich Albanese
One Bryant Park
New York, New York 10036
Tel: (212) 872-1000
Fax: (212) 872-1002

Counsel to the Debtors and Debtors in Possession

FARRELL FRITZ, P.C.
Ted A. Berkowitz
Patrick T. Collins
Veronique A. Urban
1320 RXR Plaza
Uniondale, New York 11556
Tel: (516) 227-0700
Fax: (516) 227-0777

Counsel to the Official Committee of Unsecured Creditors

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ARTICLE I.

INTRODUCTION

Metro Affiliates, Inc. and its Affiliates listed on Annex 1 hereto (collectively, the "**Debtors**"), together with the Official Committee of Unsecured Creditors (the "**Committee**" and, together with the Debtors, the "**Plan Proponents**") provide this Disclosure Statement (the "**Disclosure Statement**") to permit the Debtors' Creditors to make an informed decision in voting to accept or reject the *Joint Chapter 11 Plan of Liquidation for Metro Affiliates, Inc. and Its Affiliated Debtors Proposed by the Debtors and the Official Committee of Unsecured Creditors* (the "**Plan**") filed on March 31, 2014 with the United States Bankruptcy Court for the Southern District of New York (the "**Bankruptcy Court**") in connection with the above-captioned cases filed pursuant to Chapter 11 of the Bankruptcy Code (the "**Chapter 11 Cases**"). A copy of the Plan is attached to this Disclosure Statement as **Exhibit A**. Subject to certain restrictions and requirements set forth in Bankruptcy Code Section 1127 and Federal Bankruptcy Rule 3019, the Plan Proponents expressly reserve the right to alter, amend, modify, revoke, or withdraw the Plan prior to its substantial consummation.

Capitalized terms used herein but not otherwise defined have the meanings assigned to such terms in the Plan. Whenever the words "include," "includes" or "including" are used in this Disclosure Statement, they are deemed to be followed by the words "without limitation."

This Disclosure Statement is presented to certain Holders of Claims against the Debtors in accordance with the requirements of Bankruptcy Code Section 1125. Bankruptcy Code Section 1125 requires that a disclosure statement provide information sufficient to enable a hypothetical and reasonable investor, typical of the Debtors' Creditors and stockholders, to make an informed judgment whether to accept or reject the Plan. This Disclosure Statement may not be relied upon for any purpose other than that described above. The Disclosure Statement is based on information publicly available in pleadings filed on the docket of the Chapter 11 Cases; information provided by the Debtors' management; claims information provided by Kurtzman Carson Consultants ("**KCC**"), the Debtors' claims and noticing agent; a liquidation analysis prepared as of May 31, 2014 by PricewaterhouseCoopers LLP ("**PwC**"), the Committee's financial advisor, and Rothschild, Inc. ("**Rothschild**"), the Debtors' investment banker and financial advisor; and legal analysis by Farrell Fritz, P.C. ("**Farrell Fritz**"), counsel for the Committee, and Akin Gump Strauss Hauer & Feld LLP ("**Akin Gump**"), counsel for the Debtors.

ARTICLE II.

NOTICE TO HOLDERS OF CLAIMS AND INTERESTS

The purpose of this Disclosure Statement is to enable you, as a Creditor whose Claim is impaired under the Plan, to make an informed decision in exercising your right to accept or reject the Plan.

THIS DISCLOSURE STATEMENT AND THE PLAN ARE AN INTEGRAL PACKAGE, AND THEY MUST BE CONSIDERED TOGETHER FOR THE READER TO BE ADEQUATELY INFORMED. THIS INTRODUCTION IS QUALIFIED IN ITS ENTIRETY BY THE REMAINING PORTIONS OF THIS DISCLOSURE STATEMENT, AND THIS DISCLOSURE STATEMENT IN TURN IS QUALIFIED, IN ITS ENTIRETY, BY THE PLAN.

NO REPRESENTATIONS CONCERNING THE DEBTORS ARE AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT AND ITS EXHIBITS. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OF THE PLAN OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND ITS EXHIBITS SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTORS, WHO WILL IN TURN DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE APPROPRIATE.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING ANY EXHIBITS CONCERNING THE FINANCIAL CONDITION OF THE DEBTORS AND THE OTHER INFORMATION CONTAINED HEREIN, HAS NOT BEEN SUBJECTED TO AN AUDIT OR INDEPENDENT REVIEW EXCEPT AS EXPRESSLY SET FORTH HEREIN. ACCORDINGLY, THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONCERNING THE DEBTORS OR THEIR FINANCIAL CONDITION IS ACCURATE OR COMPLETE.

ALTHOUGH AN EFFORT HAS BEEN MADE TO BE ACCURATE AND THE DEBTORS BELIEVE IN GOOD FAITH THAT THE INFORMATION HEREIN IS ACCURATE, THE PLAN PROPONENTS DO NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND ITS EXHIBITS IS CORRECT. THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. EACH CREDITOR IS STRONGLY URGED TO REVIEW THE PLAN PRIOR TO VOTING ON IT.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE OF THIS DISCLOSURE STATEMENT UNLESS ANOTHER TIME IS SPECIFIED. THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE OF THIS DISCLOSURE STATEMENT. EXCEPT TO THE EXTENT THE PLAN PROPONENTS MAKE MATERIAL MODIFICATIONS TO THE PLAN PRIOR TO THE CONFIRMATION HEARING, THE PLAN PROPONENTS DISCLAIM ANY OBLIGATION TO UPDATE THIS DISCLOSURE STATEMENT AFTER THE DATE HEREOF.

A STATEMENT OF THE ASSETS AND LIABILITIES OF THE DEBTORS AS OF THE DATE OF THE COMMENCEMENT OF THEIR CHAPTER 11 CASES IS ON FILE WITH THE CLERK OF THE BANKRUPTCY COURT AND MAY BE INSPECTED BY

INTERESTED PARTIES DURING REGULAR BUSINESS HOURS OR BY VISITING WWW.KCCLLC.NET/METRO.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH BANKRUPTCY CODE SECTION 1125 AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE NON-BANKRUPTCY LAW. ENTITIES HOLDING OR TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS AGAINST, INTERESTS IN OR SECURITIES OF, THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT ONLY IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER FEDERAL OR STATE REGULATORY AGENCY NOR HAS SUCH COMMISSION OR AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT WILL NOT BE CONSTRUED TO BE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN. EACH CREDITOR SHOULD, THEREFORE, CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISERS AS TO ANY SUCH MATTERS CONCERNING THE SOLICITATION OF VOTES ON THE PLAN, THE PLAN OR THE TRANSACTIONS CONTEMPLATED THEREBY.

HOLDERS OF CLAIMS SHOULD CAREFULLY READ AND CONSIDER THE PLAN AND THIS DISCLOSURE STATEMENT.

The Committee is the statutory committee appointed by the Office of the United States Trustee for Region 2 to represent the interests of unsecured creditors. Accordingly, the Committee has limited knowledge with regard to certain facts uniquely available to the Debtors. The Committee therefore relies on the Debtors with regard to the truth and accuracy of the statement of such facts and makes no representations regarding such statements except that the Committee believes the statements contained herein to be true but has not conducted any due diligence of any kind or nature to confirm the truth or accuracy of statements regarding facts uniquely available to the Debtors.

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a Confirmation Hearing on **_____, 2014 at __:_0 _.m.**, prevailing Eastern Time, before the Honorable Sean H. Lane, United States Bankruptcy Judge. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed and served on or before **_____, 2014 at __:_0 _.m.**, prevailing Eastern Time, in the manner described in the related order.

THE PLAN PROPONENTS BELIEVE THAT THE PLAN IS IN THE BEST INTEREST OF AND PROVIDES THE HIGHEST AND MOST EXPEDITIOUS

RECOVERIES TO HOLDERS OF ALL CLASSES OF CLAIMS. THE COMMITTEE IS A PROPONENT OF THE PLAN, SUPPORTS CONFIRMATION OF THE PLAN AND URGES ALL HOLDERS OF PRIORITY NON-TAX CLAIMS, NOTEHOLDERS CLAIMS, GENERAL UNSECURED CLAIMS AND INSURED CLAIMS TO VOTE IN FAVOR OF THE PLAN.

ARTICLE III.

OVERVIEW OF THE PLAN

3.1 Explanation of Chapter 11

Chapter 11 of the Bankruptcy Code permits the filing of a chapter 11 plan of liquidation. The Plan sets forth the means for satisfying the Holders of Claims against and Interests in the Debtors' Estates. A chapter 11 plan may provide anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of a debtor's assets. In either event, upon confirmation of the chapter 11 plan, it becomes binding on a debtor and all of its creditors and equity holders, and the obligations owed by a debtor to such parties are compromised and exchanged for the obligations specified in the chapter 11 plan.

After a chapter 11 plan has been filed, the Holders of impaired claims against and interests in a debtor may be permitted to vote to accept or reject the chapter 11 plan, although impaired Interests in the Debtors are deemed to reject the Plan and, thus, are not permitted to vote here. Before soliciting acceptances of a proposed chapter 11 plan, section 1125 of the Bankruptcy Code requires the proponents of the chapter 11 plan to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the chapter 11 plan. **This Disclosure Statement is presented to Holders of Claims against and Interests in the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code in connection with the solicitation of votes by the Plan Proponents on the Plan.**

The bankruptcy court may confirm a chapter 11 plan even though fewer than all of the classes of impaired claims and interests accept such chapter 11 plan. For a chapter 11 plan to be confirmed, despite its rejection by a class of impaired claims or interests, the chapter 11 plan must be accepted by at least one class of impaired claims (determined without counting the vote of insiders) and the proponent of the chapter 11 plan must show, among other things, that the chapter 11 plan does not "discriminate unfairly" and that the chapter 11 plan is "fair and equitable" with respect to each impaired class of Claims or interests that has not accepted the chapter 11 plan. **The Plan has been structured so that it will satisfy the foregoing requirements as to any rejecting Class of Claims or Interests and can therefore be confirmed, if necessary, over the objection of any Class of Claims and the Class of Interests.**

3.2 Voting Instructions

THE PLAN PROPONENTS STRONGLY RECOMMEND EACH CREDITOR ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN.

The Holders of Claims in Class 1 and Class 4 are Unimpaired under the Plan. Thus, pursuant to Bankruptcy Code section 1126(f), the claimants in Class 1 and Class 4 are deemed to have accepted the Plan and are not entitled to vote.

The Holders of Claims in Class 2, Class 3, Class 5 and Class 6 are Impaired under the Plan and will or may receive property under the Plan and may vote to accept or reject the Plan. The Debtors have enclosed Ballots with this Disclosure Statement to solicit the votes of the Holders of the Class 2 Claims, Class 3 Claims, Class 5 Claims and Class 6 Claims.

The Holders of Interests in Class 7 will not receive any distribution under the Plan. Thus, pursuant to Bankruptcy Code section 1126(g), Holders of Interests in Class 7 are deemed to have rejected the Plan and such Holders are not entitled to vote on the Plan.

A BALLOT FOR ACCEPTANCE OR REJECTION OF THE PLAN IS BEING PROVIDED ONLY TO HOLDERS OF THE CLASS 2 CLAIMS, CLASS 3 CLAIM, THE CLASS 5 CLAIMS AND THE CLASS 6 CLAIMS. BEFORE VOTING, SUCH HOLDERS SHOULD READ THIS DISCLOSURE STATEMENT AND ITS EXHIBITS, INCLUDING THE PLAN AND THE PLAN DOCUMENTS, IN THEIR ENTIRETY.

You should use the Ballot sent to you with this Disclosure Statement to cast your vote for or against the Plan. **You may not cast Ballots or votes orally, by email or by facsimile. In order for your Ballot to be considered by the Bankruptcy Court, it must be received at the address set forth on the Ballot by 5:00 p.m. (prevailing Eastern Time) on ___ _____, 2014 (the "Voting Deadline").** If you are a claimant in Class 2, Class 3, Class 5 or Class 6, and you did not receive a Ballot with this Disclosure Statement, please contact KCC by telephone at (877) 726-6508, by email at Metroinfo@kccllc.net, or by first class mail, hand delivery or overnight at Metro Affiliates Claims Processing Center, c/o KCC, 2335 Alaska Avenue, El Segundo, CA 90245.

Only Holders of Allowed Claims in Impaired Classes of Claims which are not deemed to reject the Plan are entitled to vote on the Plan. Any Ballot that is executed by such Holder of an Allowed Claim, but which does not indicate acceptance or rejection of the Plan, will be considered a vote to accept the Plan. Any Ballot not executed by the Holder of an Allowed Claim will not be counted as a vote to accept or reject the Plan, although it may impact the approval of the Plan as immediately set forth below.

An Impaired Class of Claims is deemed to accept the Plan if at least two thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims in the Class that actually vote are cast in favor of the Plan. Whether or not a Creditor or Interest Holder votes on the Plan, such Person will be bound by the terms and treatment set forth in the Plan if the Plan is confirmed by the Bankruptcy Court. To be confirmed by the Bankruptcy Court, the Plan must be accepted by the requisite majorities of the Holders of Claims in at least one of Class 2, Class 3, Class 5 or Class 6, and must satisfy Bankruptcy Code section 1129(b) as to any Class that does not accept the Plan. In addition, the Bankruptcy Court must determine that each member of Class 2, Class 3, Class 5 and Class 6 will receive property of a value, as of the Effective Date, that is not less than the amount such Class member would receive or retain if

the Debtors were liquidated under chapter 7 of the Bankruptcy Code. Pursuant to the provisions of Bankruptcy Code section 1126(e), the Bankruptcy Court may disallow any vote accepting or rejecting the Plan if such vote is not cast in good faith. The Debtors or other parties in interest may dispute proofs of claim that have been filed. Persons holding Disputed Claims may vote on or otherwise participate in distributions under the Plan only to the extent that the Bankruptcy Court allows their Claims. The Bankruptcy Court may temporarily allow a Disputed Claim for voting purposes only. Allowance of a Disputed Claim for voting purposes or disallowance of a Disputed Claim for voting purposes does not necessarily mean that all or a portion of that Claim will be allowed or disallowed for distribution purposes. Claims listed in the Schedules as disputed are barred unless the Holder filed a timely proof of claim. The Debtors' Schedules listing Claims and whether such Claims are disputed can be inspected online at ***www.kccllc.net/metro***.

3.3 Confirmation of the Plan by the Bankruptcy Court

Once it is determined whether Class 2, Class 3, Class 5 and/or Class 6 has or has not accepted the Plan (not including any acceptances by "insiders" as defined in Bankruptcy Code section 101(31)), the Bankruptcy Court will determine whether the Plan may be confirmed. Class 7 will receive no distributions on account of their respective Interests and are therefore deemed to have rejected the Plan without voting. However, as to the voting Classes, the Bankruptcy Court may confirm the Plan even if all but one of such Classes do not accept the Plan if the Bankruptcy Court finds that the rejecting Classes are treated in accordance with Bankruptcy Code section 1129(b) and that certain additional conditions are met. The Plan Proponents will therefore request that the Bankruptcy Court confirm the Plan under Bankruptcy Code section 1129(b) with respect to any nonaccepting Class of Claims or Interests. Bankruptcy Code section 1129(b) is generally referred to as the "cramdown" provision. Pursuant to the cramdown provision, the Bankruptcy Court may confirm the Plan over the objection of a non-accepting Class of secured Claims if the Plan satisfies one of the alternative requirements of Bankruptcy Code section 1129(b)(2)(A), including (a)(I) that the Holders of such secured Claims retain the liens securing such Claims, whether the property subject to such liens is retained by the Debtor or transferred to another entity, to the extent of the allowed amount of such Claims; and (II) that each Holder of a secured Claim of such Class receive on account of such Claim deferred cash payments totaling at least the allowed amount of such Claim, of a value, as of the Effective Date, of at least the value of such Holder's interest in the Debtors' Estates interest in such property; (b) where there is a sale, subject to Bankruptcy Code section 363(k), of any property that is subject to the liens securing such Claims free and clear of such liens, such liens attach to the proceeds of such sale, and such liens on proceeds are treated as provided under subparagraph (a) or (c) hereof; or (c) such Holders realize the indubitable equivalent of such Claims. Likewise, the Bankruptcy Court may confirm the Plan over the objection of a non-accepting (or deemed rejecting) Class of unsecured Claims if the non-accepting claimants will receive the full value of their Claims, or, if the non-accepting claimants receive less than full value, if no Class of junior priority will receive anything on account of their pre-petition Claims or Interests. As to a non-accepting (or deemed rejecting) Class of Interests, the Bankruptcy Court may confirm the Plan if the Holder of any Interest that is junior to the Interests of such Class will not receive or retain under the Plan any property on account of such junior Interest.

THESE ARE COMPLEX STATUTORY PROVISIONS, AND THE PRECEDING PARAGRAPHS ARE NOT INTENDED TO BE A COMPLETE SUMMARY OF THE LAW. IF YOU DO NOT UNDERSTAND THESE PROVISIONS, PLEASE CONSULT WITH AN ATTORNEY QUALIFIED TO PROVIDE ADVICE ON THE BANKRUPTCY CODE. BECAUSE HOLDERS OF INTERESTS IN CLASS 7 WILL RECEIVE NO DISTRIBUTIONS ON ACCOUNT OF THEIR RESPECTIVE INTERESTS AND ARE THUS DEEMED TO HAVE REJECTED THE PLAN, THE PLAN PROPONENTS INTEND TO RELY UPON THE "CRAMDOWN" PROVISION OF BANKRUPTCY CODE SECTION 1129(b).

A substantial majority of the Debtors' Assets have already been liquidated during the Chapter 11 Cases and the Debtors have ceased operating their business of providing transportation services. The Plan provides for the liquidation of substantially all of the remaining property of the Debtors' Estates, which consists primarily of (a) any and all Estate Causes of Action, (b) the Other GUC Escrow, (c) the Other Liquidating Trust Fund Escrow and (d) any and all remaining Unencumbered Assets, and the proceeds of each of the foregoing (a) – (d). Pursuant to Bankruptcy Code section 1141(d)(3), confirmation of the Plan will not discharge the Debtors from any of their debts which arose prior to the Petition Date, however, Confirmation will make the Plan binding upon the Debtors, their Creditors, Holders of Claims and Interests, the Liquidating Trust and other parties in interest regardless of whether they have accepted the Plan. The Plan is premised on the substantive consolidation of all of the Debtors with respect to the treatment of all Claims and Interests. The Plan serves as a request by the Debtors, in lieu of a separate motion, to the Bankruptcy Court that it grant substantive consolidation with respect to the treatment of all Claims and Interests of the Debtors.

ARTICLE IV.

HISTORY OF THE DEBTORS

4.1 Debtors' Background

Atlantic Express Transportation Corp. ("**Atlantic Express**") was founded in 1972 and is a holding company that directly or indirectly wholly owns each of the other Debtors. Prior to the Chapter 11 Cases, the Debtors operated as the fourth largest contractor by revenue in the U.S. student transportation market. The Debtors provided general education school bus and special education transportation services to school districts in New York, California, Pennsylvania, New Jersey and Massachusetts and held a top position in key markets within these states.

The Debtors' school bus operations were the cornerstone of the Debtors' business and included (i) full-service contracting; (ii) GPS and bus tracking systems; (iii) services to optimize routes traveled; (iv) driver management and training; and (v) bus maintenance. For the fiscal year ended June 30, 2013, the student transportation division generated annual revenues of approximately $348.2 million.

In addition, the Atlantic Express commuter operations division transported thousands of people to their jobs daily and the luxury coach charter service made scheduled

single and multi-day excursions to leisure destinations throughout the continental U.S. and Canada. For the fiscal year ended June 30, 2013, the commuter and charter division generated annual revenues of approximately $16.03 million.

As of the Petition Date, the Debtors employed a total of 5,531 employees, 98% of which were employed by the Debtors on an hourly basis and 2% of which were employed by the Debtors on a full-time, salaried basis. Due to the sales of the Debtors' operations during these Chapter 11 Cases, the Debtors employed only a total of 12 employees as of the date of the filing of this Disclosure Statement.

4.2 Financing Arrangements

A. Prepetition Credit Facility

Atlantic Express and certain of the other Debtors were borrowers under an existing credit facility with Wells Fargo, dated as of March 12, 2010 (as subsequently amended and modified, the "**Prepetition Credit Facility**"), which provided Atlantic Express and the co-borrowers with (i) a maximum revolving credit limit (the "**Revolving Loans**") of $45 million minus the outstanding principal amount of the Supplemental Loans (as defined below), including a $23 million letter of credit sub-facility, (ii) a $16 million new rolling stock purchase term loan facility (the "**Vehicle Term Loans**") and (iii) certain supplemental loans (the "**Supplemental Loans**") in the original aggregate principal amount of $12 million. Prior to the Petition Date, Atlantic Express exercised its option under the Prepetition Credit Facility to extend the termination date of the Prepetition Credit Facility to June 30, 2014.

As of the Petition Date, the amount borrowed under the Prepetition Credit Facility (excluding $22.8 million in letters of credit) consisted of (i) $4.2 million in Revolving Loans, (ii) $8.5 million of Vehicle Term Loans and (iii) $8.0 million of Supplemental Loans.

The Prepetition Credit Facility was secured on a first priority basis by substantially all of the assets of the Debtors including Cash and other Cash equivalents which constitute cash collateral under section 363(a) of the Bankruptcy Code, except that (i) Wells Fargo did not have a security interest in certain of the Debtors' motor vehicles, including those that are collateral securing the Notes (as defined below) and other vehicle financing arrangements and (ii) pursuant to the Intercreditor Agreement (as defined below), its security interest on certain real properties was subordinated to the security interest on such real properties securing the Notes (as defined below).

B. Senior Secured Notes

On May 15, 2007, Atlantic Express issued $185 million aggregate principal amount of Senior Secured Floating Rate Notes due 2012 (the "**Old Notes**"). On October 19, 2009, Wayzata and Blue Wolf exchanged approximately $183 million of the $185 million of Old Notes for a pro rata share of (i) $90 million of the Notes and (ii) newly issued common stock of Atlantic Express (the "**New Stock**") representing 95.5% of all outstanding common stock of Atlantic Express. The maturity of the Notes was extended by agreement to October 15, 2017. As of the Petition Date, approximately $155 million in principal amount of Notes was outstanding.

The Notes are secured on a first priority basis by certain motor vehicles and certain real properties and on a second priority basis by substantially all of the other assets of the Debtors. The Indenture Trustee and Wells Fargo are party to that certain Amended and Restated Intercreditor Agreement, dated as of March 12, 2010. Wells Fargo was secured on a first priority basis by substantially all of the assets of Atlantic Express, other than certain owned real properties on which it has a second lien and certain of the Debtors' motor vehicles.

Wayzata holds a substantial majority of the Notes and the equity of Atlantic Express and has representatives on the Board of Directors of Atlantic Express. Wayzata has been an active participant in these Chapter 11 Cases and the negotiation of the Global Settlement (defined herein). Blue Wolf is the second largest holder of the Notes and also owns equity of Atlantic Express and has a representative on the Board of Directors of Atlantic Express. In addition, the Supplemental Loans were participated out to the Noteholders and as a result the Noteholders hold the entire economic interest in the Supplemental Loans.

C. Prepetition Obligations Under Capital Leases and Loan Agreements

In April 2010 and June 2011, the Debtors entered into master lease agreements with Merchants Automotive Group, Inc. ("**Merchants**"), pursuant to which Merchants agreed to provide financial accommodations in amounts of up to $10 million and $6 million, respectively, to acquire buses in the form of capitalized and operating leases. Subsequently, Merchants provided additional financial accommodations under the master lease agreements in the aggregate amount of $29.7 million to acquire buses.

As security for the Debtors' obligations under these leases, the Debtors provided Merchants a security interest in $10 million of existing motor vehicles owned by the Debtors and letters of credit issued by Wells Fargo in the amount of $1.5 million. Merchants and the Indenture Trustee are parties to an intercreditor agreement pursuant to which Merchants has a first priority security interest, and the trustee on behalf of the Holders of the Notes has a second priority security interest, in the $10 million of existing motor vehicles.

In May and June 2010, the Debtors entered into three loan and security agreements with GE Capital Commercial Inc. ("**GE**") pursuant to which GE agreed to provide $6 million of financing to purchase 80 buses at an aggregate original cost of $7.5 million. The Debtors provided GE with a purchase money security interest in the acquired buses.

In June 2012, the Debtors entered into a Master Loan and Security Agreement with People's Capital and Leasing Corp. ("**People's**") pursuant to which People's agreed to provide $3.9 million of financing to purchase 40 buses. As additional security, the Debtors provided People's a first priority security interest in $700,000 of existing motor vehicles. In addition, Wayzata agreed to subordinate its rights under the Notes to the indebtedness owed to People's subject to certain conditions.

Thereafter, in March 2013, the People's loan agreement was amended to provide an additional $500,000 of financing to purchase five buses. As additional security, the Debtors

provided $75,000 of additional security deposit. In addition to the capital lease obligations and loan agreements described above, various additional lenders have provided financing to the Debtors for the purchase of motor vehicles or equipment necessary to the Debtors' business.

D. Stockholders' Equity

On October 9, 2009, Atlantic Express issued (i) the New Stock and (ii) as a dividend to existing holders of common stock, warrants to acquire 1,669,156 shares of common stock, exercisable only upon the occurrence of certain events within ten years of the issuance date and at an initial exercise price of $8.36 per share.

Atlantic Express's Certificate of Incorporation authorizes it to issue up to 45 million shares of common stock and one million shares of preferred stock, and contains certain restrictions on the transfer of the New Stock. As of the Petition Date, on a fully diluted basis, Wayzata owned approximately 73% of Atlantic Express's equity, entities relating to GSCP II Holdings (AE), LLC owned approximately 9.5% of Atlantic Express's equity, Blue Wolf owned approximately 8.4% of Atlantic Express's equity and AIS Highbury Liquidation SPV, L.P. owned approximately 5.1% of Atlantic Express's equity. The remaining shares are held by various parties.

4.3 Events Leading up to the Debtors' Chapter 11 Filings

For 34 years, Atlantic Express was the largest school bus operator in New York City serving the New York City Department of Education ("**NYCDOE**"). School bus drivers and matrons in New York City generally belong to Local 1181-1061, Amalgamated Transit Union, AFL-CIO ("**Local 1181**").

Since 1979, the NYCDOE required every contract with every school bus company providing K-12 transportation services (collectively, the "**Employers**") to contain what is known as the Employee Protection Provision ("**EPP**"). Under the EPP, any Local 1181 member who loses his job or her job is placed on a master seniority list, and Employers with NYCDOE contracts are required to hire those employees off the master seniority list in order of seniority when and if they require additional drivers or escorts to provide their contractual services.

In 2011, the New York Court of Appeals ruled that EPPs were subject to heightened scrutiny under the state's bidding laws and, in the case at issue, found that the NYCDOE had not met its burden of showing how EPPs reduce costs or prevent disruption of service. In December 2012, Mayor Michael Bloomberg announced that the NYCDOE would begin bidding out transportation contracts for certain routes expiring in 2013, and that the new contracts would not contain EPPs. This significantly impaired the ability of the Employers, including the Debtors, to win bids on new contracts, because while the Employers had to account for historical EPP costs, the new companies that did not have to account for EPP costs could offer significantly lower bids than the Employers.

On December 31, 2012, the Debtors' most recent collective bargaining agreement with Local 1181 expired by its terms. From October 23, 2012 through March 19, 2013, the

Debtors, along with 24 other Employers, and Local 1181 engaged in negotiations in an attempt to reach mutually acceptable terms, but they were unsuccessful. On March 19, 2013, the Employers declared an impasse in bargaining and, on March 22, 2013, imposed their "best and final offer" ("**BAFO**"), which provided wages and benefits to the members of Local 1181 at reduced rates acceptable to the Employers. Local 1181 promptly filed unfair labor charges with the National Labor Relations Board ("**NLRB**").

On June 10, 2013, the NLRB issued a complaint against 27 of the Employers, including certain of the Debtors, charging that the Employers unilaterally changed the employees' terms and conditions of employment without bargaining to impasse in violation of certain provisions of the National Labor Relations Act. Following briefing, an NLRB administrative law judge ("**ALJ**") held a multi-day hearing in July 2013.

On July 3, 2013, the NLRB filed a motion in the United States District Court for the Eastern District of New York seeking a preliminary injunction ordering the Employers to resume bargaining in good faith and resume payment prospectively of the pre-BAFO wages and benefits. On August 28, 2013, the district court granted the NLRB's motion and ordered the Employers to, among other things, (i) bargain collectively and in good faith with Local 1181 and (ii) resume payment prospectively of the wages and benefits of Local 1181 members in effect prior to March 19, 2013 until a new agreement was reached or until impasse after good faith bargaining.

On September 20, 2013, the ALJ found in favor of Local 1181 and issued a decision ordering the Employers to (i) resume bargaining and (ii) resume payment, retroactively, of the pre-BAFO wages and benefits and make the union members whole for all monetary losses they have incurred as a result of such changes, with interest compounded daily. The ALJ noted expressly that his decision could result in the Employers becoming uncompetitive in their ability to bid for school bus routes and in losing some or all of their business when their existing contracts with the NYCDOE expire, thereby resulting in a layoff of many Local 1181 members, but he suggested that only a bankruptcy court could modify the terms of a CBA, and that the parties should try to resolve the issues consensually. The NLRB has not yet issued an order with respect to the ALJ's decision. The Debtors have filed exceptions to the ALJ's decision and have asked the NLRB not to adopt the ALJ's decision.

In addition to the labor issues faced by the Debtors, the Debtors experienced financial difficulties prior to the filing of the Chapter 11 Cases. This is because, among other things, the timing of the Debtors' accounts receivables collections within any calendar month did not match the timing of the Debtors' payroll obligations and trade payables. Without the post-petition financing described below, the Debtors believed that they would run out of cash prior to December 31, 2013, which would have caused them to shut down their business immediately. Such drastic action would have had devastating effects upon the Debtors' employees, their stakeholders and the schoolchildren that the Debtors transported, as well as the Debtors' prospects for a successful outcome to a chapter 11 case. As a result, the Debtors determined that the filing of these Chapter 11 Cases and proceeding with the sale of substantially all of their assets would be the best means to maximize value for the benefit of the Debtors' estates and creditors.

4.4 Post-Petition Financing

Prior to the Petition Date, after carefully assessing their liquidity situation in the event the Chapter 11 Cases were initiated, the Debtors concluded that they would need incremental liquidity beyond that available under their existing credit facilities. Because such incremental liquidity would have to be provided through a lien priming facility, and because the Debtors did not wish to engage in a contested priming dispute with Wells Fargo, the Debtors requested that Wells Fargo provide a consensual debtor-in-possession ("**DIP**") financing facility that would prime the prepetition liens securing the Debtors' obligations under the Prepetition Credit Facility. Wells Fargo agreed, on certain conditions.

In furtherance thereof the Debtors filed a motion on November 5, 2013, seeking entry of interim and final orders, under sections 105(a), 361, 362, 363, 364 and 507 of the Bankruptcy Code, Bankruptcy Rules 2002, 4001 and 9014, Rule 4001-2 of the Local Bankruptcy Rules for the Bankruptcy Court and Bankruptcy Court General Order No. M-274 authorizing the Debtors to (A) enter into a DIP financing arrangement as provided for in that certain Ratification and Amendment Agreement (the "**Ratification Agreement**")[3], (B) grant security interests and superpriority administrative expense status, (C) use cash collateral, and (D) provide adequate protection to Wells Fargo, the Indenture Trustee and the Noteholders.

The Order authorized the Debtors to enter into the DIP financing arrangement as provided for in the Ratification Agreement. The Ratification Agreement authorized the Debtors to have continued access to borrow $37.5 million through revolving loans (with no new letters of credit to be issued), inclusive of the revolving loans outstanding under the Prepetition Credit Facility of approximately $27.0 million. The proceeds of the DIP financing were to be used for (i) general operating and working capital purposes in the ordinary course of business of the Debtors, (ii) administration of the Chapter 11 Cases, (iii) payment of the Indenture Trustee's reasonable legal fees and (iv) fees and expenses of Wells Fargo.

In connection with the DIP financing, the Debtors agreed to a "roll up," which provided that the Debtors would apply cash receipts received by the Debtors during the Chapter 11 Cases to pay, in full, the prepetition obligations arising under the Prepetition Credit Facility. The Ratification Agreement also provided that the Debtors were authorized to use all of their funds, including the contents of all of the deposit accounts and securities accounts, all proceeds, products, rents, issues or profits of any collateral and any other cash collateral.

Over the course of the Chapter 11 Cases, the Debtors paid down the DIP Credit Facility with respect to the Revolver Loans and the Vehicle Term Loans. As of the date of the filing of this Disclosure Statement, only the Supplemental Loans portion of the DIP Credit Facility remains outstanding. The Plan, as described herein, calls for the remaining DIP Credit Facility to be paid in full as of the Effective Date.

[3] Orders approving amendments to the Ratification Agreements were filed on November 15, 2013 [ECF No. 89], November 26, 2013 [ECF No. 150], December 2, 2013 [ECF No. 175], January 14, 2014 [ECF No. 625], February 6, 2014 [ECF No. 786], February 14, 2014 [ECF No. 825], February 21, 2014 [ECF No. 859], February 27, 2014 [ECF No. 891], March 6, 2014 [ECF No. 923] and March 14, 2014 [ECF No. 972].

4.5 First Day Motions

On the Petition Date, the Debtors commenced their Chapter 11 Cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code. On that date, the Debtors submitted a number of motions and applications requesting so-called "first day orders" which the Bankruptcy Court subsequently entered. Among others, such "first day orders" included:

- an order directing joint administration of the Debtors' Chapter 11 Cases [ECF No. 40];
- an order authorizing the Debtors to prepare and maintain a single electronic list of creditors in lieu of filing a formatted mailing matrix for each debtor, file a consolidated list of the Debtors' 30 largest unsecured creditors and mail initial notices [ECF No. 41];
- an order authorizing and approving the employment and retention of KCC as claims and noticing agent [ECF No. 43];
- an interim order authorizing the Debtors to pay taxes and fees [ECF No. 46];
- an interim order authorizing the Debtors to maintain their pre-petition bank accounts, business forms and stationery, and to continue using their centralized cash management system [ECF No. 47];
- an interim order authorizing the Debtors to pay prepetition employee wages, salaries, and other compensation, to contribute to employees benefit programs and continuing them in the ordinary course, to make deductions from employee paychecks for certain employee benefit plans and payroll taxes [ECF No. 48];
- an interim order authorizing the Debtors to pay or honor prepetition obligations to certain fuel suppliers and authorizing the Debtors to honor, perform and exercise their rights and obligations under fuel supply agreements [ECF No. 49];
- an interim order prohibiting utilities from altering, refusing, or discontinuing service to or discriminating against the Debtors, determining that the utilities were adequately assured of payment, and establishing procedures for determining requests for additional adequate assurance [ECF No. 55]; and
- an interim order authorizing the Debtors to enter into DIP Credit Facility [ECF No. 56].

4.6 Retention of Professionals

The Bankruptcy Court authorized the Debtors to retain certain professionals to represent them and assist them in connection with the Chapter 11 Cases. Specifically, the

Debtors have retained, and the Bankruptcy Court has approved the retention of, the following professionals: (a) Akin Gump, as bankruptcy counsel, (b) Rothschild, as financial advisors, (c) KCC, as noticing and claims agent and (d) Silverman Shin Byrne & Gilchrest, PLLC ("**Silverman Shin**"), as special corporate counsel. In addition, the Bankruptcy Court authorized the Debtors to retain, employ, compensate and reimburse the expenses of certain attorneys who have rendered services to the Debtors unrelated to the Chapter 11 Cases to assist with the operation of the Debtors' business in the ordinary course.

On November 13, 2013, the Committee was appointed in these cases by the Office of the United States Trustee for Region 2, consisting of the following three members: (i) Local 1181-1061 Amalgamated Transit Union; (ii) Advantage Funding Commercial Capital Corp.; and (iii) Super Distributors [ECF No. 66]. On that same day, the Committee selected Farrell Fritz as its counsel and PwC as its financial advisor, and the Bankruptcy Court approved their retentions on January 9, 2014.

4.7 Sales

It was apparent to the Debtors from the beginning of the Chapter 11 Cases that they lacked the cash to remain in chapter 11 indefinitely. As a result, the Debtors concluded that the only way for them to avoid a sudden shut-down of their business and a disruption of service to thousands of schoolchildren was to sell their assets. To that end, the Debtors filed a motion seeking authority from the Bankruptcy Court to establish bidding and auction procedures for the sale of some or all of the Debtors' assets. On November 22, 2013, the Bankruptcy Court entered the *Order, Pursuant to 11 U.S.C. §§ 105, 363, 364, 365, 503 and 507 and Rules 2002, 4001, 6004, 6006, 9008 and 9014 of the Federal Rules of Bankruptcy Procedure (I) Approving (A) Bid Procedures, (B) Notice of Sale, Auction, and Sale Hearing, and (C) Assumption Procedures and Related Notices and (II) Scheduling Sale Hearing* [ECF No. 122] (the "**Bid Procedures Order**").

No overall bid for all of the Debtors' business materialized. Sixteen bidders were qualified under the Bid Procedures Order to participate in an auction. In accordance with the Bid Procedures Order, an auction took place on Wednesday, December 11, 2013, Friday, December 13, 2013 and Saturday, December 14, 2013. At the auction, based on the bidders' interest, the Debtors determined, after consultation with their key stakeholders, including Wells Fargo, the Indenture Trustee and the Committee, that the best way to maximize value was to sell their assets piecemeal (either region-by-region or title-by-title or, in many cases, bus-by-bus).

Although the Debtors were not able to find buyers for most of their Assets located in New Jersey and Massachusetts, numerous sales of Assets used by the Debtors in their operations in New York were consummated prior to December 31, 2013. As of the end of 2013, the Debtors no longer operated any bus routes in New York, New Jersey or Massachusetts. Substantially all of the Assets used by the Debtors in their operations in California were sold to Student Transportation of America in a transaction that closed on or about February 6, 2014. Substantially all of the Assets used by the Debtors in their operations in Pennsylvania were sold to National Express Corporation in a transaction that closed on or about February 28, 2014. As a result, the Debtors ceased providing any transportation services as of February 28, 2014.

The Debtors also filed a motion requesting authority from the Bankruptcy Court to sell or transfer miscellaneous Assets outside of the ordinary course of business for an aggregate consideration less than or equal to $500,000. On January 13, 2014, the Bankruptcy Court entered the *Order Approving Expedited Procedures for the Sale or Transfer of Miscellaneous Assets* [ECF No. 609] (the "**Procedures Order**"). The Debtors have been selling certain of their Assets pursuant to the Procedures Order and, in one instance, held an auction for a portion of their business that attracted more than one bidder. As a result of these efforts, the Debtors were able to sell substantially all of their Assets during the course of the Chapter 11 Cases.

As described earlier in this Disclosure Statement, Wells Fargo is secured on a first priority basis by substantially all of the assets of Atlantic Express, other than owned real properties on which it has a second lien and certain of the Debtors' motor vehicles. The Notes are secured on a first priority basis by certain motor vehicles and real properties and on second priority basis by substantially all of the Debtors' other assets. In addition, various additional parties possessed liens on a substantial majority of the Debtors' motor vehicles.

Further information on the assets sold to a particular purchaser can be located for free at http://www.kccllc.net/Metro or for a fee at the Bankruptcy Court's internet site: https://ecf.nysb.uscourts.gov through an account obtained from the PACER website at http://pacer.psc.uscourts.gov.

Substantially all of the Debtors' Assets sold to date were subject to Liens, either in connection with the DIP Credit Facility or other Liens held by prepetition lenders. The Committee investigated the validity and priority of the various Liens asserted by such secured parties and determined, in some instances in connection with the Global Settlement described in Section 4.10 of this Disclosure Statement, not to challenge them. As a result, all of the proceeds from the sales to date have been allocated among the secured parties asserting Liens on the Assets that were sold.

4.8 Liability Insurance Policies

In the ordinary course of the Debtors' bus transportation business, the Debtors maintained workers' compensation programs and various insurance programs for liabilities and losses related to, among other things, breach of officers' and directors' duties, general liabilities, umbrella liability, automobile liability, property damage and excess liability. The Debtors continue to maintain coverage under their workers' compensation, general liability, property damage and officers' and directors' policies.

As of the date of the filing of this Disclosure Statement, the Debtors are defendants in hundreds of personal injury lawsuits and workers' compensation claims. On February 6, 2014, the Bankruptcy Court entered the *Order Granting Debtors' Omnibus Motion to Modify the Automatic Stay to Allow Certain Personal Injury and Property Damage Actions to Proceed Against Certain Insurance Carriers Under Certain Insurance Policies* [ECF No. 778]. The Order authorizes, but does not direct, the Debtors to modify the automatic stay, without further order the Bankruptcy Court, to allow certain personal injury and property damage actions for prepetition injuries to be commenced or, if already pending, to proceed against the Debtors'

insurance carriers and under the Debtors' insurance policies. The modification of the automatic stay is conditioned upon the personal injury claimant executing a stipulation in which the claimant agrees (i) not to take action of any kind to enforce any judgment against the Debtors and (ii) to waive any claim against or right to be paid any distribution from the Debtors or their estates. In addition, each claimant subject to a stipulation agrees, to the extent any available insurance has a deductible or self-insured retention, to fund such deductible or self-insured retention.

With respect to many policies and policy periods, the Debtors have ongoing payment obligations, such as payment of deductibles and self-insured retention amounts. In many instances, the insurance carriers are holding collateral, in the form of cash deposits or letters of credit, as security for the Debtors' ongoing payment obligations. The Plan Proponents are therefore engaging in preliminary discussions with the applicable insurance carriers to address the Debtors' ongoing payment obligations, collateral held by the insurers and the most efficient means of fixing the amount of or otherwise resolving Insured Claims. The Plan Proponents reserve the right to implement, subject to approval of the Bankruptcy Court, procedures for resolving Insured Claims beyond the procedures set forth in the Plan.

As further described in Article V of this Disclosure Statement, and except to the extent that a Holder of an Allowed Insured Claim agrees to different treatment, on the Effective Date, or as soon thereafter as is reasonably practicable, each Holder of an Allowed Insured Claim shall receive on account of its Allowed Insured Claim relief from the automatic stay under section 362 of the Bankruptcy Code for the sole and limited purpose of permitting such Holder to seek its full recovery, if any as determined by an order or judgment by a court of competent jurisdiction or under a settlement or compromise of such Holder's Allowed Insured Claim, on account of its Allowed Insured Claim, from the applicable and available insurance policies maintained by or for the benefit of any of the Debtors.

In the event there are no applicable or available insurance policies, or proceeds from applicable and available insurance policies have been exhausted or are otherwise insufficient to pay in full a Holder's recovery, if any as determined by an order or judgment by a court of competent jurisdiction or under a settlement or compromise of such Holder's Allowed Insured Claim, on account of its Allowed Insured Claim, then such Holder shall be entitled to an Allowed Claim equal to the amount of the Allowed Insured Claim less the amount of available proceeds to pay such Allowed Insured Claim from the applicable and available insurance policies maintained by or for the benefit of any of the Debtors (the "Insured Deficiency Claim"). Such Holder's Insured Deficiency Claim shall be treated as an Allowed General Unsecured Claim in Class 5 of the Plan and shall be entitled to receive its Pro Rata Share of the distributions from the Liquidating Trust Distributions as set forth in the Plan in the same manner as other Holders of Allowed General Unsecured Claims in Class 5 of the Plan. In no event shall any Holder of an Allowed Insured Deficiency Claim be entitled to receive more than one hundred percent (100%) of the Allowed Amount of their respective Allowed Insured Claim.

4.9 Litigation with Local 1181

As of the date of the filing of this Disclosure Statement, there exists an ongoing dispute amongst the Debtors, Local 1181 and the NYCDOE with respect to whether certain

funds held by the NYCDOE at the Petition Date and claimed to be due to Local 1181 constitute property of the Estate.

As discussed above, prior to the Petition Date, the Debtors were part of Employers that held various transportation contracts with the NYCDOE. Pursuant to these contracts, the NYCDOE remitted monthly payments to the individual Employers for services rendered to various New York City public schools. The NYCDOE contracts contained various EPPs for certain unionized workers who are members of Local 1181. Specifically, the NYCDOE may withhold money from payments to the Employers if a finding is made that an Employers has violated the EPPs. Those withheld funds would then be turned over to Local 1181.

When the collective bargaining agreement between the Employers and Local 1181 expired, the parties' efforts to reach a new agreement were unsuccessful. The Employers declared a labor impasse and imposed new terms based on the so-called best and final offer (BAFO) made by the contractors during negotiations. Local 1181 disagreed with the imposition of these new terms, claiming that the Employers improperly declared a labor impasse.

As described above, the Employers (including the Debtors) have been involved in three pieces of litigation as to whether the labor impasse was improperly declared and the related question of whether the EPPs were violated. First, the ALJ issued an opinion against the Employers. Second, the NLRB obtained a related preliminary injunction against the contractors in a case filed in the United States District Court for the Eastern District of New York. Third, Local 1181 commenced an Article 78 action against the NYCDOE seeking an order for the NYCDOE to withhold money related to the purported violations of the EPPs. The New York State Court has not yet reached the merits of the Article 78 Proceeding.

Local 1181 requested that the NYCDOE withhold payment to the Employers for purported violations of the EPPs. In October 2013, the NYCDOE began withholding approximately 10% from the payments it made to the Debtors as "security" in the event that either the NLRB Litigation or the Article 78 Proceedings were decided against the Employers. The NYCDOE also withheld similar amounts from the November and December 2013 payments to Debtors as well.

On November 8, 2013, the Bankruptcy Court entered an *Order Enforcing the Automatic Stay Pursuant to 11 U.S.C. § 362(a)* [ECF No. 57] in which the Bankruptcy Court found that the withheld money constituted property of the Estate and directed the NYCDOE to remit the funds to the Debtors. The NYCDOE complied with the Order.

On November 22, 2013, Local 1181 filed a *Memorandum of Law in Support of Motion of Local 1181 (A) Pursuant to Federal Rule 60(b) and Bankruptcy Rule 9024, for Relief from the Court's Order Enforcing Automatic Stay Entered November 8, 2013 and (B) in the Alternative, Pursuant to 11 U.S.C. §§361 and 363, for Adequate Protection* [ECF No. 124] in which Local 1181 requested that the Bankruptcy Court grant reconsideration of its enforcement Order and find that the funds held by the NYCDOE do not constitute Estate property. The Debtors opposed the Motion and the Bankruptcy Court subsequently held a hearing on Local 1181's Motion. The Bankruptcy Court has not yet ruled on Local 1181's motion.

4.10 Global Settlement Among the Debtors, Wells Fargo, Wayzata and the Committee

The Debtors, the Committee, Wells Fargo and Wayzata negotiated that certain Settlement Term Sheet (the "**Global Settlement**"), dated February 24, 2014, a copy of which is attached as Exhibit B to the *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Enter into Seventh Amendment to the Ratification Agreement, (II) Approving the Budget and (III) Amending Certain Provisions of the Final DIP Order* [ECF No. 870].

The Global Settlement provides for the global resolution of numerous issues between and among the parties and was and will be implemented through (1) an amendment to the Ratification Agreement extending the DIP maturity date through February 28, 2014 [ECF No. 870]; (2) a subsequent amendment extending the DIP maturity date through May 31, 2014 [ECF No. 972]; and (3) the Plan.

Below is a summary of the material terms of the Global Settlement:

- the use of the proceeds of the Noteholders' Collateral for payment of certain administrative expenses, including Professional Fee Claims, to the extent that there is insufficient cash to pay such amounts;

- $1 million of sale proceeds that would otherwise be used to pay the Supplemental Loans will be used to fund the Other GUC Escrow, which shall be used, in substantial part, to make distributions to Holders of unsecured claims other than the Noteholders' Deficiency Claims;

- the Committee shall, in its sole discretion, select the Liquidating Trustee and the Liquidating Trust professionals;

- all Unencumbered Assets and Estate Causes of Action will be assigned to the Liquidating Trust;

- any recovery from Unencumbered Assets and from Estate Causes of Action commenced by the Liquidating Trustee under chapter 5 of the Bankruptcy Code shall, net of expenses, be shared 70% to the Noteholders and 30% to Holders of Allowed unsecured claims;

- the parties to the Global Settlement agreed to support mutual general releases and exculpation in the Plan;

- upon entry of a final order, the Debtors agreed to release to the Indenture Trustee, for the ratable benefit of the Noteholders, eighty (80%) percent of the sale proceeds which are attributable to the Noteholders' Collateral;

- a 10% reduction in the fees incurred by Akin Gump and Silverman Shin between November 4, 2013 and December 31, 2013;

- an agreed 5% reduction of the $1.875 million Rothschild transaction fee;

- the funding by the Debtors of (i) an additional $1.5 million into the Professional Fee Escrow and (ii) further contributions to the Professional Fee Escrow to pay the fees and expenses incurred by the professionals retained by the Debtors and the Committee between December 1, 2013 and May 31, 2014 as allowed by the Bankruptcy Court in accordance with the budget and, with respect to fees and expenses incurred between January 1, 2014 and May 31, 2014 (excluding the fees and expenses of the Debtors' ordinary course professionals), in an aggregate amount not to exceed $6,952,200; and

- the termination of the revolving credit portion of the DIP (including the letter of credit sublimit) as of February 28, 2014 and allowance of the continuing use of cash collateral consented to by Wells Fargo and lenders holding the Supplemental Loans portion of the DIP Credit Facility and the Indenture Trustee to pay amounts provided for in the budget, including Professional Fee Claims, and, to the extent that there is insufficient cash, from the escrowed Asset sale proceeds of the Noteholders and any future proceeds from the sale of the vehicle and real property collateral securing the obligations under the Indenture.

The Global Settlement was negotiated by the Committee and its advisors with Wells Fargo, Wayzata and the Debtors. The Committee concluded that the Global Settlement was in the best interests of unsecured Creditors who might receive no recovery whatsoever absent such a settlement. In addition, the Committee believes that the Global Settlement is a better alternative than seeking conversion of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code or engaging in litigation with Wells Fargo or the Indenture Trustee with respect to the validity or enforceability of their liens. As a result of the Global Settlement, there should be sufficient funds to cover all administrative expenses incurred in connection with the Chapter 11 Cases. Moreover, the Plan creates a Liquidating Trust with a $1 million reserve to fund litigation, pay the Liquidating Trust professionals and make distributions to unsecured Creditors. Notably, the Noteholders will not share in any distribution from the $1 million on account of the Noteholders Deficiency Claims. In sum, the Committee believes the Global Settlement falls well within the range of reasonableness and is in the best interests of its constituency.

4.11 Releases under the Global Settlement and Plan

As described in Section 4.10 of the Disclosure Statement, the terms of the Global Settlement include releases. Section 12.4.1. of the Plan provides a release by the Debtors and their Estates of each and all of the Released Parties. Section 12.4.2. of the Plan provides a release by the Creditor Releasing Parties of each and all of the Released Parties.

The term "*Creditor Releasing Parties*" is defined in 1.1.30. of the Plan.

The term "*Related Persons*" is defined in 1.1.100 of the Plan.

The term "*Released Parties*" is defined in 1.1.101. of the Plan.

Notably, Wayzata's willingness as part of the Global Settlement to provide the funding for the payment of Administrative Claims and the Other GUC Escrow is premised on the granting of the releases by the Debtors to the Released Parties.

Prior to the filing of the Plan and this Disclosure Statement, the Committee investigated actions taken by the Debtors' present and former directors and officers to determine whether any claims could be prosecuted by or on behalf of the Debtors' Estates, such as claims for conduct, including potential breaches of fiduciary duty arising out of the management of the Debtors' business prior to the filing of these Chapter 11 Cases. In connection with its investigation of these matters and the validity of the secured Claims asserted by Wells Fargo and the Indenture Trustee, the Committee served the Debtors with informal discovery requests pursuant to which the Debtors remitted to the Committee thousands of pages worth of documents. In addition, the Committee has interviewed and will interview various persons with the intent of determining whether viable claims exist against any of the Debtors' directors and officers. The Committee anticipates that it will complete its investigation shortly. No later than five (5) Business Days prior to the deadline to object to approval of this Disclosure Statement, the Committee will file a notice on the docket of the Chapter 11 Cases to advise parties in interest that it has completed its investigation and provide any additional information with respect thereto.

The Committee has not identified any Claims or causes of action that should be pursued by the Estates against any of the Debtors' present and former directors and officers. As a result, subject to the outcome of the conclusion of the investigation, the Committee supports the releases of the Debtors' present and former directors and officers as provided under Section 12.4.1 of the Plan.

The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtors, their respective Estates, Creditors, and other parties in interest, and are fair, equitable, and within the range of reasonableness. For the avoidance of doubt, entry of the Confirmation Order shall constitute (a) the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases provided in sections 12.4.1. and 12.4.2. of the Plan, which includes by reference each of the related provisions and definitions contained in the Plan, and (b) the Bankruptcy Court's finding that the release provided in sections 12.4.1. and 12.4.2. of the Plan is: (i) in exchange for the good and valuable consideration provided by the Released Parties; (ii) a good-faith settlement and compromise of the Claims released by sections 12.4.1. and 12.4.2. of the Plan; (iii) in the best interests of the Debtors' Estates and all Holders of Claims and Interests; (iv) fair, equitable, and reasonable; (v) given and made after due notice and opportunity for hearing; and (vi) a bar to any of the Debtors, their respective Estates, and any Entity seeking to exercise the rights of the Debtors' Estates (including, but not limited to, the Liquidating Trustee on behalf of the Liquidating Trust, or any Estate representative appointed or selected pursuant to section 1123(b)(3) of

the Bankruptcy Code), and Creditor Releasing Parties from asserting any Claim or Cause of Action released by section 12.4.1. and 12.4.2. of the Plan, as applicable.

The Agent and Supplemental Loans lenders have provided significant consideration for the releases by funding the $1 million payment to the Other GUC Escrow from cash collateral that would otherwise have been used to repay the Supplemental Loans and by consenting to the use of cash collateral in accordance with the DIP budget to fund the costs of the Debtors' wind down and the Chapter 11 Cases, including Professional Fee Claims subject to the Aggregate Cap (as defined in the DIP Credit Facility), with funds that otherwise would have been used to pay the Supplemental Loan. The Indenture Trustee and the Noteholders have also provided significant consideration for the releases by consenting to the use of cash collateral for the funding of the Other GUC Escrow and agreeing not to assert the Noteholders Deficiency Claims against those funds, consenting to the use of cash collateral in accordance with the DIP budget to fund the costs of the Debtors' wind down and the Chapter 11 Cases, including Professional Fee Claims subject to the Aggregate Cap (as defined in the DIP Credit Facility), and authorizing the use of a portion of the proceeds from the sale of Noteholders' Collateral to pay such costs in the event that there is insufficient cash.

4.12 Estate Causes of Action

Transfers within 90 days of the Petition Date to non-Insiders and within one year of the Petition Date to Insiders may be challenged as avoidable preferential transfers. Any and all such Causes of Action shall be vested in the Liquidating Trust as of the Effective Date in accordance with the terms of the Plan and the Liquidating Trust Documents, and thereafter, the Liquidating Trustee shall direct any litigation brought on behalf of the Liquidating Trust.

PLEASE BE ADVISED THAT THE LIQUIDATING TRUSTEE MAY COMMENCE AND PROSECUTE ESTATE CAUSES OF ACTION (EXCEPT THOSE CAUSES OF ACTION THAT ARE RELEASED CLAIMS) AGAINST ANY PERSON OR ENTITY (EXCEPT THOSE PERSONS OR ENTITIES THAT ARE RELEASED PARTIES OR THEIR RELATED PERSONS), INCLUDING BUT NOT LIMITED TO, ANY CREDITOR. SUCH ESTATE CAUSES OF ACTION MAY INCLUDE ACTIONS TO AVOID PREFERENTIAL TRANSFERS OR FRAUDULENT TRANSFERS AGAINST ANY PERSON OR ENTITY (INCLUDING BUT WITHOUT LIMITATION A CREDITOR) RECEIVING TRANSFERS FROM ANY OF THE DEBTORS PRIOR TO THE PETITION DATE, INCLUDING BUT NOT LIMITED TO TRANSFERS SET FORTH IN THE DEBTORS' STATEMENTS OF FINANCIAL AFFAIRS. BECAUSE OF ITS UNCERTAIN NATURE, THERE ARE INHERENT RISKS INVOLVED IN LITIGATION, INCLUDING THAT DEFENDANTS IN SUCH ACTIONS WILL ASSERT DEFENSES.

4.13 Estate Assets

Upon the Effective Date of the Plan, certain Estate Assets will be transferred to the Liquidating Trust. These Estate Assets are comprised of: (a) any and all Estate Causes of Action, (b) the Other GUC Escrow, (c) the Other Liquidating Trust Fund Escrow and (d) any and all Unencumbered Assets, and the proceeds of each of the foregoing (a) – (d).

4.14 Case Administration; the Debtors' Schedules and Statements

On December 18, 2014, each of the Debtors filed their schedules of assets and liabilities (the "Schedules"). In the aggregate, the Debtors scheduled unsecured Claims totaling approximately $220 million, including duplication but excluding any estimated amounts for unliquidated claims. The Debtors scheduled secured Claims totaling approximately $168 million on average for each Debtor.

4.15 The Claims Process

The Bankruptcy Code provides a procedure for each entity with a claim against a debtor to assert such claim. The bankruptcy court establishes a "bar date" – a date by which creditors must file their claims, or else such claims will not participate in the bankruptcy case or any distribution. After the filing of all claims, the debtors or other party in interest evaluates such claims and such parties raise objections to them. These claims objections allow the debtors' estates to minimize claims against them, and thereby maximize the recovery to creditors with allowed claims.

By Orders [ECF Nos. 979 and 981] dated March 17, 2014, the Bankruptcy Court established 5:00 p.m. (prevailing Eastern Time) on April 21, 2014 as the Claims Bar Date, or deadline for filing proofs of claim against the Debtors, other than claims of Governmental Units. The Bankruptcy Court established 5:00 p.m. (prevailing Eastern Time) on May 17, 2014 as the deadline for filing proofs of claim by Governmental Units. In addition, the Bankruptcy Court established April 21, 2014 at 5:00 p.m. (prevailing Eastern Time) as the deadline for filing Administrative Claims, other than Professional Fee Claims, arising from and after the Petition Date through and including February 28, 2014.

Pursuant to the Plan, all Administrative Claims, other than Professional Fee Claims, arising after February 28, 2014 must be filed on or before the first Business Day that is thirty (30) days after entry of the Confirmation Order or such other date ordered by the Bankruptcy Court.

On March 11, 2014, the Debtors filed a motion for authority to satisfy a portion of the secured Claims held by GE, People's and another purchase money mortgage lender, CBT Inc., by releasing certain escrowed sale proceeds to them. The Committee previously had investigated these lenders' Liens and determined not to challenge them. On March 26, 2014, the Bankruptcy Court granted the requested relief.

ARTICLE V.

THE PLAN

5.1 Overview of the Plan

The Plan provides for the treatment of Claims against and Interests in all of the Debtors in the Chapter 11 Cases.

The Plan is the product of extensive arms' length negotiations among the Debtors, the Committee and Wayzata to maximize recoveries to the Debtors' creditors and provides for a fair allocation of the Debtors' remaining Assets. The Plan effectuates this goal by implementing the Global Settlement.

The Plan provides for full payment of all Allowed Administrative Claims, Allowed Real Property Tax Claims, Allowed Priority Tax Claims, and Allowed Other Secured Claims, in accordance with the provisions of the Bankruptcy Code, as well as for the cancellation of any all of the existing Interests in, and the discharge of all Claims against, the Debtors.

Following confirmation of the Plan, the Plan will become effective (as such term is used in section 1129 of the Bankruptcy Code) on the first Business Day on which all the conditions to the occurrence of the Effective Date, as specified in Section 11.2. of the Plan have been satisfied or waived in accordance with the provisions of Section 11.3. of the Plan. The satisfaction of certain of the conditions to the occurrence of the Effective Date is not entirely within the control of the Plan Proponents. Thus, it is possible that the Plan will not be confirmed and consummated in the time contemplated.

Pursuant to the Global Settlement, the Noteholders agreed to, among other things, (a) allow for sale proceeds from Noteholders' Collateral to be used to pay Administrative Claims and Professional Fee Claims, subject to the Aggregate Cap, in accordance with the DIP budget in the event that there is insufficient cash to pay such Claims and (b) waive its distributions from the Other GUC Escrow on account of its deficiency claims (although the Noteholders, shall be entitled to distributions from the Other Liquidating Trust Fund Escrow), all subject to and in accordance with the provisions of the Plan.

5.2 Summary of Classification and Treatment Under the Plan

The following is a summary of the distributions under the Plan. It is qualified in its entirety by reference to the full text of the Plan, which is attached to this Disclosure Statement as Exhibit A. The claim amounts set forth below are based on information contained in the Debtors' Schedules and Claims Register.

Class	Claim	Status	Voting Rights
1	Real Property Tax Claims	Unimpaired	Deemed to Accept
2	Priority Non-Tax Claims	Impaired	Entitled to Vote
3	Noteholders Claims	Impaired	Entitled to Vote
4	Other Secured Claims	Unimpaired	Deemed to Accept
5	General Unsecured Claims	Impaired	Entitled to Vote
6	Insured Claims	Impaired	Entitled to Vote
7	Interests	Impaired	Deemed to Reject

5.2.1. Allowed Administrative Claims

Pursuant to section 1123(a)(1) of the Bankruptcy Code, Allowed Administrative Claims are not classified and are not entitled to vote to accept or reject the Plan. [The Debtors' Claims Register reflects that approximately $_____ in Administrative Claims have been filed

including duplication but excluding any estimated amounts for unliquidated claims.] The financial advisors for the Committee reviewed information provided by the Debtors and such Claims and have concluded that based upon current estimates, the maximum funding to be provided under the Plan is sufficient to satisfy these Claims.

Subject to the Administrative Claims Bar Date, and except to the extent that a Holder of an Allowed Administrative Claim has been paid on account of such Allowed Administrative Claim prior to the Effective Date of the Plan or agrees to different treatment, each Holder of an Allowed Administrative Claim shall receive, in full and final satisfaction, settlement, release, and compromise of its Allowed Administrative Claim, a distribution of Cash from the Consummation Account in an amount that is equal to such Allowed Administrative Claim, without interest, on or as soon as reasonably practicable after the latest to occur of: (a) the Effective Date; (b) the first Business Day after the date that is ten (10) Business Days after the date such Administrative Claim becomes an Allowed Administrative Claim; and (c) the date or dates agreed to by the Debtors and the Holder of the Allowed Administrative Claim. All distributions on account of Allowed Administrative Claims from the Consummation Account shall be made by the Debtors; provided, however, that to the extent of any shortfall from Cash available in the Consummation Account to pay Administrative Claims included in the Budget or such other amounts to be paid from the Consummation Account as set forth in the Plan, such shortfall shall be paid from proceeds from the sale of Collateral securing the Allowed Noteholders Claims.

5.2.2. Allowed Priority Tax Claims

Pursuant to section 1123(a)(1) of the Bankruptcy Code, Priority Tax Claims are not classified and are not entitled to vote to accept or reject the Plan. [The Debtors' Claims Register reflects that, as of the Bar Date, there are approximately $_____ in filed or scheduled Priority Tax Claims, including duplication but excluding any estimated amounts for unliquidated claims.]

Except to the extent that a Holder of an Allowed Priority Tax Claim has been paid on account of such Allowed Priority Tax Claim prior to the Effective Date of the Plan or agrees to different treatment, each Holder of an Allowed Priority Tax Claim shall receive, in full and final satisfaction, settlement, release, and compromise of its Allowed Priority Tax Claim, a distribution of Cash from the Consummation Account in an amount that is equal to such Allowed Priority Tax Claim, without interest, on or as soon as reasonably practicable after the latest to occur of: (a) the Effective Date; (b) the first Business Day after the date that is ten (10) Business Days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim; and (c) the date or dates agreed to by the Liquidating Trustee and the Holder of the Allowed Priority Tax Claim. All distributions on account of Allowed Priority Tax Claims from the Consummation Account shall be made by the Debtors.

Any Claim or demand for a penalty relating to any Priority Tax Claim (other than a penalty of the type specified in section 507(a)(8)(G) of the Bankruptcy Code) shall be Disallowed, and the Holder of a Priority Tax Claim shall not assess or attempt to collect such penalty from the Debtors, their respective Estates, Assets or properties; provided, however, that the foregoing provision shall not apply to the IRS.

5.2.3. U.S. Trustee Fees

To the extent not already paid, the Debtors shall pay the U.S. Trustee Fees due and owing before the Effective Date. On and after the Effective Date, the Liquidating Trustee shall pay the U.S. Trustee Fees as they become due and owing until the earliest to occur of: (a) the Bankruptcy Court enters an order of final decree closing the Chapter 11 Cases; (b) the Bankruptcy Court enters an order converting the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code; and (c) the Bankruptcy Court enters an order dismissing the Chapter 11 Cases.

5.2.4. Wayzata and Blue Wolf Advisor Fees and Expenses

On the Effective Date, in full and complete settlement, release, and discharge of their Allowed Administrative Claims pursuant to sections 503(b) and 507(a)(2) of the Bankruptcy Code, the Debtors shall promptly and indefeasibly pay in full in Cash (pursuant to section 1129(a)(4) of the Bankruptcy Code or otherwise) from the Consummation Account the Wayzata and Blue Wolf Advisor Fees and Expenses, provided, however, that all amounts due under the Supplemental Loans (including any interest accrued thereon) shall be paid in full prior to any payments on account of the Wayzata and Blue Wolf Advisor Fees and Expenses. All amounts distributed and paid on account of the Wayzata and Blue Wolf Advisor Fees and Expenses shall not be subject to setoff, recoupment, reduction or allocation of any kind and shall not require the filing or approval of any retention applications or fee applications in the Chapter 11 Cases.

5.2.5. Payment of DIP Claims.

There are no outstanding amounts owed by the Debtors to Wells Fargo under the DIP Credit Facility, other than with respect to the Supplemental Loans. To the extent any DIP Claims remain unpaid as of the Effective Date, such unpaid amounts shall be paid by the Debtors to Wells Fargo, as agent, in Cash on the Effective Date from the Consummation Account. Such payment shall be in full and final satisfaction, settlement and release of all DIP Claims, including the Supplemental Loans.

5.2.6. Payments of Adequate Protection to the Indenture Trustee

All adequate protection payments received by the Indenture Trustee from the Debtors pursuant to the Final DIP Order are final, and shall not be subject to challenge of any kind from any party.

5.2.7. Professional Fee Claims

In accordance with section 1123(a)(1) of the Bankruptcy Code, Professional Fee Claims are not designated as a Class of Claims for purposes of the Plan. Except to the extent that a Holder of an Allowed Professional Fee Claim has been paid on account of such Allowed Professional Fee Claim prior to the Effective Date of the Plan or agrees to different treatment, each Holder of an Allowed Professional Fee Claim shall receive, in full and final satisfaction, settlement, release, and compromise of its Allowed Professional Fee Claim, Cash from the

Professional Fee Escrow in an amount that is equal to such Allowed Professional Fee Claim, without interest, on or as soon as reasonably practicable after the latest to occur of: (a) the Effective Date; and (b) three (3) Business Days after the date the Bankruptcy Court enters a Final Order Allowing such Professional Fee Claim. On the Effective Date, the Debtors will fund the Professional Fee Escrow such that it contains sufficient Cash to pay all of the unpaid fees and expenses of all Holders of Professional Fee Claims in accordance with the Budget and subject to the Aggregate Cap (each as defined in the DIP Credit Facility). All payments on account of Allowed Professional Fee Claims shall be made by the Debtors solely from the Professional Fee Escrow; provided, however, that to the extent of any shortfall from Cash available in the Professional Fee Escrow to pay such budgeted fees and expenses of Holders of Professional Fee Claims, such shortfall shall be paid from proceeds from the sale of Collateral securing the Allowed Noteholders Claims.

5.2.8. Class 1: Real Property Tax Claims

Real Property Tax Claims are classified as Class 1 under the Plan and are unimpaired and thus not entitled to vote to accept or reject the Plan. As of the date of the filing of this Disclosure Statement, the Debtors are not aware of any Real Property Tax Claims that may be asserted against the Debtors.

Except to the extent that a Holder of an Allowed Real Property Tax Claim has been paid on account of such Allowed Real Property Tax Claim prior to the Effective Date of the Plan or agrees to different treatment, each Holder of an Allowed Real Property Tax Claim shall receive, in full and final satisfaction, settlement, release, and compromise of its Allowed Real Property Tax Claim, a distribution of Cash from the Consummation Account in an amount that is equal to such Allowed Real Property Tax Claim, without interest, on or as soon as reasonably practicable after the latest to occur of: (i) the Effective Date; (ii) the first Business Day after the date that is ten (10) Business Days after the date such Real Property Tax Claim becomes an Allowed Real Property Tax Claim; and (iii) the date or dates agreed to by the Debtors and the Holder of the Allowed Real Property Tax Claim. All distributions on account of Allowed Real Property Tax Claims from the Consummation Account shall be made by the Debtors..

Any Claim or demand for a penalty relating to any Real Property Tax Claim (other than a penalty of the type specified in section 507(a)(8)(G) of the Bankruptcy Code) shall be Disallowed, and the Holder of a Real Property Tax Claim shall not assess or attempt to collect such penalty from the Debtors, their respective Estates, Assets or properties; provided, however, that the foregoing provision shall not apply to the IRS.

5.2.9. Class 2: Priority Non-Tax Claims

Priority Non-Tax Claims are classified as Class 2 of the Plan. Class 2 Claims, if any, are impaired and are entitled to vote to accept or reject the Plan. [The Debtors' Claims Register reflects that, as of the Bar Date, there are approximately $_____ in filed or scheduled Priority Non-Tax Claims, including duplication but excluding any estimated amounts for unliquidated claims.]

Except to the extent that a Holder of an Allowed Priority Non-Tax Claim has been paid on account of such Allowed Priority Non-Tax Claim prior to the Effective Date of the Plan or agrees to different treatment, each Holder of an Allowed Priority Non-Tax Claim shall receive, in full and final satisfaction, settlement, release, and compromise of its Allowed Priority Non-Tax Claim, a distribution of Cash or such other treatment as may be agreed from the Other GUC Escrow, and if the Other GUC Escrow is exhausted, the proceeds of any and all other Liquidating Trust Assets not allocated to the Allowed Noteholders Claims, after reserving for the unpaid reasonable fees and expenses incurred by the Liquidating Trustee, and any professionals retained by the Liquidating Trustee, in an amount that is equal to such Allowed Priority Non-Tax Claim, without interest, on or as soon as reasonably practicable after the latest to occur of: (i) the Effective Date; (ii) the first Business Day after the date that is ten (10) Business Days after the date such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim; and (iii) the date or dates agreed to by the Liquidating Trustee and the Holder of the Allowed Priority Non-Tax Claim.

5.2.10. Class 3: Noteholders Claims

The Allowed Noteholders Claims is classified as Class 3 Claims, are impaired under the Plan and are entitled to vote to accept or reject the Plan.

The Noteholders Secured Claims are Allowed in the aggregate amount of **[$_____]**, for purposes of voting on the Plan, without avoidance, setoff, subordination, any defenses, counterclaims, or any other reduction of any kind. The Noteholders Deficiency Claims are Allowed in the aggregate amount of **[$_____]**, for purposes of voting on the Plan. On the Effective Date, in full and final satisfaction, settlement, release, and compromise of the Allowed Noteholders Claims, the Holders of the Allowed Noteholders Claims shall receive:

(i) Proceeds from the sale or other disposition of Collateral subject to the Indenture Trustee's Liens to the extent not already paid, less proceeds necessary to fund (1) budgeted Allowed Administrative Claims and (2) budgeted Allowed Professional Fee Claims (subject to the applicable cap set forth in the Seventh Amendment to the Ratification Agreement) to the extent of any shortfall from Cash available in the Professional Fee Escrow to pay such Allowed Professional Fee Claims; and

(ii) A right to seventy percent (70%) of the proceeds, if any, in the Other Liquidating Trust Fund Escrow, less the payment of the reasonable fees and expenses of the Liquidating Trust, including those of the Liquidating Trustee and any and all professionals retained by the Liquidating Trustee, incurred in connection with (1) the litigation of Estate Causes of Action or (2) the sale or other disposition of Unencumbered Assets.

Subject to the occurrence of the Effective Date, the Holders of the Allowed Noteholders Claims waive the right to receive any distributions from the Other GUC Escrow on account of the Allowed Noteholders Claims.

In no event shall the Holders of the Allowed Noteholders Claims be entitled to receive more than one hundred percent (100%) of the Allowed Amount of such Claims.

5.2.11. Class 4: Other Secured Claims

Other Secured Claims are classified as Class 4 of the Plan. Class 4 Claims, if any, are unimpaired and are not entitled to vote to accept or reject the Plan. [The Debtors' Claims Register reflects that, as of the Bar Date, there are approximately $_____ in filed or scheduled Other Secured Claims, including duplication but excluding any estimated amounts for unliquidated claims.]

On the Effective Date, or as soon thereafter as is reasonably practicable, each Holder of an Allowed Other Secured Claim shall receive, in full and final satisfaction, settlement, release, and compromise of its Allowed Other Secured Claim, one of the following treatments: (1) reinstatement of any such Allowed Other Secured Claim pursuant to section 1124 of the Bankruptcy Code; (2) the payment of such Holder's Allowed Other Secured Claim in full in Cash from the proceeds of the sale or other disposition of such Collateral to the extent not already distributed pursuant to an order of the Bankruptcy Court; (3) the surrender by the Debtors or the Liquidating Trustee, as applicable, to the Holder or Holders of any Allowed Other Secured Claim of the property securing such Allowed Other Secured Claim; or (4) such other distributions as shall be necessary to satisfy the requirements of chapter 11 of the Bankruptcy Code. In no event shall the Holder of any Allowed Other Secured Claim receive more than the value of the Collateral securing such Claim.

5.2.12. Class 5: General Unsecured Claims

Other GUC Escrow. Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to different treatment, on the Effective Date, or as soon thereafter as is reasonably practicable, and after reserving in full for all Disputed Claims, and the payment of the reasonable fees and expenses incurred by the Liquidating Trustee, and any professionals retained by the Liquidating Trustee in connection with the Chapter 11 Cases on and after the Effective Date, each Holder of an Allowed General Unsecured Claim (including Holders of Allowed Insured Deficiency Claims, as applicable) shall receive on account of its Allowed General Unsecured Claim (or Allowed Insured Deficiency Claim, as applicable) its Pro Rata share of funds from the Other GUC Escrow after satisfaction of all Allowed Priority Non-Tax Claims. For the avoidance of doubt, subject to the occurrence of the Effective Date, the Holders of the Allowed Noteholders Claims waive the right to receive any distributions on account of the Allowed Noteholders Claims from the Other GUC Escrow.

Other Liquidating Trust Escrow. Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to different treatment, on the Effective Date, or as soon thereafter as is reasonably practicable, and after reserving in full for all Disputed Claims, each Holder of an Allowed General Unsecured Claim (including Holders of Allowed Insured Deficiency Claims, as applicable) shall also be entitled to receive on account of its Allowed General Unsecured Claim (or Allowed Insured Deficiency Claim, as applicable), a right to its Pro Rata share of thirty percent (30%) of the proceeds, if any, in the Other Liquidating Trust Fund Escrow, less the payment of the reasonable fees and expenses of the Liquidating Trust,

including those of the Liquidating Trustee and any and all professionals retained by the Liquidating Trustee, incurred in connection with (1) the litigation of Estate Causes of Action or (2) the sale or other disposition of Unencumbered Assets and after satisfaction of all Allowed Priority Non-Tax Claims.

In no event shall any Holder of an Allowed General Unsecured Claim (or any Holder of an Allowed Insured Deficiency Claim, as applicable) be entitled to receive more than one hundred percent (100%) of the Allowed Amount of its respective Allowed General Unsecured Claim (or Allowed Insured Deficiency Claim, as applicable).

Each Holder of an Allowed General Unsecured Claim (including the Holders of Allowed Noteholders Deficiency Claims and Holders of Allowed Insured Deficiency Claims, as the case may be) receiving, or entitled to receive, or waiving the right to receive any distribution under the Plan on account of its Allowed General Unsecured Claim (or the Allowed Noteholders Deficiency Claims or Allowed Insured Deficiency Claim, as the case may be), shall be in full and final satisfaction, settlement, release, and compromise of its Claim, regardless of whether there are available proceeds for Other GUC Escrow Distributions or Other Liquidating Trust Fund Distributions to be made to such Holders.

5.2.13. Class 6: Insured Claims

Insured Claims are classified as Class 6 Claims, are impaired under the Plan and are entitled to vote to accept or reject the Plan.

Except to the extent that a Holder of an Allowed Insured Claim agrees to different treatment, or unless otherwise provided by an order of the Bankruptcy Court directing such Holder's participation in any alternative dispute resolution process, on the Effective Date, or as soon thereafter as is reasonably practicable, each Holder of an Allowed Insured Claim shall receive on account of its Allowed Insured Claim relief from the automatic stay under section 362 of the Bankruptcy Code for the sole and limited purpose of permitting such Holder to seek its full recovery, if any as determined by an order or judgment by a court of competent jurisdiction or under a settlement or compromise of such Holder's Allowed Insured Claim, on account of its Allowed Insured Claim, from the applicable and available insurance policies maintained by or for the benefit of any of the Debtors.

In the event there are no applicable or available insurance policies, or proceeds from applicable and available insurance policies have been exhausted or are otherwise insufficient to pay in full a Holder's recovery, if any as determined by an order or judgment by a court of competent jurisdiction or under a settlement or compromise of such Holder's Allowed Insured Claim, on account of its Allowed Insured Claim, then such Holder shall be entitled to an Allowed Claim equal to the amount of the Allowed Insured Claim less the amount of available proceeds to pay such Allowed Insured Claim from the applicable and available insurance policies maintained by or for the benefit of any of the Debtors (the "Insured Deficiency Claim"). Such Holder's Insured Deficiency Claim shall be treated as an Allowed General Unsecured Claim in Class 5 of the Plan and shall be entitled to receive its Pro Rata Share of the distributions from the Liquidating Trust Distributions as set forth in the Plan in the same manner as other Holders of Allowed General Unsecured Claims in Class 5 of the Plan. In no event shall any

Holder of an Allowed Insured Deficiency Claim be entitled to receive more than one hundred percent (100%) of the Allowed Amount of their respective Allowed Insured Deficiency Claim.

5.2.14. Class 7: Interests

Interests are classified as Class 7 Claims. Class 7 is Impaired. Holders of Class 7 Interests will be conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Class 7 Interests will not be entitled to vote to accept or reject the Plan.

On the Effective Date, all Interests shall be deemed canceled, released, and extinguished, and will be of no further force or effect. Holders of Interests will not receive any Other GUC Escrow Distribution or Other Liquidating Trust Fund Distribution, or be entitled to retain any property or interest in property, on account of such Interests. Holders of Interests shall not be required to surrender their certificates or other instruments evidencing ownership of such Interests.

5.2.15. Manner of Payment of Distributions

At the option of the Liquidating Trustee, any Cash payment to be made under the Plan and Liquidating Trust Documents may be made by check or wire transfer or as otherwise required or provided in applicable agreements. Cash payments made pursuant to the Plan and Liquidating Trust Documents in the form of checks issued by the Liquidating Trustee shall be null and void if not cashed within ninety (90) days of the date of issuance of such check. Requests for the reissuance of any check shall be made directly to the Liquidating Trustee in writing by the Holder of the Allowed Claim to whom such check was originally issued and within the ninety (90) days after the date of issuance of such check. If no request is made as provided in the preceding sentence, Claims in respect of such voided check shall be forever barred.

5.3 Substantive Consolidation

The Plan provides for the substantive consolidation of the Debtors with respect to the voting of all Claims and Interests and the treatment of all Claims and Interests. Bankruptcy Code section 105(a) empowers a bankruptcy court to authorize substantive consolidation.

The Plan provides that on and after the Effective Date, all assets and liabilities of the Debtors shall be treated as though they were merged into one for all Plan purposes, including voting, Confirmation and distribution pursuant to the Plan.

Multiple facts support consolidation of the Debtors for Plan purposes. Prior to the Petition Date, the Debtors shared a centralized cash management system and also shared common senior management and directors. The Debtors conducted business through the centralized cash management system as well as intercompany leases of real estate and buses, and each of the operating Debtors was obligated under the same credit facilities, including the Prepetition Credit Facility. The Debtors also filed consolidated tax returns.

Because the Debtors' affairs are integrated, interrelated and entangled from both a functional and financial perspective, the substantive consolidation of the Debtors would be equitable for all Creditors. Substantive consolidation would ensure that the Debtors' Creditors, having relied on the creditworthiness of the Debtors as a unit, receive the benefit of distribution in satisfaction of their Claims, as available, from a single pool of Assets.

Because the Claims of Wells Fargo, the Noteholders and other prepetition lenders are secured by substantially all of the Assets of all of the Debtors, the recovery to Holders of unsecured Claims, if any, will come in large part from the Other GUC Escrow, which consists of funds that would otherwise be subject to the Noteholders Secured Claims, and Causes of Action, which are difficult to allocate among the Debtors. Substantive consolidation enables all Holders of unsecured Claims to share in the outcomes of the various Causes of Action. Absent substantive consolidation, the cost of litigating the allocation of such recoveries would further reduce recoveries. Finally, substantive consolidation will expedite the conclusion of the Debtors' Chapter 11 Cases. Absent substantive consolidation, the Debtors would be required to disentangle their assets and liabilities and litigate the validity and priority of their respective Intercompany Claims. The reconciliation and resolution of such Claims would be extremely costly and would unnecessarily delay the conclusion of the Debtors' Chapter 11 Cases; costs and delay which are unjustified where, as is the case here, in the absence of successful pursuit of the Causes of Action by the Liquidating Trustee and except for the Other GUC Escrow, the Debtors expect no recovery for Holders of General Unsecured Claims under the Plan. *See In re Drexel Burnham Lambert Group, Inc.*, 138 B.R. 723, 766 (Bankr. S.D.N.Y. 1992) (ordering substantive consolidation and stating "[e]stablishing to whom actual liability, if any, should be allocated would be a herculean task consuming years of costly professional services. . . . The reorganization effort will be obstructed perhaps irreparably . . . by an effort to [tear] apart pieces of an integrated whole."); *Chemical Bank New York Trust Co. v. Kheel (In re Seatrade Corp.*), 369 F.2d 845, 847 (2d Cir. 1966) (ordering substantive consolidation and stating "where the interrelationships of the group are hopelessly obscured and the time and expense necessary even to attempt to unscramble them so substantial as to threaten the realization of any net assets for all the creditors, equity is not helpless to reach a rough approximation of justice to some rather than deny any to all.").

In this case, entry of the Confirmation Order shall constitute the approval, pursuant to sections 105(a) and 1123(a) of the Bankruptcy Code, effective as of the Effective Date, of the substantive consolidation of the Estates of the Debtors for purposes of confirming and consummating the Plan, including, but not limited to, voting, confirmation, and distribution. Accordingly, (a) no distributions shall be made under the Plan or Liquidating Trust Documents on account of the Intercompany Claims, if any, among the Debtors, (b) the Assets and liabilities of the Debtors will be deemed to be the Assets and liabilities of a single, consolidated entity, (c) each and every Claim filed or to be filed in the Chapter 11 Cases against any Debtor shall be considered filed against the consolidated Debtors and shall be considered one Claim against and obligation of the consolidated Debtors on and after the Effective Date, (d) all joint obligations of two or more Debtors, and all multiple Claims against such entities on account of such joint obligations, are considered a single Claim against the consolidated Debtors, and (e) all guaranties by any of the Debtors of the obligations of any Debtor arising prior to the Effective Date shall be deemed eliminated under the Plan so that any Claim against any Debtor and any guaranty thereof

executed by any other Debtor and any joint and several liability of any of the Debtors shall be deemed to be one obligation of the deemed consolidated Debtors.

Such deemed consolidation, however, shall not (other than for purposes related to funding distributions under the Plan) affect (a) the legal and organizational structure of the Debtors, (b) executory contracts or unexpired leases that were entered into during the Chapter 11 Cases or that have been or will assumed or rejected, (c) any agreements entered into by the Liquidating Trust on the Effective Date, and (d) the Debtors' or Liquidating Trust's ability subordinate or otherwise challenge Claims on an entity-by-entity basis. Moreover, the Plan Proponents reserve the right to seek confirmation of the Plan on an entity-by-entity basis.

In the event the Bankruptcy Court authorizes the Plan Proponents to substantively consolidate less than all of the Debtors' Estates: (a) the Plan shall be treated as a separate plan of liquidation for each Debtor not substantively consolidated and (b) the Plan Proponents shall not be required to resolicit votes with respect to the Plan.

For the reasons set forth above, the Plan Proponents believe that the requirements for substantive consolidation of the Debtors with respect to voting and treatment of all Claims and Interests are satisfied.

ARTICLE VI.

THE LIQUIDATING TRUST

6.1 Introduction

On the Effective Date, the Liquidating Trust Agreement and any other Liquidating Trust Documents will be executed and will govern the Liquidating Trust. Following the occurrence of the Effective Date, the Debtors will be dissolved and such dissolution will be effective as of the date the Debtors complete performance of their obligations under the Plan pursuant to the Confirmation Order without any further action by the Holders of Interests or directors of any of the Debtors, unless applicable law requires otherwise. As soon as reasonably practicable after the Effective Date, and after making all distributions required under the Plan from the Consummation Account and collecting and distributing all proceeds from the Debtors' remaining Assets other than those transferred to the Liquidating Trust, the Debtors will file appropriate documentation in the applicable jurisdiction(s) evidencing such dissolution, including, but not limited to, filing certificates of dissolution and any and all outstanding and final tax returns shall take all other reasonable and necessary action in order to carry out such dissolution in accordance with the terms of the Plan. Effective automatically as of the Effective Date, and without the necessity of any other or further act, instrument or Bankruptcy Court order, the Chapter 11 Cases will be closed, except for Lead Case No. 13-13591. On the Effective Date, the Debtors will transfer all of the Liquidating Trust Assets to the Liquidating Trust free and clear of all Liens, Claims, and encumbrances, except to the extent set forth in the Plan or in the Liquidating Trust Documents. On the Effective Date, the Holder of the Allowed Noteholders Claims and Holders of Allowed General Unsecured Claims and Allowed Insured Deficiency Claims will receive a beneficial interest in the Liquidating Trust entitling them to share in the Liquidating Trust Recoveries as described in Section 7.3. of the Plan.

6.1.1. Execution of Liquidating Trust Agreement

On or before the Effective Date, the Debtors, on their own behalf and on behalf of the beneficiaries of the Plan, shall execute the Liquidating Trust Documents, in form and substance reasonably acceptable to the Debtors and the Committee, each in the exercise of its sole and absolute discretion, and all other reasonable and necessary steps shall be taken to establish the Liquidating Trust.

6.1.2. Purpose of Liquidating Trust

The Liquidating Trust shall be established for the sole purpose of liquidating and distributing its assets, with no objective to continue or engage in the conduct of a trade or business. It is intended that the Liquidating Trust be classified for federal income tax purposes as a "liquidating trust" within the meaning of Treasury Regulation section 301.7701-4(d).

6.1.3. Liquidating Trust Assets

The Liquidating Trust shall consist of the Liquidating Trust Assets and the proceeds thereof. On the Effective Date, the Debtors shall transfer all of the Liquidating Trust Assets to the Liquidating Trust free and clear of all Liens, Claims, Interests and encumbrances. Title to all other assets shall remain vested with the Debtors, subject to the Liens, Claims, Interests and encumbrances on such assets that existed just prior to the Effective Date.

6.1.4. Governance of Liquidating Trust

The Liquidating Trust shall be governed and administered by the Liquidating Trustee subject to the terms of the Plan and the Liquidating Trust Documents including the rights of the Oversight Committee. The Liquidating Trustee shall direct all litigation brought on behalf of the Liquidating Trust. It is expected that [_____] will be appointed to serve as the Liquidating Trustee.

After consultation with the Debtors and Wayzata, the Liquidating Trustee shall be appointed by the Committee pursuant to the terms of the Liquidating Trust Documents.

6.1.5. Role of the Liquidating Trustee

In furtherance of and consistent with the purpose of the Liquidating Trust and the Plan, the Liquidating Trustee shall, subject to the terms of the Plan and the Liquidating Trust Documents, (a) have the power and authority to hold, manage, sell, and distribute the Liquidating Trust Assets to the Holders of Allowed Claims, (b) hold the Liquidating Trust Assets for the benefit of the Holders of Allowed Claims, (c) have the power and authority to hold, manage, sell, and distribute Cash or non-Cash Liquidating Trust Assets obtained through the exercise of its power and authority, (d) subject to section 7.10. of the Plan, have the power and authority to threaten, assert, prosecute and resolve, in the names of the Debtors and/or the name of the Liquidating Trust, the Estate Causes of Action, (e) have the power and authority to perform such other functions as are provided in the Plan and Liquidating Trust Documents, (f) represent the interest and account of the Debtors before any taxing authority in all matters, including, but not limited to, any action, suit, proceeding, or audit, (g) effect all actions and execute all agreements,

instruments and other documents necessary to perform its duties under the Plan and (h) have the power and authority to administer the closure of the Chapter 11 Cases.

The Liquidating Trustee shall be responsible for all decisions and duties with respect to the Liquidating Trust and the Liquidating Trust Assets, subject to the terms of the Plan and the Liquidating Trust Documents. In all circumstances, the Liquidating Trustee shall act in the best interests of all beneficiaries of the Liquidating Trust and in furtherance of the purpose of the Liquidating Trust.

On and after the Effective Date, any confidentiality obligations, attorney-client privilege, work-product privilege or other privilege or immunity attaching to any documents or communications shall vest in the Liquidating Trustee and its representatives, and the Liquidating Trustee and its representatives shall not otherwise waive such confidentiality, privilege or immunity without prior notice and a hearing before the Bankruptcy Court. The Debtors are authorized to take all actions they deem necessary to effectuate the transfer of such privilege, and any documents or communications that would otherwise be protected from discovery by virtue of any applicable privilege or immunity shall remain so protected. The Confirmation Order shall provide that the Liquidating Trustee's receipt of transferred privileges shall be without waiver in recognition of the joint and/or successorship interest in prosecuting claims on behalf of the Debtors' Estates. If any privileged documents are inadvertently produced to third parties, such production shall not be deemed to destroy any privilege or be deemed a waiver of any confidentiality protections afforded to such privileged documents.

6.1.6. Liquidating Trust Accounts

The Liquidating Trustee shall deposit and maintain any and all funds of the Other GUC Escrow in a segregated account for distribution solely in accordance with section 7.3.9. of the Plan and the Liquidating Trust Documents.

The Liquidating Trustee shall deposit and maintain any and all proceeds of Other Liquidating Trust Funds in a segregated account for distribution solely in accordance with section 7.3.10. of the Plan and the Liquidating Trust Documents. Except as otherwise provided in sections 7.3.8. and 7.3.10. of the Plan, in no event shall the Liquidating Trust be permitted to spend any Other Liquidating Trust Funds for any purpose, including, but not limited to, the payment of professional fees, costs and expenses, which payment shall be made solely from the Other GUC Escrow.

6.1.7. Cash

The Liquidating Trustee may invest Cash (including any earnings thereon or proceeds therefrom) as permitted by section 345 of the Bankruptcy Code, provided, however, that such investments are investments permitted to be made by a liquidating trust within the meaning of Treasury Regulation section 301.7701-4(d), as reflected therein, or under applicable IRS guidelines, rulings, or other controlling authorities.

6.1.8. Fees, Costs and Expenses of the Liquidating Trust

(a) Any and all fees, costs and expenses of the Liquidating Trust,

including those of the Liquidating Trustee and any and all professionals retained by the Liquidating Trustee in connection with the Chapter 11 Cases shall be paid solely out of the Other GUC Escrow; provided, however, that any and all reasonable fees, costs and expenses of the Liquidating Trust, including those of the Liquidating Trustee and any and all professionals retained by the Liquidating Trustee, incurred in connection with (i) the litigation of Estate Causes of Action or (ii) the sale or other disposition of Unencumbered Assets shall be paid solely out of the Other Liquidating Trust Fund Escrow.

(b) The Liquidating Trustee shall be entitled to reasonable compensation subject to the terms and provisions of the Liquidating Trust Documents.

(c) The Liquidating Trustee may retain and reasonably compensate professionals to assist it in its duties as Liquidating Trustee on such ordinary and customary and commercially reasonable terms as the Liquidating Trustee deems appropriate without Bankruptcy Court approval. The Liquidating Trustee may retain any Professional Person who represented parties in the Chapter 11 Cases or may choose to retain other professionals. Any and all reasonable fees, costs and expenses of these professionals shall be paid solely out of the Other GUC Escrow; provided, however, that any and all reasonable fees, costs and expenses of such professionals incurred in connection with (i) the litigation of Estate Causes of Action or (ii) the sale or other disposition of Unencumbered Assets shall be paid solely out of the Other Liquidating Trust Fund Escrow.

6.1.9. Distribution of Other GUC Escrow Funds

The Liquidating Trustee shall distribute Other GUC Escrow Funds in the following order:

(a) First, distributions of Other GUC Escrow Funds shall be made to compensate and reimburse the reasonable fees, costs and expenses incurred by the Liquidating Trustee and any professionals retained by the Liquidating Trustee in connection with the Chapter 11 Cases on and after the Effective Date.

(b) Second, following the distributions set forth in section 7.3.9.(a) of the Plan, distributions of the balance, if any, of Other GUC Escrow Funds shall be made on a Pro Rata basis to Holders of Allowed Priority Non-Tax Claims.

(c) Third, following the distributions set forth in sections 7.3.9.(a) and 7.3.9.(b) of the Plan, distributions of the balance, if any, of Other GUC Escrow Funds shall be made on a Pro Rata basis to Holders of Allowed General Unsecured Claims and Holders of Allowed Insured Deficiency Claims; provided, however, that Holders of the Allowed Noteholders Deficiency Claims shall not receive any distributions of Other GUC Escrow Funds in accordance with the Plan

6.1.10. Distribution of Other Liquidating Trust Funds

The Liquidating Trustee shall distribute Other Liquidating Trust Funds as soon as reasonably practicable, in the following manner:

(a) Seventy percent (70%) of the proceeds, if any, in the Other Liquidating Trust Fund Escrow, less the payment of any and all reasonable fees and expenses of the Liquidating Trust, including those of the Liquidating Trustee and any and all professionals retained by the Liquidating Trustee, incurred in connection with (i) the litigation of Estate Causes of Action or (ii) the sale or other disposition of Unencumbered Assets, shall be made to the Holders of the Allowed Noteholders Claims.

(b) Thirty percent (30%) of the proceeds, if any, in the Other Liquidating Trust Fund Escrow, less the payment of the reasonable fees and expenses of the Liquidating Trust, including those of the Liquidating Trustee and any and all professionals retained by the Liquidating Trustee, incurred in connection with (i) the litigation of Estate Causes of Action or (ii) the sale or other disposition of Unencumbered Assets, shall be made first to Holders of Allowed Priority Non-Tax Claims as provided under section 5.1.2.(b) of the Plan with any remaining proceeds distributed to Holders of Allowed General Unsecured Claims and Holders of Allowed Insured Deficiency Claims on a Pro Rata basis.

6.1.11. Withholding

The Liquidating Trustee may withhold from amounts otherwise distributable to any Person and pay to the appropriate tax authority all amounts required to be withheld pursuant to the U.S. federal tax law or any provision of any non-U.S., state or local tax law with respect to any payment or distribution to the holders of interests in the Liquidating Trust. All such amounts withheld and paid to the appropriate tax authority shall be treated as amounts distributed to such holders of interests in the Liquidating Trust for all purposes of the Liquidating Trust Agreement. Entities entitled to receive distributions from the Liquidating Trust shall provide such information and take such steps as the Liquidating Trustee may reasonably require to ensure compliance with such withholding and reporting requirements, and to enable the Liquidating Trustee, as applicable, to obtain the certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law.

6.1.12. Time of Liquidating Trust Distributions

Distributions under the Plan by the Liquidating Trustee shall be made when reasonably practicable and in the sole and absolute discretion of the Liquidating Trustee.

6.1.13. Federal Income Tax Treatment of Liquidating Trust

(a) *Liquidating Trust Assets Treated as Owned By Certain Creditors*. For all federal income tax purposes, all parties (including the Debtors, the Liquidating Trustee, the Holders of Priority Non-Tax Claims, the Holders of the Noteholders Claims, the Holders of General Unsecured Claims, and the Holders of Insured Deficiency Claims) shall treat the transfer of the Liquidating Trust Assets to the Liquidating Trust for the benefit of the Holders of Allowed Claims, whether Allowed on or after the Effective Date, as (a) a transfer of the Liquidating Trust Assets directly to the Holders of Allowed Claims in satisfaction of such Claims against the Debtors and, to the extent Liquidating Trust Assets are allocable to Disputed Claims, to the Disputed Claims Reserve, followed by (b) the transfer by such Holders to the Liquidating Trust of the Liquidating Trust Assets (other than the Liquidating Trust Assets allocable to the Disputed

Claims Reserve) in exchange for beneficial interests in the Liquidating Trust. Accordingly, the Holders of such Claims shall be treated for federal income tax purposes as the grantors and owners of their respective shares of the Liquidating Trust Assets.

(b) *Tax Reporting*.

i. The Liquidating Trustee shall file returns for the Liquidating Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a) and in accordance with section 7.4.2. of the Plan. The Liquidating Trustee shall also annually send to each record Holder of a beneficial interest a separate statement setting forth the Holder's share of items of income, gain, loss, deduction, or credit and shall instruct all such Holders to report such items on their federal income tax returns or to forward the appropriate information to the beneficial Holders with instructions to report such items on their federal income tax returns. The Liquidating Trustee shall also file (or cause to be filed) any other statements, returns, or disclosures relating to the Liquidating Trust that are required by any Governmental Unit.

ii. Allocations of Liquidating Trust taxable income among the Holders of the Noteholders Claims, the Holders of Priority Non-Tax Claims, the Holders of General Unsecured Claims, and the Holders of Insured Deficiency Claims (other than taxable income allocable to the Disputed Claims Reserve) shall be determined by reference to the manner in which an amount of Cash equal to such taxable income would be distributed (without regard to any restrictions on distributions described herein) if, immediately prior to such deemed distribution, the Liquidating Trust had distributed all of its other assets (valued for this purpose at their tax book value, and other than assets allocable to the Disputed Claims Reserve) to the holders of the Liquidating Trust interests, taking into account all prior and concurrent distributions from the Liquidating Trust. Similarly, taxable loss of the Liquidating Trust shall be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining Liquidating Trust Assets. The tax book value of the Liquidating Trust Assets for this purpose shall equal their fair market value on the Effective Date, adjusted in accordance with tax accounting principles prescribed by the Internal Revenue Code, the Treasury Regulations and other applicable administrative and judicial authorities and pronouncements.

iii. As soon as possible after the Effective Date, the Liquidating Trustee shall make or cause to be made a good faith valuation of the Liquidating Trust Assets. Such valuation shall be made available from time to time, to the extent relevant, and used consistently by all parties (including the Debtors, the Liquidating Trustee, the Holders of Priority Non-Tax Claims, the Holders of the Noteholders Claims, the Holders of General Unsecured Claims, and the Holders of Insured Deficiency Claims) for all federal income tax purposes.

iv. Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Liquidating Trustee of a private letter ruling if the Liquidating Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Liquidating Trustee), the Liquidating Trustee shall (i) timely elect to treat any Disputed Claims Reserve as a "disputed ownership fund" governed by Treasury Regulation section 1.468B-9, and (ii) to the extent permitted by applicable law, report consistently with the foregoing for state and local income tax purposes. All parties (including the Debtors, the Liquidating Trustee, the Holder of the Noteholders Claims, the Holders of Priority Non-Tax Claims, the Holders of General Unsecured Claims, and the Holders of Insured Deficiency Claims) shall report for United States federal, state and local income tax purposes consistently with the foregoing.

v. The Liquidating Trustee shall be responsible for payment, out of the Liquidating Trust Assets, of any U.S. federal, state, local, or non-U.S. taxes imposed on the trust or its assets, including the Disputed Claims Reserve. In the event, and to the extent, any Cash retained on account of Disputed Claims in the Disputed Claims Reserve is insufficient to pay the portion of any such U.S. federal, state, local, or non-U.S. taxes attributable to the taxable income arising from the assets allocable to, or retained on account of, Disputed Claims, such taxes shall be (i) reimbursed from any subsequent Cash amounts retained on account of Disputed Claims, or (ii) to the extent such Disputed Claims have subsequently been resolved, deducted from any amounts otherwise distributable by the Liquidating Trustee as a result of the resolution of such Disputed Claims.

vi. The Liquidating Trustee may request an expedited determination of taxes of the Liquidating Trust under section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of, the Liquidating Trust for all taxable periods through the dissolution of the Liquidating Trust.

6.1.14. Dissolution of the Liquidating Trust

The Liquidating Trustee and the Liquidating Trust shall be discharged or dissolved, as the case may be, at such time as (a) all Liquidating Trust Assets have been liquidated; (b) all distributions required to be made by the Liquidating Trustee under the Plan have been made; and (c) the Liquidating Trust is otherwise fully administered. In no event shall the Liquidating Trust be dissolved later than five (5) years from the Effective Date unless the Bankruptcy Court, upon motion within the six (6) month period prior to the fifth (5th) anniversary (and, in the case of any extension, within six (6) months prior to the end of such extension), determines that a fixed period extension (not to exceed three (3) years together with any prior extensions, without a favorable letter ruling from the IRS that any further extension would not adversely affect the status of the Liquidating Trust as a liquidating trust for federal income tax purposes) is necessary to facilitate or complete the recovery and liquidation of the Liquidating Trust Assets or the dissolution of the Debtors.

If at any time the Liquidating Trustee determines, in reliance upon such professionals as the Liquidating Trustee may retain, that the expense of administering the Liquidating Trust so as to make a final distribution to its beneficiaries is likely to exceed the value of the assets remaining in the Liquidating Trust, the Liquidating Trustee may apply to the Bankruptcy Court for authority to (a) reserve any amount necessary to dissolve the Liquidating Trust, (b) donate any balance to a charitable organization (i) described in section 501(c)(3) of the U.S. Internal Revenue Code, (ii) exempt from United States federal income tax under section 501(a) of the U.S. Internal Revenue Code, (iii) not a "private foundation", as defined in section 509(a) of the U.S. Internal Revenue Code, and (iv) that is unrelated to the Debtors, the Liquidating Trust, and any insider of the Liquidating Trustee, and (c) dissolve the Liquidating Trust.

6.1.15. Securities Exempt

The issuance of the beneficial interests in the Liquidating Trust satisfies the requirements of section 1145 of the Bankruptcy Code and, therefore, such issuance is exempt from registration under the Securities Act of 1933, as amended, and any state or local law requiring registration.

6.2 Oversight Committee

On the Effective Date, the Oversight Committee shall be formed, which committee shall consist of three (3) members, the Unsecured Creditors' Designees and Wayzata's Designee. Members of the Oversight Committee shall serve in such capacity without compensation. The Oversight Committee shall oversee the administration and implementation of the Plan and the liquidation and distribution of the Liquidating Trust Assets in accordance with the Plan and the Liquidating Trust Documents (except that Wayzata's Designee shall have no oversight powers or duties with respect to the Other GUC Escrow or the allowance or disallowance of General Unsecured Claims, Insured Deficiency Claims or Priority Non-Tax Claims), including the settlement of any Estate Causes of Action upon receiving a proposal of settlement from the Liquidating Trustee. The Liquidating Trustee shall produce such periodic reports as requested by the Oversight Committee with respect to the status of the distributions to Holders of Allowed General Unsecured Claims or Allowed Noteholders Deficiency Claims. Oversight Committee decisions shall be made with unanimous written approval. In the event of a dispute, the dispute shall be resolved by the Bankruptcy Court upon motion of any Oversight Committee member or the Liquidating Trustee. The Oversight Committee shall have the following rights, obligations and duties:

(a) Approve the Liquidating Trustee's selection of, as well as the terms governing the engagement of, professionals to be engaged by the Liquidating Trust on behalf of the Liquidating Trust, who may have been previously engaged by the Debtors or the Committee, and establish retainer terms, conditions and budgets;

(b) Appear in Bankruptcy Court, as necessary;

(c) Seek an order terminating an Oversight Committee member and approving a replacement selected in a manner consistent with the original selection of such

Oversight Committee member in the event the other member of the Oversight Committee determines there is cause to do so;

(d) Articulate the Oversight Committee's position in the event the Liquidating Trustee brings a dispute with the Oversight Committee to the Bankruptcy Court for resolution, or the Oversight Committee concludes it should bring a dispute with the Liquidating Trustee to the Bankruptcy Court for resolution;

(e) Approve the settlement of Estate Causes of Action where the amount originally sought to be recovered exceeds of $25,000; it hereby being understood that the Liquidating Trustee shall have discretion to approve the settlement of Estate Causes of Action up to $25,000; and

(f) For the Unsecured Creditors' Designees, approve the settlement of objections to General Unsecured Claims, Insured Deficiency Claims and Priority Non-Tax Claims where the face amount of the General Unsecured Claim or the Insured Deficiency Claim exceeds $100,000 or where the face amount of the Priority Non-Tax Claims exceeds $10,000.

6.2.1. Disputes Between Oversight Committee and Liquidating Trustee

Any disputes between and among the Oversight Committee, its members and the Liquidating Trustee shall be resolved by the Bankruptcy Court, if so requested upon motion by any of such parties.

6.2.2. Liability of Members of the Oversight Committee

Subject to any applicable law, the members of the Oversight Committee shall not be liable for any act done or omitted by any member in such capacity, while acting in good faith and in the exercise of business judgment. Members of the Oversight Committee shall not be liable in any event except for gross negligence or willful misconduct in the performance of their duties hereunder.

6.2.3. Indemnification of Members of the Oversight Committee

Except as otherwise set forth in the Plan and to the extent permitted by applicable law, the members of the Oversight Committee in the performance of their duties hereunder (the "Indemnified OC Parties") shall be defended, held harmless and indemnified from time to time by the Liquidating Trust to the extent such duties relate to the Liquidating Trust (and not any other Person) against any and all losses, Claims, costs, expenses and liabilities to which such Indemnified OC Parties may be subject by reason of such Indemnified OC Party's execution of duties pursuant to the discretion, power and authority conferred on such Indemnified OC Party by the Plan or the Confirmation Order; provided, however, that the indemnification obligations arising pursuant to section 7.10.4. of the Plan shall not indemnify the Indemnified OC Parties for any actions taken by such Indemnified OC Parties which constitute fraud, gross negligence or intentional breach of the Plan or the Confirmation Order. Satisfaction of any obligation of the Liquidating Trust, arising pursuant to the terms of section 7.10.4. of the Plan shall be payable

solely from the Liquidating Trust Assets, including, if available, any insurance maintained by the Liquidating Trust.

6.2.4. Dissolution of Oversight Committee

Upon dissolution of the Liquidating Trust, the Oversight Committee shall be dissolved automatically and its members shall be deemed released and discharged from all rights, duties, responsibilities, liabilities, and obligations arising from, in connection with, or related to the Liquidating Trust.

6.2.5. Effectuating Documents; Further Transactions

Any officer of Metro Affiliates, Inc., or any applicable Debtor or the Liquidating Trustee shall be authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions contained herein.

6.2.6. Cancellation of Existing Securities and Agreements

Except for purposes of evidencing a right to distributions under the Plan and Liquidating Trust Documents, on the Effective Date, all notes, including the Notes, shares of stock, warrants, agreements and other documents evidencing Claims or rights of any Holder of a Claim against or Interest in any of the Debtors and any agreements or guarantees related thereto shall be cancelled, terminated, deemed null and void and satisfied; provided, however, that notwithstanding anything else in the Plan, the Indenture shall continue in effect for the limited purpose of (a) allowing the Noteholders to receive distributions from the Indenture Trustee on account of the Noteholders Claims pursuant to section 8.3. of the Plan, and (b) allowing the Indenture Trustee to exercise its charging lien against such distribution for payment of the reasonable, documented and unpaid fees and expenses of the Indenture Trustee.

ARTICLE VII.

RESERVATION OF RIGHTS, DISCHARGES, RELEASES, INJUNCTIONS, AND EXCULPATIONS

7.1.1. Rights of Action and Reservation of Rights

Except as otherwise provided in the Plan or the Confirmation Order, all Causes of Action of the Debtors shall survive confirmation of the Plan, and the Liquidating Trustee shall reserve, retain and may, subject to section 7.10. of the Plan, enforce, sue on, settle, compromise, transfer or assign (or decline to do any of the foregoing) all Estate Causes of Action. Except as otherwise expressly set forth herein, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver, the relinquishment of, a bar or limitation by any estoppel or res judicata, or otherwise prejudice, any right or Causes of Action that the Debtors may have or which the Liquidating Trustee may choose to assert under any provision of the Bankruptcy Code or any applicable non-bankruptcy law, including, but not limited to, any and all Claims against any Entity, to the extent such Entity asserts a cross-claim, counterclaim and/or Claim for setoff

which seeks affirmative relief against any of the Debtors, their officers, directors or representatives. On and after the Effective Date, subject to section **7.10.** of the Plan, the Liquidating Trustee shall be deemed the appointed and authorized representative to, and may pursue, litigate, compromise, settle, transfer or assign any such rights, claims, Causes of Action, suits or proceedings as appropriate.

7.1.2. Satisfaction of Claims and Termination of Interests

Subject to the occurrence of the Effective Date and except as otherwise provided in the Plan or the Confirmation Order, as of the Effective Date, (a) the distributions and rights afforded under the Plan and the treatment of Claims and Interests under the Plan shall be in exchange for and in full and final satisfaction, settlement, release, and compromise of all Claims against the Debtors, and in full and final satisfaction, settlement, release, and compromise of all Interests and the termination of Interests in the Debtors, their respective Estates, Assets or properties, and (b) any interest accrued on Claims against the Debtors, their respective Estates, Assets and properties from and after the Petition Date shall be cancelled. Accordingly, except as otherwise provided in the Plan or the Confirmation Order, confirmation of the Plan shall, as of the Effective Date, satisfy, terminate and cancel all Claims against the Debtors, their respective Estates, Assets and properties and Interests and all other rights of equity security Holders in the Debtors, their respective Estates, Assets and properties.

Subject to the occurrence of the Effective Date and except as otherwise provided in the Plan or the Confirmation Order, as of the Effective Date, all Entities shall be precluded from asserting against the Debtors, their respective Estates and Assets, the Liquidating Trust, or their respective successors or property, any other or further Claims, debts, rights, Causes of Action, liabilities or Interests based upon any act, omission, transaction or other activity of any kind or nature that occurred prior to the Petition Date.

No Entity holding a Claim may receive any payment from, or seek recourse or recovery against, any Assets that are to be distributed under the Plan, other than Assets required to be distributed to that Entity in accordance with the Plan.

7.1.3. Term of Injunctions or Stays

As of the Effective Date, except as otherwise expressly provided in the Plan or the Confirmation Order, all Entities who have been, are, or may be Holders of Claims against or Interests in the Debtors shall be permanently, forever and completely stayed, restrained, prohibited, barred and enjoined from:

(a) taking any of the following actions against or affecting the Debtors, the Estates or the Assets, the Liquidating Trust or the Liquidating Trustee with respect to such Claims or Interests (other than actions brought to enforce any rights or obligations under the Plan or the Confirmation Order):

(i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including all suits, actions, and proceedings that are pending as of the Effective Date, which must be withdrawn or

dismissed with prejudice);

(ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order;

(iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance; and

(iv) asserting any setoff, right of subrogation or recoupment of any kind; and

(b) asserting, or otherwise proceeding against any of the Released Parties as to, any claims or Causes of Action released under section 12.4.1. of the Plan.

All injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

7.1.4. Releases by the Debtors

Except as otherwise provided in the Plan or the Confirmation Order, on and after the Effective Date, the Debtors, on their own behalf and on behalf of their respective Estates and any Entity seeking to exercise the rights of the Debtors' Estates (including, but not limited to, the Liquidating Trustee on behalf of the Liquidating Trust, any trustee or Estate representative appointed or selected pursuant to section 1123(b)(3) of the Bankruptcy Code or any of their predecessors or successors (including any trustee or other estate representative appointed in these Chapter 11 Cases or any successor cases)), shall be deemed to release unconditionally the Released Parties and their respective property from any and all Claims, debts, obligations, rights, suits, judgments, damages, actions, causes of action, remedies, and liabilities of any nature whatsoever, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, fixed or contingent, matured or unmatured, at law, in equity, or otherwise, that the Debtors would have been legally entitled to assert in its own right (whether individually or collectively) or that any Holder of a Claim against or Interest in the Debtors, or any other Entity would have been legally entitled to assert on behalf of the Debtors or their respective Estates, based in whole or in part upon any act or omission, transaction, agreement, event, or other occurrence taking place or existing on or prior to the Effective Date in connection with, arising from, or related to in any way to the Debtors, their respective Estates, Assets or properties, the Plan, or these Chapter 11 Cases; provided, however, that the foregoing releases by the Debtors shall not operate to waive or release any Claims or Causes of Action of any Debtor or their respective Estate against a Released Party (a) arising under any contractual obligation owed to the Debtors that is entered into or assumed pursuant to the Plan or (b) which results from any act or omission that is judicially determined pursuant to a Final Order to have resulted from such Released Party's fraud, willful misconduct or gross negligence.

Without limiting the generality of the foregoing paragraph, to the extent

permitted by law, the Debtors and any successors-in-interest of the Debtors shall waive all rights under any statutory provision purporting to limit the scope or effect of a general release, whether due to lack of knowledge or otherwise.

7.1.5. Releases by Holders of Claims

To the fullest extent permissible under applicable law, and except as otherwise provided in the Plan or the Confirmation Order, on and after the Effective Date, the Creditor Releasing Parties shall be deemed to release unconditionally the Released Parties and their respective property from any and all Claims, debts, obligations, rights, suits, judgments, damages, actions, causes of action, remedies, and liabilities of any nature whatsoever, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, fixed or contingent, matured or unmatured, existing as of the Effective Date or thereafter arising, at law, in equity, or otherwise, they hold that are in connection with any of the Debtors, their respective Estates, Assets or properties, the Plan, or these Chapter 11 Cases; provided, however, that the foregoing releases by the Creditor Releasing Parties shall not operate to waive or release any Released Party on account of liability that is judicially determined pursuant to a Final Order to have resulted from such Released Party's fraud, willful misconduct or gross negligence.

To the extent a Holder of a Claim votes to accept the Plan, and does not otherwise opt out, such Holder of a Claim shall be bound by the releases set forth in section 12.4.2. of the Plan. To the extent a Holder of a Claim either (i) votes to reject the Plan, (ii) does not vote on the Plan or (iii) votes to accept the Plan but opts out, such Holder of a Claim shall not be bound by the releases set forth in section 12.4.2. of the Plan unless such Holder of a Claim specifically opts to accept the releases in section 12.4.2. of the Plan.

In the Second Circuit, enforcement of the release of claims held by third-parties against other non-debtor third-parties through a chapter 11 plan is governed by *Deutsche Bank AG, London Branch v. Metromedia Fiber Network, Inc. (In re Metromedia Fiber Network, Inc.)*, 416 F.3d 136 (2d Cir. 2005) and its progeny. In applying the principles set forth in Metromedia, the Bankruptcy Court for the Southern District of New York has consistently found that the use of narrowly tailored language which limits the scope of proposed third-party releases ameliorates otherwise deficient provisions of a chapter 11 plan. *See, e.g. In re Chemtura Corp.*, 439 B.R. 561, 610 (Bankr. S.D.N.Y. 2010); *In re Motors Liquidation Co.*, 447 B.R. 198, 219-21 (Bankr. S.D.N.Y. 2011). Accordingly, the limitations set forth above with respect to the third-party releases (that such releases are enforceable only "to fullest extent permissible under applicable law") are consistent with Metromedia and interpreting case law within the Southern District of New York.

7.1.6. No Waiver

All Estate Causes of Action, except for Estate Causes of Action against Released Parties, are expressly reserved and shall not be subject to the releases set forth in sections 12.4.1. and 12.4.2 of the Plan.

7.1.7. Compromise and Settlement of Estate Causes of Action, Claims and Controversies

On and after the Effective Date, the Liquidating Trustee shall be authorized, subject to the Plan (including the rights granted to the Oversight Committee in the Plan), and the Liquidating Trust Documents, to compromise and settle Estate Causes of Action, Claims and controversies without review or approval by the Bankruptcy Court or any other party in interest. Pursuant to Bankruptcy Rule 9019, and in consideration for the classification, distribution, and other benefits provided under the Plan, unless otherwise provided in the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and controversies resolved pursuant to the Plan.

The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtors, their respective Estates, Creditors, and other parties in interest, and are fair, equitable, and within the range of reasonableness. For the avoidance of doubt, entry of the Confirmation Order shall constitute (a) the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases provided in sections 12.4.1. and 12.4.2. of the Plan, which includes by reference each of the related provisions and definitions contained in the Plan, and (b) the Bankruptcy Court's finding that the release provided in sections 12.4.1. and 12.4.2. of the Plan is: (i) in exchange for the good and valuable consideration provided by the Released Parties; (ii) a good-faith settlement and compromise of the Claims released by sections 12.4.1. and 12.4.2. of the Plan; (iii) in the best interests of the Debtors' Estates and all Holders of Claims and Interests; (iv) fair, equitable, and reasonable; (v) given and made after due notice and opportunity for hearing; and (vi) a bar to any of the Debtors, their respective Estates, and any Entity seeking to exercise the rights of the Debtors' Estates (including, but not limited to, the Liquidating Trustee on behalf of the Liquidating Trust, or any Estate representative appointed or selected pursuant to section 1123(b)(3) of the Bankruptcy Code), and Creditor Releasing Parties from asserting any Claim or Cause of Action released by sections 12.4.1. and 12.4.2. of the Plan, as applicable.

7.1.8. Disallowed Claims and Disallowed Interests

On and after the Effective Date, the Debtors and the Liquidating Trust shall be fully and finally discharged of any and all liability or obligation on a Disallowed Claim or a disallowed Interest, and any order disallowing a Claim or an Interest which is not a Final Order as of the Effective Date solely because of an Entity's right to move for reconsideration of such order pursuant to section 502 of the Bankruptcy Code or Bankruptcy Rule 3008 shall nevertheless become and be deemed to be a Final Order on the Effective Date.

7.1.9. Exculpation

Pursuant to section 1125(e) of the Bankruptcy Code, the Exculpated Parties shall not be liable for any Cause of Action arising in connection with or out of the administration of the Chapter 11 Cases, pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be

distributed under the Plan, except for gross negligence or willful misconduct as determined by Final Order of the Bankruptcy Court. The Confirmation Order shall enjoin all Holders of Claims and Interests from asserting or prosecuting any Claim or Cause of Action against the Released Parties as to which such Entity has been exculpated from liability pursuant to the preceding sentence.

7.1.10. Injunctions

As of the Effective Date, except as otherwise expressly provided in the Plan or the Confirmation Order, all Entities who have been, are, or may be Holders of Claims against or Interests in the Debtors shall be permanently, forever and completely stayed, restrained, prohibited, barred and enjoined from:

(a) taking any of the following actions against or affecting the Debtors, the Estates or the Assets, the Liquidating Trust or the Liquidating Trustee with respect to such Claims or Interests (other than actions brought to enforce any rights or obligations under the Plan or the Confirmation Order):

(i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including all suits, actions, and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice);

(ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order;

(iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance; and

(iv) asserting any setoff, right of subrogation or recoupment of any kind; and

(b) asserting, or otherwise proceeding against any of the Released Parties as to, any claims or Causes of Action released under sections 12.4.1. and 12.4.2. of the Plan.

7.2 Other Provisions of the Plan

In addition the provisions of the Plan described herein, the Plan also contains provisions regarding distributions to creditors (Article VIII), the treatment of Disputed Claims (Article IX), the treatment of Claims arising from the rejection of Executory Contracts (Article X), the conditions precedent to Confirmation of the Plan and the occurrence of the Effective Date (Article XI), the retention of post-confirmation jurisdiction by the Bankruptcy Court (Article XIV) and other miscellaneous provisions (Article XV).

7.3 No Admissions, Revocation of the Plan, Severability of Plan Provisions, Entire Agreement

The Plan shall not constitute or be construed as an admission of any fact or liability, stipulation, or waiver, but rather as a statement made in settlement negotiations. The Plan shall not be admissible in any non-bankruptcy proceeding nor shall it be construed to be conclusive advice on tax, securities, and other legal effects of the Plan as to Holders of Claims against and Interests in, the Debtors or their Affiliates.

The Plan Proponents reserve the right to alter, amend or modify the Plan pursuant to section 1127 of the Bankruptcy Code at any time prior to the Confirmation Date. After such time and prior to substantial consummation of the Plan, the Plan Proponents may, so long as the treatment of Holders of Claims against or Interests in the Debtors under the Plan is not materially adversely affected, institute proceedings in Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, or the Confirmation Order, and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, notice of such proceedings shall be served in accordance with Bankruptcy Rule 2002 or as the Bankruptcy Court shall otherwise order.

On and after the Effective Date, the Debtors or the Liquidating Trustee may, upon notice to the U.S. Trustee, the Oversight Committee, the Indenture Trustee and the Noteholders, and upon order of the Bankruptcy Court, amend or modify the Plan, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan; provided, however, that such amendment, modification, remedy or reconciliation does not materially and adversely affect the treatment of Holders of Claims against or Interests in the Debtors under the Plan.

The Plan Proponents reserve the right to revoke or withdraw the Plan, including the right to revoke or withdraw the Plan for any Debtor or all Debtors, at any time prior to the Confirmation Date. If the Plan Proponents revoke or withdraw the Plan prior to the Effective Date, then the Plan shall be deemed null and void in all respects, and nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims by or Claims against or Interests in the Debtors; (b) prejudice in any manner the rights of the Debtors or their respective Estates, any Holders, or any other Entity; or (c) constitute an admission, acknowledgment, offer, or undertaking by the Debtors or their respective Estates, any Holders, or any other Entity in any respect.

The Plan (together with the Liquidating Trust Agreement) and the Confirmation Order set forth the entire agreement and undertaking relating to the subject matter thereof and supersede all prior discussions and documents. The Debtors' Estates shall not be bound by any terms, conditions, definitions, warranties, understandings, or representations with respect to the subject matter thereof, other than as expressly provided for therein or in the Confirmation Order.

7.4 Preservation of Rights of Setoffs

The Liquidating Trustee may, but shall not be required to, pursuant to and to the extent permitted by applicable law, setoff or recoup against any Claim asserted against any

Debtor or its Estate, and the payments or other distributions to be made pursuant to the Plan and Liquidating Trust Documents in respect of such Claim, any Claims, rights, or Cause of Action of any nature whatsoever that the Debtors or the Liquidating Trust may have against the Holder of such Claim pursuant to the Bankruptcy Code or applicable non-bankruptcy law; provided, however, that the Liquidating Trustee shall give the Holders of such Claim notice of the proposed setoff or recoupment and the Holder of such Claim does not object to the proposed setoff or recoupment within thirty (30) days; provided further that if an objection is timely raised to a proposed setoff or recoupment, the Liquidating Trustee may seek relief from the Bankruptcy Court to effectuate the setoff or recoupment; and provided further that neither the failure to effect a setoff or recoupment, nor the allowance of any Claim hereunder shall constitute a waiver, abandonment or release by the Liquidating Trustee of any such Claims, rights and Causes of Action that the Debtors or the Liquidating Trustee, may have against the Holder of such Claim.

7.5 Dissolution of Committee

On the Effective Date, the Committee shall dissolve automatically and its members shall be deemed released and discharged from all rights, duties, responsibilities, liabilities, and obligations arising from, in connection with, or related to the Chapter 11 Cases, and the retention or employment of the Committee's attorneys, accountants and other agents, if any, authorized by order of the Bankruptcy Court, shall terminate; provided, however, that the Committee may appear at the hearing to consider applications for final allowances of compensation and reimbursement of expenses and prosecute any objections to such applications, if appropriate.

ARTICLE VIII.

FUNDING AND FEASABILITY OF THE PLAN

8.1 Funding of the Plan

It is anticipated that on the Effective Date of the Plan the Debtors will possess sufficient funds in the Consummation Account to pay the Claims to be paid from the Consummation Account under the Plan.

Prior to the date of the filing of this Disclosure Statement, the Debtors deposited $1 million in the Other GUC Escrow. The funds in the Other GUC Escrow (i) are to be used for the sole purpose of funding the Liquidating Trust established under the Plan in accordance with the Settlement Term Sheet, or (ii) only in the event these chapter 11 cases are converted to cases under Chapter 7 of the Bankruptcy Code or are dismissed, shall be used solely for the benefit of the Holders of unsecured claims other than the Noteholders Deficiency Claims and upon further order of the Bankruptcy Court; and, in either event, may not be used for the commencement or prosecution of any action or proceeding of any claims, causes of action or defenses against any Secured Creditor (as defined in the Final DIP Order) or any of their respective officers, directors, employees, agents, attorneys, affiliates, successors or assigns, including, without limitation, any attempt to recover or avoid any claim or interest from any Secured Creditor under Chapter 5 of the Bankruptcy Code. No party, including Wells Fargo, the Indenture Trustee and the Noteholders, other than the Liquidating Trustee or the Holders of unsecured Claims other than

Noteholders Deficiency Claims, shall have any claims or liens against the funds in the Other GUC Escrow.

8.2 Best Interests Test

An impaired class of claims shall have accepted the plan if (i) the holders (other than any holder designated under Bankruptcy Code Section 1126(e)) of at least two-thirds (2/3) in amount of the allowed claims actually voting in such class have voted to accept the plan and (ii) the holders (other than any holder designated under Bankruptcy Code Section 1126(e)) of more than one-half (1/2) in number of the allowed claims actually voting in such class have voted to accept the plan.

Notwithstanding acceptance of the plan by each impaired class, in order to confirm the plan, the bankruptcy court must determine that the plan is in the best interests of each holder of a claim or interest in any such impaired class who has not voted to accept the plan. Accordingly, if an impaired class does not unanimously accept the plan, the best interests test requires the bankruptcy court to find that the plan provides to each member of such impaired class a recovery on account of the class member's claim or interest that has a value, as of the effective date, at least equal to the value of the distribution that each such class member would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code on such date.

To estimate what members of each Impaired Class of unsecured Creditors and Holders of Interests would receive if the Debtors were liquidated under chapter 7, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the Debtors' Assets if their Chapter 11 Cases were converted to chapter 7 cases under the Bankruptcy Code and their Assets were liquidated by a trustee in bankruptcy (the "**Liquidation Value**" of such assets). The Liquidation Value would consist of the net proceeds from the disposition of the Debtors' Assets and would be augmented by any Cash held by the Debtors.

The Liquidation Value of the Debtors' Assets available to general Creditors would be reduced by collateral owed to secured Creditors and the costs and expenses of the liquidation, as well as other administrative expenses of the chapter 7 cases. The Debtors' costs of liquidation under chapter 7 would include the compensation of a trustee or trustees, as well as counsel and other professionals retained by the trustee(s), disposition expenses, all unpaid expenses incurred by the Debtors during their Chapter 11 Cases (such as compensation for attorneys and accountants) which are allowed in the chapter 7 proceedings, and litigation costs and claims against the Debtors arising from their business operations during the pendency of their Chapter 11 Cases and chapter 7 liquidation proceedings. These costs, expenses and claims would be paid in full out of the Debtors' liquidation proceeds, subject to prior rights of secured Creditors, before the balance would be made available to pay Holders of other Claims.

Once the percentage recoveries in liquidation of secured claimants, priority claimants, general unsecured Creditors and equity security Holders are ascertained, the value of the distribution available out of the Liquidation Value is compared with the value of the property offered to each of the Classes of Claims and Interests under the Plan to determine whether the Plan is in the best interests of each Class. The Plan Proponents believe that the Plan satisfies the best interests test because the Debtors' Assets will be liquidated under the terms of the Plan. If

the Plan is not confirmed and, instead, the Debtors' Chapter 11 Cases are converted to cases under chapter 7, the value of the Debtors' Estates would diminish because (i) the secured claimants would have prior rights to their Collateral, (ii) the Debtors' Estates would need to pay fees to any chapter 7 trustee and (iii) the Debtors' Estates would incur increased professional fee costs associated with supporting the chapter 7 proceedings and associated litigation costs and claims. Comparing the Claims against the Debtors as described herein, the Debtors believe that distributions under the Plan will provide at least the same recovery to Holders of Allowed Claims against each of the Debtors on account of such Allowed Claims as would distributions by a chapter 7 trustee. Conversion would also likely delay the liquidation process and distributions to Creditors.

8.3 Feasibility

Bankruptcy Code section 1129(a)(11) requires that the Debtors be able to perform their obligations under the Plan. For purposes of determining whether the Plan meets this requirement, the Debtors analyzed their ability to meet their obligations under the Plan. The Debtors believe that they have adequate funding to be able to meet their obligations under the Plan.

8.4 Risk Factors Associated with the Plan

Holders of Claims against the Debtors should read and consider carefully the information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference), prior to voting to accept or reject the Plan. This information, however, should not be regarded as the only risks involved in connection with the Plan and its implementation.

The Allowed amount of Administrative Claims, Priority Tax Claims or Priority Non-Tax Claims may exceed the Plan Proponents' projections. Under the Bankruptcy Code, the Plan must provide for payment in full of such Claims unless the Holders of such Claims agree to different treatment. There is no source of additional funds for the payment of such claims to the extent that the Plan Proponents' projections are exceeded.

Under the Plan, Allowed Priority Non-Tax Claims are to be paid before any distributions to Holders of Allowed General Unsecured Claims and from the same Liquidating Trust Assets, including the Other GUC Escrow, from which distributions shall be made to Holders of General Unsecured Claims. There are no assurances that all or any Liquidating Trust Assets will be available for distribution to Holders of Allowed General Unsecured Claims after payment of all Allowed Priority Non-Tax Claims.

A substantial amount of time may elapse between the Effective Date and the receipt of distributions under the Plan for Holders of Claims, because of the time required to achieve recovery of certain assets and to resolve or reserve for Disputed Claims, particularly in connection with Insured Deficiency Claims. To the extent that distributions under the Plan are derived, in whole or in part, from recoveries on the Causes of Action, including Avoidance Actions, prosecuted by the Liquidating Trustee, there can be no assurance that any such Causes

of Action will produce recoveries that will provide sufficient funds for such distributions to be made by the Liquidating Trust.

If the Bankruptcy Court were not to grant the Debtors' request for substantive consolidation of the Debtors with respect to the voting of all Claims and Interests and treatment of all Claims and Interests, confirmation and consummation of the Plan, if still possible, could be substantially more burdensome, time consuming, and costly to the Debtors' Estates. As stated above, the Debtors believe that substantive consolidation of the Debtors' Estates for purposes of the voting of all Claims and Interests and treatment of all Claims and Interests will facilitate implementation of the Plan and foster similarity and fairness of treatment among Holders of Claims. There can be no assurance, however, that the Bankruptcy Court will reach the same conclusion.

Even if all Holders of the Class 2 Claims, Class 3 Claims, Class 5 Claims and Class 6 Claims, who are entitled to vote, accept the Plan, the Plan might not be confirmed by the Bankruptcy Court. Bankruptcy Code section 1129 sets forth the requirements for confirmation and requires, among other things, that the confirmation of a plan of reorganization is not likely to be followed by the liquidation or the need for further financial reorganization unless, as here, such liquidation is proposed in the plan, and that the value of distributions to dissenting creditors and equity security Holders not be less than the value of distributions such creditors and equity security Holders would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code. The Debtors believe that the Plan satisfies all the requirements for confirmation of a plan of liquidation under the Bankruptcy Code. There can be no assurance, however, that the Bankruptcy Court will also conclude that the requirements for Confirmation of the Plan have been satisfied.

Additionally, successful Confirmation of the Plan is subject to satisfaction or waiver of the conditions to Plan effectiveness, which are discussed in detail above. **THUS, THERE CAN BE NO ASSURANCE THAT ALL OF THE CONDITIONS TO EFFECTIVENESS OF THE PLAN WILL BE TIMELY SATISFIED OR WAIVED.**

ARTICLE IX.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to the Debtors and certain Holders of Claims.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Tax Code"), the Treasury Regulations, judicial authorities, published administrative positions of the IRS and other applicable authorities, all as in effect on the date of this Disclosure Statement and all of which are subject to change or differing interpretations, possibly with retroactive effect. The Plan Proponents have not requested, nor do they intend to request, a private letter ruling from the IRS or an opinion of counsel with respect to any of the aspects of the Plan. The discussion below is not binding upon the IRS or any court and does not reflect any independent analysis by the Plan Proponents. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any position discussed herein.

This discussion does not apply to Holders of Claims that are not "U.S. persons" (as such phrase is defined in the Tax Code) and does not purport to address all aspects of U.S. federal income taxation that may be relevant to the Debtors or to such Holders in light of their individual circumstances. This discussion does not address tax issues with respect to such Holders subject to special treatment under the U.S. federal income tax laws (including, for example, banks, governmental authorities or agencies, pass-through entities, dealers and traders in securities, insurance companies, financial institutions, tax-exempt organizations, small business investment companies and regulated investment companies). No aspect of state, local, non-income, or non-U.S. taxation is addressed. The following discussion assumes that each Holder of a Claim holds its Claim as a "capital asset" within the meaning of section 1221 of the Tax Code.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE U.S. FEDERAL, STATE, LOCAL, NON-INCOME AND NON-U.S. TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

IRS CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, ANY TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE TAX CODE. TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS DISCLOSURE STATEMENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

9.1 Consequences to Debtors

The Debtors may incur federal income tax liability as a result of the transactions contemplated by the Plan, based in part on the value of the assets transferred to the Liquidating Trust, the amount of the Debtors' net operating losses and the application of the federal tax rules regarding alternative minimum tax. Such tax liability, if any, shall be treated in accordance with the terms and provisions of the Plan.

Pursuant to the Plan, the Liquidating Trust Assets will be transferred to the Liquidating Trust, which will be created solely for the purposes of liquidating and monetizing the Liquidating Trust Assets and making distributions to certain Holders of Allowed Claims in an orderly liquidation during the term of the Liquidating Trust. The transfer of Liquidating Trust Assets to the Liquidating Trust may result in the recognition of taxable gain or loss to the Debtors, based on the difference between the fair market value of such assets and the Debtors' tax basis in such assets. Further, the Debtors may recognize

cancellation of debt income upon transferring the Liquidating Trust Assets to the Liquidating Trust. The Debtors may be required to pay federal income tax on some or all of any gains or cancellation of debt income recognized. There could also be some liability for taxes in certain states and under the federal alternative minimum tax.

9.2 Consequences to Holders of Secured Lender Claims and General Unsecured Claims

The Plan Proponents believe that the Plan should be treated as a plan of liquidation for federal income tax purposes because the Liquidating Trust is being created solely for the purpose of litigating the Estate Causes of Action and winding up the Debtors' affairs (including, but not limited to, resolving any outstanding Administrative and Priority Claims or Disputed Claims).

9.2.1. Gain or Loss

In general, each Holder of an Allowed Priority Non-Tax Claim, Allowed Noteholders Claim, Allowed General Unsecured Claim and Allowed Insured Deficiency Claim will, upon receipt by the Liquidating Trust of the Liquidating Trust Assets, recognize gain or loss in an amount equal to the difference between (i) the "amount realized" by the Holder in satisfaction of its Claim (other than any Claim for accrued but unpaid interest) and (ii) such Holder's adjusted tax basis in such Claim (other than any Claim representing accrued but unpaid interest). For a discussion of the federal income tax treatment of any Claim for accrued but unpaid interest, *see* "Distributions in Discharge of Accrued Interest," Section 9.2.2 below.

In general, the "amount realized" by a Holder will equal the sum of (a) the amount of any Cash received by such Holder (excluding any portion required to be treated as interest through the Effective Date) and (b) the fair market value of its undivided interest in the other underlying assets of the Liquidating Trust (subject to any liabilities assumed by the Liquidating Trust or to which such assets are subject) on the Effective Date.

As discussed herein and in the Plan, on the Effective Date, (a) any and all Estate Causes of Action, (b) the Other GUC Escrow, (c) the Other Liquidating Trust Fund Escrow and (d) any and all Unencumbered Assets, and the proceeds of each of the foregoing (a) – (d), will be transferred to the Liquidating Trust. The Holders will receive a beneficial interest in the Liquidating Trust entitling them to share in any proceeds from such assets on the same relative basis as would have been received absent such transfer. However, for federal income tax purposes, because the Liquidating Trust has been structured to qualify as a "grantor trust," each Holder an Allowed Priority Non-Tax Claim, Allowed Noteholders Claim, Allowed General Unsecured Claim and Allowed Insured Deficiency Claim will be treated as directly receiving, and as a direct owner of, its allocable percentage of the Liquidating Trust Assets, and the proceeds thereof. See "Tax Treatment of the Liquidating Trust and Holders of Beneficial Interests" Section 9.3 below. Accordingly, as noted above, each Holder would take into account in determining the "amount realized" in respect of its Claim its share of any cash and the fair market value of its undivided interest in the other underlying assets of the Liquidating Trust (subject to any liabilities assumed by the Liquidating Trust or to which such assets are subject) as if received and held directly. Pursuant to the Plan, the Liquidating

Trustee will make a good faith valuation of the Liquidating Trust Assets, and all parties must consistently use such valuation for all federal income tax purposes. The valuation will be made available as necessary for tax reporting purposes (on an asset or aggregate basis, as relevant).

Any amount a Holder receives following the Effective Date as a distribution in respect of an interest in the Liquidating Trust should not be included for federal income tax purposes in the Holder's amount realized in respect of its Allowed Claim but should be separately treated as a distribution received in respect of such Holder's interest in the Liquidating Trust. See "Tax Treatment of the Liquidating Trust and Holders of Beneficial Interests," Section 9.3 below.

Where gain or loss is recognized by a Holder in respect of an Allowed Priority Non-Tax Claim, Allowed Noteholders Claim, Allowed General Unsecured Claim or Allowed Insured Deficiency Claim, the character of such gain or loss (as long-term or short-term capital, or ordinary) will be determined by a number of factors, including, for example, the tax status of the Holder and how long it had been held, whether such Claim is an installment obligation for U.S. federal income tax purposes, whether such Claim was originally issued at a discount or acquired at a market discount, and whether and to what extent the Holder had previously claimed a bad debt deduction in respect of such Claim.

A Holder's initial aggregate tax basis in its undivided interest in the underlying assets of the Liquidating Trust generally will equal the fair market value of such interest when received. A Holder's holding period in any property received generally will begin the day following the Effective Date (or such later date as the Holder's Claim was Allowed).

9.2.2. Distributions in Discharge of Accrued Interest

Pursuant to the Plan, all distributions in respect of a Claim will be allocated first to the principal amount of the Claim (as determined for federal income tax purposes), with any excess allocated to the portion of the Claim representing accrued but unpaid interest; provided, however, that distributions on account of the Noteholders Claims shall be allocated to principal and interest ratably in accordance with the provisions of the Indenture. However, there is no assurance that such allocation would be respected by the IRS for federal income tax purposes. In general, to the extent any amount received (whether stock, cash or other property) by a Holder of a debt is received in satisfaction of accrued interest during its holding period, such amount will be taxable to the Holder as interest income (if not previously included in the Holder's gross income). Conversely, a Holder generally recognizes a deductible loss to the extent any accrued interest claimed was previously included in its gross income and is not paid in full. Such loss may be ordinary, but the tax law is unclear on this point. Each Holder of a Claim is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of unpaid interest for tax purposes.

9.2.3. Limitation on Use of Capital Losses

Holders of Claims who recognize capital losses as a result of the distributions under the Plan will be subject to limits on their use of capital losses. For noncorporate Holders,

capital losses may be used to offset any capital gains (without regard to holding periods) plus ordinary income to the extent of the lesser of (1) $3,000 ($1,500 for married individuals filing separate returns) or (2) the excess of the capital losses over the capital gains. Holders, other than corporations, may carry over unused capital losses and apply them to capital gains and a portion of their ordinary income for an unlimited number of years. For corporate Holders, losses from the sale or exchange of capital assets may only be used to offset capital gains. Holders who have more capital losses than can be used in a tax year may be allowed to carry over the excess capital losses for use in succeeding tax years. Corporate Holders may only carry over unused capital losses for the five years following the capital loss year, but are allowed to carry back unused capital losses to the three years preceding the capital loss year.

9.2.4. Information Reporting and Withholding

All distributions to Holders of Allowed Claims under the Plan are subject to any applicable withholding (including employment tax withholding). Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then applicable rate. Backup withholding generally applies if the Holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is a United States person that is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

9.3 Tax Treatment of the Liquidating Trust and Holders of Beneficial Interests

Upon the Effective Date, the Liquidating Trust shall be established for the benefit of Holders of Allowed Priority Non-Tax Claims, Holders of Allowed Noteholders Claims, holders of Allowed General Unsecured Claims, and Holders of Allowed Insured Deficiency Claims, whether Allowed on or after the Effective Date.

9.3.1. Classification of the Liquidating Trust

The Liquidating Trust is intended to qualify as a "liquidating trust" for federal income tax purposes. In general, a liquidating trust is not a separate taxable entity but rather is treated for federal income tax purposes as a "grantor" trust, which is a pass-through type entity.

However, merely establishing a trust as a liquidating trust does not ensure that it will be treated as a grantor trust for federal income tax purposes. The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684, set forth the general criteria for obtaining an IRS ruling as to the grantor trust status of a liquidating trust under a chapter 11 plan. The Liquidating Trust has been structured with the intention of complying with such general criteria. Pursuant to the Plan, and in conformity with Revenue Procedure 94-45, all parties (including the Debtors, the Liquidating Trustee and the Holders of Allowed Priority Non-Tax Claim, Allowed Noteholders Claims,

General Unsecured Claims and Insured Deficiency Claims) are required to treat, for federal income tax purposes, the Liquidating Trust as a grantor trust of which the Holders are the owners and grantors. The following discussion assumes that the Liquidating Trust will be so respected for federal income tax purposes. However, no ruling has been requested from the IRS and no opinion of counsel has been requested concerning the tax status of the Liquidating Trust as a grantor trust. Accordingly, there can be no assurance that the IRS would not take a contrary position. Were the IRS successfully to challenge such classification, the federal income tax consequences to the Debtors, the Liquidating Trust and the Holders of Priority Non-Tax Claim, Noteholders Claims, General Unsecured Claims and Insured Deficiency Claims could vary from those discussed herein (including the potential for an entity-level tax on any income or gain of the Liquidating Trust).

9.3.2. General Tax Reporting by the Trust and Beneficiaries

For all federal income tax purposes, all parties (including the Debtors, the Liquidating Trustee and the Holders of Priority Non-Tax Claim, Noteholders Claims, General Unsecured Claims and Insured Deficiency Claims) must treat the transfer of Liquidating Trust Assets to the Liquidating Trust as a transfer of such assets directly to the holders, followed by the transfer of such assets by the Holders to the Liquidating Trust. Consistent therewith, all parties must treat the Liquidating Trust as a grantor trust of which such Holders are the owners and grantors. Thus, such Holders (and any subsequent Holders of interests in the Liquidating Trust) will be treated as the direct owners of an undivided interest in the assets of the Liquidating Trust for all federal income tax purposes. Pursuant to the Plan, the Liquidating Trust will determine the fair market value of the assets of the Liquidating Trust as of the Effective Date, and all parties, including the Holders, must consistently use such valuation for all federal income tax purposes, such as in the determination of gain, loss, and tax basis. The valuation will be made available as necessary for tax reporting purposes (on an asset or aggregate basis, as relevant).

Accordingly, each Holder will be required to report on its federal income tax return its allocable share of any income, gain, loss, deduction, or credit recognized or incurred by the Liquidating Trust. *See* "Allocation of Taxable Income and Loss" Section 9.3.3 below. The character of items of income, deduction, and credit to any Holder and the ability of such Holder to benefit from any deductions or losses may depend on the particular situation of such Holder.

The federal income tax reporting obligations of a Holder are not dependent upon the Liquidating Trust distributing any cash or other proceeds. Therefore, a Holder may incur a federal income tax liability with respect to its allocable share of the income of the Liquidating Trust even if the Liquidating Trust has not made a concurrent distribution to the Holder. In general, a distribution of Cash by the Liquidating Trust to a Holder will not be taxable to the Holder as such Holder is regarded for federal income tax purposes as already owning the underlying assets or realizing the income.

The Liquidating Trustee will maintain an escrow of any amounts required to be set aside on account of Disputed Claims. Taxes on the income of the Liquidating Trust attributable to this Disputed Claims Reserve will be paid by the Disputed Claims Reserve.

Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Liquidating Trustee of an IRS private letter ruling if the Liquidating Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Liquidating Trustee), the Liquidating Trustee will (A) make a proper and timely election to treat the Disputed Claims Reserve as a "disputed ownership fund" governed by Treasury Regulation section 1.468B-9, and (B) to the extent permitted by applicable law, report consistently with the foregoing for state and local income tax purposes.

Accordingly, the Disputed Claims Reserve will be subject to tax annually as if it were a C corporation on any net income earned with respect to the Liquidating Trust Assets in such reserves, and all distributions from such reserves (which distributions will be net of the related expenses of the reserve) will be treated as received by Holders in respect of their Claims as if distributed by the Plan Debtors. All parties (including, without limitation, the Plan Debtors, the Liquidating Trustee and the Liquidating Trust Beneficiaries) will be required to report for tax purposes consistently with the foregoing.

The Liquidating Trustee will file with the IRS income tax returns for the Liquidating Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a). The Liquidating Trustee will annually send to each record Holder a separate statement setting forth the information necessary for such Holder to determine its share of items of income, gain, loss, deduction, or credit and will instruct the Holder to report such items on its federal income tax return or to forward the appropriate information to the beneficial Holders with instructions to report such items on their federal income tax returns. Such items generally would be reported on the Holder's state and/or local tax returns in a similar manner.

9.3.3. Allocation of Taxable Income and Loss

The Plan provides that allocations of Liquidating Trust taxable income shall be determined by reference to the manner in which an amount of Cash equal to such taxable income would be distributed (without regard to any restrictions on distributions described herein or in the Plan) if, immediately prior to such deemed distribution, the Liquidating Trust had distributed all of its other assets (valued for this purpose at their tax book value) to the Holders of the Liquidating Trust interests, taking into account all prior and concurrent distributions from the Liquidating Trust. Similarly, taxable loss of the Liquidating Trust will be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining Liquidating Trust Assets. Taxable income, gain, loss, deduction and credit are allocated on a gross basis and are not netted prior to allocation, as would have been the case for a partnership. The tax book value of the Liquidating Trust Assets for purpose of this paragraph shall equal their fair market value on the date the Liquidating Trust Assets are transferred to the Liquidating Trust, adjusted in accordance with tax accounting principles prescribed by the Tax Code, the applicable Treasury Regulations, and other applicable administrative and judicial authorities and pronouncements.

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX

SITUATION. ALL HOLDERS OF CLAIMS AND INTERESTS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR NON-U.S. TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

ARTICLE X.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated, the Plan Proponents' alternatives include (i) seeking a liquidation of the Debtors under chapter 7 of the Bankruptcy Code or (ii) the preparation and presentation of an alternative chapter 11 plan.

10.1 Liquidation under Chapter 7 of the Bankruptcy Code

If no chapter 11 plan can be confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code in which a chapter 7 trustee would be elected or appointed to liquidate the remaining Assets of the Debtors. The Plan Proponents believe that liquidation under chapter 7 would result in lesser distributions being made to Creditors than those provided for in the Plan because of the additional administrative expenses involved in the appointment of a trustee and attorneys and other professionals to assist such trustee and would be pointless, since chapter 11 allows for the same mechanisms of liquidation, but in a more orderly, efficient and flexible manner. More importantly, liquidation under chapter 7 would likely result in a substantial delay in distributions to Creditors. Such a delay would be a material detriment to the Creditors, which detriment militates strongly in favor of the Plan.

10.2 Alternative Chapter 11 Plan

If the Plan is not confirmed, the Debtors or any party in interest in these Chapter 11 Cases could attempt to formulate and propose a different plan or plans of liquidation. The Plan Proponents do not believe an alternative chapter 11 plan can be formulated that provides greater distributions to Creditors than that which is provided under the Plan. An alternative chapter 11 plan likely would involve further negotiations and formulation – thereby increasing administrative expenses and thus reducing Creditor distributions – and likely would delay, perhaps significantly, the timing of distributions to Creditors.

ARTICLE XI.

CONCLUSION

The Plan Proponents urge Holders of impaired Claims entitled to vote to accept the Plan and to evidence such acceptance by returning their Ballots so that they will be received on or before the Voting Deadline.

Respectfully submitted,

Dated: March 31, 2014

METRO AFFILIATES, INC., *et al.*
Debtors and Debtors in Possession

By: */s/ DRAFT*
Name: Nathan W. Schlenker
Title:

-and-

OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: */s/ DRAFT*
Name: Jean Claude Calixte
Title: Chairperson
Local 1181-1061
Amalgamated Transit Union

Prepared by:

AKIN GUMP STRAUSS HAUER & FELD LLP
Lisa G. Beckerman, Esq.
Rachel Ehrlich Albanese, Esq.
One Bryant Park
New York, NY 10036
Tel: (212) 872-1000
Fax: (212) 872-1002

Counsel to the Debtors and Debtors in Possession

-and-

FARRELL FRITZ, P.C.
Ted A. Berkowitz, Esq.
Patrick Collins, Esq.
1320 RXR Plaza
Uniondale, NY 11556
Tel: (516) 227-0700
Fax: (516) 227-0777

Counsel to the Official Committee of Unsecured Creditors

Annex A

Debtor	Case Number
180 Jamaica Corp.	13-13602
Amboy Bus Co., Inc.	13-13593
Atlantic Escorts, Inc.	13-13607
Atlantic Express Coachways, Inc.	13-13612
Atlantic Express New England, Inc.	13-13615
Atlantic Express of California, Inc.	13-13618
Atlantic Express of Illinois, Inc.	13-13621
Atlantic Express of LA, Inc.	13-13626
Atlantic Express of Missouri, Inc.	13-13592
Atlantic Express of New Jersey, Inc.	13-13595
Atlantic Express of Pennsylvania, Inc.	13-13601
Atlantic Express of Upstate New York Inc.	13-13619
Atlantic Express Transportation Corp.	13-13598
Atlantic Paratrans of NYC, Inc.	13-13606
Atlantic Paratrans, Inc.	13-13611
Atlantic Queens Bus Corp.	13-13604
Atlantic Transit, Corp.	13-13614
Atlantic-Hudson, Inc.	13-13617
Block 7932, Inc.	13-13623
Brookfield Transit, Inc.	13-13625
Courtesy Bus Co., Inc.	13-13596
Fiore Bus Service, Inc.	13-13599
G.V.D. Leasing, Inc.	13-13609
Groom Transportation, Inc.	13-13605
James McCarty Limo Services, Inc.	13-13616
Jersey Business Land Co. Inc.	13-13620
K. Corr, Inc.	13-13624
Merit Transportation Corp.	13-13628
Metro Affiliates, Inc.	13-13591
Metropolitan Escort Service, Inc.	13-13630
Midway Leasing, Inc.	13-13631
R. Fiore Bus Service, Inc.	13-13594
Raybern Bus Service, Inc.	13-13597
Raybern Capital Corp.	13-13600
Raybern Equity Corp.	13-13603
Robert L. McCarthy & Son, Inc.	13-13608
Staten Island Bus, Inc.	13-13610
Temporary Transit Service, Inc.	13-13613
Transcomm, Inc.	13-13622
Winsale, Inc.	13-13627

EXHIBIT A

Joint Plan of Liquidation for Metro Affiliates, Inc. and its Affiliated Debtors

EXHIBIT B

Liquidation Analysis

[To Come]

EXHIBIT C

Liquidating Trust Agreement

[To Come]