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6

7  
8 UNITED STATES BANKRUPTCY COURT  
9 NORTHERN DISTRICT OF CALIFORNIA  
10 SAN FRANCISCO DIVISION

|                                  |                        |
|----------------------------------|------------------------|
| 11 In re                         | Case No. 16-30063      |
| 12 YELLOW CAB COOPERATIVE, INC., | Chapter 11             |
| 13 Debtor.                       | [NO HEARING SCHEDULED] |

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16 **DISCLOSURE STATEMENT FOR DEBTOR'S CHAPTER 11 PLAN**  
17 **OF REORGANIZATION DATED AUGUST 22, 2016**  
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1 **I. INTRODUCTION**

2 **A. Purpose of the Disclosure Statement**

3 Yellow Cab Cooperative, Inc., the debtor in possession in the above-captioned Chapter 11  
4 case ("Yellow Cab," the "Debtor" or the "Proponent") prepared this Disclosure Statement  
5 ("Disclosure Statement"). It is distributed to creditors and interest holders to solicit acceptances  
6 of the Debtor's Chapter 11 Plan of Reorganization (the "Plan"). The Plan is served with the  
7 Disclosure Statement. The Disclosure Statement's purpose is to provide all persons who hold  
8 claims against or interests in the Debtor (collectively, "Claimants") with information adequate to  
9 enable them to make informed judgments about the Plan in voting to accept or reject it.

10 **B. How to Vote**

11 The Debtor will file a motion to establish the procedures for voting on the Plan which it  
12 will request the Court set at the same date and time as the hearing on the approval of this  
13 Disclosure Statement. Detailed voting procedures will be set forth in that motion.

14 **C. Enclosures**

15 Enclosed with this Disclosure Statement is a copy of the Plan, a ballot (if your Claim or  
16 Interest is entitled to vote on the Plan), the order approving this Disclosure Statement and a notice  
17 advising Claimants of information regarding the Plan confirmation hearing. Alternatively, if you  
18 are not entitled to vote on the Plan, you will receive a notice of non-voting status.

19 **D. Definitions**

20 This Disclosure Statement uses terms which are defined in the Plan. A term used in this  
21 Disclosure Statement or the Plan that is defined in the Bankruptcy Code has the meaning given to  
22 that term in the Bankruptcy Code. The rules of construction contained in the Bankruptcy Code  
23 and the Federal Rules of Bankruptcy Procedure apply in this Disclosure Statement. To the extent  
24 that terms defined in the Plan or Disclosure Statement are inconsistent with definitions or  
25 meanings provided by the Bankruptcy Code or Rules, the Bankruptcy Code or Rules shall control.

26 **E. Plan Summary**

27 The Plan is a reorganization plan. It provides for the continuation of the Debtor's taxicab  
28 business located in San Francisco, California, and for specified treatment of the outstanding

1 Allowed Claims against and Interests in the Debtor.

2 Under the Plan, distributions are intended to be made to Holders of Allowed  
3 Administrative Expense Claims (Unclassified), Allowed Priority Tax Claims (Unclassified),  
4 Allowed Priority Non-Tax Claims (Class 1), Allowed Miscellaneous Secured Claims (Class 2),  
5 and Allowed General Unsecured Claims (Class 3). Holders of Interests in the Debtor (Class 4)  
6 will receive new stock in Reorganized Yellow Cab. Until the Holders of Class 3 Claims are repaid  
7 in full with interest at the Legal Rate, the stock in Reorganized Yellow Cab granted to Holders of  
8 Interests in Class 4 will be subject to an irrevocable proxy that gives all voting and approval rights  
9 to the Post-Confirmation Committee and any dividends or other amounts payable on account of  
10 such stock in Reorganized Yellow Cab will be paid Pro Rata to Holders of Class 3 Claims until  
11 they are repaid in full with interest at the Legal Rate. Once the Holders of Class 3 Claims are  
12 repaid in full with interest at the Legal Rate, the proxy shall terminate.

13 The Plan provides for appointment of a Plan Administrator, to be identified in the notice of  
14 hearing on confirmation of the proposed Plan, to administer certain aspects of the Plan, as set forth  
15 therein. The Plan Administrator will be subject to certain oversight of the Reorganized Debtor  
16 and the Post-Confirmation Committee (to be appointed by, and comprised of members of the  
17 Creditors' Committee) as described in the Plan.

18 Certain documents implementing the terms of the Plan, including the amended and restated  
19 organizational documents for Reorganized Yellow Cab will be filed with the Court in a Plan  
20 Supplement with or prior to the Confirmation Hearing Notice. These documents may be obtained  
21 through the Bankruptcy Court's ECF/PACER network ([https://ecf.canb.uscourts.gov/cgi-](https://ecf.canb.uscourts.gov/cgi-bin/login.pl)  
22 [bin/login.pl](https://ecf.canb.uscourts.gov/cgi-bin/login.pl)), or by written request to counsel for the Proponent using the contact information  
23 listed on the first page of this Disclosure Statement. The officers and directors for the Debtor  
24 following confirmation of the Plan will be disclosed in the Confirmation Hearing Notice.

## 25 **II. GENERAL BACKGROUND INFORMATION REGARDING THE DEBTOR**

26 Yellow Cab provides taxicab transportation services in the San Francisco, California area.  
27 In San Francisco, taxicab "color schemes" are licensed by the County of San Francisco to provide  
28 services to taxi medallion owners, which color schemes and medallion holders operate in a highly

1 regulated environment. Yellow Cab is a non-profit cooperative service company (a structure  
2 further explained below) that provides an operating base for approximately 400 San Francisco  
3 taxi medallions (or permits), operating on a cooperative basis. Yellow Cab supports  
4 approximately 1,000 medallion owners and lessee drivers in their individual taxi operations, and  
5 separately employs approximately 60 persons to provide those support services. Yellow Cab  
6 currently supports approximately one-third of the total medallions operating in San Francisco. All  
7 material assets used in its business operations are either leased or subject to secured debt.

8 Yellow Cab is a “cooperative corporation,” formed under California Corporations Code  
9 (“CorpC”), Sections 12200 *et seq.* Cooperatives are a fundamentally different type of company  
10 than “for profit” corporation governed under the General Corporation Law of Division 1 of the  
11 Corporations Code (CorpC §§ 100 *et seq.*). Unlike general for-profit corporations, cooperatives  
12 do not exist for the profit motive of either the corporation or members, as such, but exist for the  
13 benefit of its members in their underlying personal or business contexts separate from the  
14 cooperative, where the cooperative’s “earnings . . . or benefits shall be used for the general  
15 welfare of the members or . . . proportionally and equitably distributed to some or all of its  
16 members or its patrons, based on their patronage” (CorpC § 12201), rather than based on their  
17 share ownership interests. Yellow Cab operates based on the underlying premise applicable to  
18 operating cooperatives that the patronage distributions are not distributions of corporate  
19 “profits”—as would be the case with “for profit” corporations—but are simply a return to the  
20 patrons of “their money” as collected by the cooperative on their behalf in providing the  
21 cooperative’s support services.

22 Fundamentally, Yellow Cab is a non-profit service entity, which exists solely for the  
23 purpose of facilitating the joint operation of taxicab permits issued by the County of San  
24 Francisco, both those owned by Yellow Cab members and contracting non-member patrons and  
25 affiliates. Among other things, services provided by Yellow Cab include: management;  
26 accounting; uniform color scheme and dress; centralized order taking and dispatch for potential  
27 passengers; credit card processing; vehicle dispatch into service for drivers; arrangement of lessee  
28 drivers for shifts not driven by medallion owners; vehicle acquisition and maintenance; providing

1 taxi meters; backup vehicles for use when the primary medallion vehicle is inoperable; lost and  
2 found depository; centralized parking (required by San Francisco); and regulatory compliance.

3 Yellow Cab has four relationships with medallion owners, two of which are on a direct  
4 patronage basis, one on an indirect patronage basis, and one on a contract service basis. There are  
5 currently approximately 400 medallions operating under the Yellow Cab color scheme, although  
6 this figure is subject to ongoing fluctuation. The majority of permit holders operating under the  
7 Yellow Cab color scheme are “members” (also referred to as “owners”). Approximately 200  
8 medallions are held by members, and economically are on a direct patronage basis. Yellow Cab  
9 also services non-member medallions operated on a direct patronage basis, which medallion  
10 holders are called “full associates,” of which there are approximately 20. The only difference  
11 between members and full associates is that the latter are not formally admitted as members and  
12 cannot vote on cooperative matters; economically they are identical. Yellow Cab also has  
13 approximately 60 medallions from “associates.” Associates operate on an indirect patronage  
14 basis, and lease their medallions to Yellow Cab for a fixed lease amount. The lease rental rate  
15 varies over time, and is adjusted based on Yellow Cab’s cost of operations. Yellow Cab has full  
16 responsibility for all operational aspects and costs of the medallions operated under the member,  
17 full associate, and associate contexts. Finally, there are approximately 120 “affiliates, who simply  
18 pay a fee to operate under Yellow Cab’s colors; Yellow Cab provides dispatch services and the  
19 affiliate operates under Yellow Cab’s color scheme, but otherwise the affiliate is responsible for  
20 all underlying operating costs and needs.

21 All medallion holders, regardless of type of Yellow Cab relationship, have priority rights  
22 to drive their own medallions. Patronage drivers (members and full associates) are charged a  
23 “shift charge” for each shift driven, which charge represents an attempt by Yellow Cab to  
24 determine, and pass through, the particular costs of operating a taxi for that shift. Associates are  
25 paid the lease rental, but then are charged the full shift charge (referred to as “gates”, which is the  
26 same amount paid by a lessee driver) for shifts driven. In light of the fact that a medallion holder  
27 can only drive so many hours (physically and by law), a component of the service provided by  
28 Yellow Cab is to fill all of the drivable shifts that are not otherwise being driven by the medallion



1 owners, with lessee drivers. Lessees pay “gates,” which are a fixed-dollar-per-shift amount that is  
2 set by the County of San Francisco (although companies can charge less).

3           Regardless of the label of the Yellow Cab-medallion owner relationship, the underlying  
4 intent is to operate on a cost pass-through or allocated basis. Pursuant to its cooperative structure,  
5 Yellow Cab provides a mechanism for medallion owners to operate on a group basis in order to  
6 obtain the benefits of common management, common operations, and operation scale. However,  
7 unlike a for-profit corporation, Yellow Cab’s basic economic goal is to operate on a nonprofit  
8 basis. The reasons for this including the following:

9           a.       As a cooperative, net revenues (*i.e.*, . revenues derived from member patronage  
10 less expenses), are required to be distributed to its members as “patronage distributions” (aka  
11 “patronage dividends”), so that no “profit” is retained by Yellow Cab.

12           b.       By law, taxi medallions are generally not transferable. In order to become a  
13 member the person must own a medallion, and in order to continue to share in patronage  
14 dividends, a member must continue to have a medallion being operated by the company. On  
15 death of a member, the member’s medallion is canceled by the City of San Francisco, and the  
16 related Yellow Cab membership interest becomes “orphaned” without a medallion, and thereafter  
17 does not share in any patronage dividends. Thus, unlike as with shares in a for-profit corporation,  
18 any successor-in-interest to a Yellow Cab membership interest has no continuing claim to any  
19 patronage dividends.

20           c.       Because there is no effective residual value obtainable from ownership of a  
21 membership interest, members accordingly have no economic incentive in the cooperative  
22 “building equity,” such as through retention and reinvestment of earnings, nor is doing so feasible  
23 in view of current net revenues being distributed to members holding medallions as patronage  
24 dividends. In fact, any “equity” retained in the company (by non-distribution of the patronage  
25 earnings to medallion holders) would be effectively lost by the individual member at the time a  
26 medallion is moved out of the company (whether because of death or because the owner decides  
27 to change the place of operation of his medallion), as there is no market for membership interests,  
28 so, as a practical matter, the membership interest, and any underlying “equity” value, is

1 essentially abandoned.

2           Importantly, there is no contractual or other restriction that limits a medallion holder  
3 (whether member or otherwise) from changing “color scheme”--*i.e.*, moving a medallion’s base  
4 of taxi operations to a different company, and all medallions serviced by Yellow are free to leave  
5 Yellow and go elsewhere at any time, subject only to a minimal amount of time necessary for  
6 obtaining approval of the County of San Francisco. Most medallion holders drive their own  
7 medallions (as required under San Francisco ordinance), and medallion holders regularly change  
8 color scheme. For example, if medallion holders do not receive effective support for their own  
9 taxi-driving operations, and patronage returns from off-shift operations of their taxi medallion  
10 (whether as a patronage dividend or lease rental payment), they will move their medallions to  
11 maximize such support and returns. If a critical mass of Yellow-operated permits change color  
12 scheme because of lack of reasonable patronage dividends or lease rental returns, then Yellow  
13 risks being unable to support its fixed overhead and other expenses.

14 **III. REASONS FOR FINANCIAL DIFFICULTIES**

15           In earlier days of its operation, Yellow Cab had material non-patronage income, the  
16 principal source of which was that it directly owned 25 corporate taxi permits for which Yellow  
17 Cab itself was the only “patron.” Because of this large non-patronage income, Yellow Cab was  
18 able to build material equity in those early days. A byproduct of this economic strength was that  
19 Yellow Cab qualified for self-insurance under applicable California Vehicle Code statutes and  
20 Department of Motor Vehicle (“DMV”) regulations. On a short term basis, the ability to self-  
21 insure resulted in lower operating costs. However, self-insurance exposed Yellow Cab to risks of  
22 catastrophic losses, which ultimately occurred, as discussed below. During this early time period,  
23 Yellow Cab had essentially no debt, and was able to purchase its vehicles with cash.

24           Yellow Cab subsequently lost its corporate medallions (which were canceled by San  
25 Francisco County as a result of regulatory changes). This resulted in the loss of the associated  
26 income, and ultimately lead to Yellow Cab needing to incur debt to operate its business, including  
27 acquiring all vehicles through debt financing, and Yellow Cab was forced to use its accumulated  
28 equity to pay tort claims (in view of its self-insured status).

1 In 2006, Yellow Cab was required to pay \$14,500,000 in a single loss as a result of a  
2 major injury accident claim (in addition to the large number of smaller losses that occur every  
3 year). While a small portion of this obligation was covered by separate insurance of the driver,  
4 since Yellow Cab was self-insured, it directly paid the vast bulk of the claim, using funds  
5 borrowed from First Republic Bank (“FRB”) by pledging a security interest in its then major  
6 unencumbered asset--the real property where it conducted its operations, located at 1200  
7 Mississippi Street, San Francisco (the “Mississippi Street Property”).<sup>1</sup>

8 Even after the 2006 payment, Yellow Cab continued to qualify for self-insurance.  
9 However, by 2015, the combination of continued uninsured losses and increasing cumulative tort  
10 payment obligations, and the struggles arising from dramatic change of the operating environment  
11 and loss of drivers (and thus revenue) caused by competition from ride-sharing services (such as  
12 Uber and Lyft), drained Yellow Cab’s remaining equity. In early 2015, with Yellow Cab’s book  
13 value essentially wiped out, the DMV revoked Yellow Cab’s self-insurance certificate, as it  
14 lacked the required minimum book value to qualify for self-insurance. Yellow Cab subsequently  
15 obtained commercial insurance, at a current cost of approximately \$500,000 monthly.

16 While Yellow Cab had the ability to continue its service functions for its patrons as a  
17 cooperative, and to meet its operating liabilities, including its commercial liability coverage, there  
18 were material tort liabilities, and tort liability exposure, that were incurred and arose during the  
19 period in which Yellow Cab was self-insured, for which it lacked the resources to pay. These  
20 include: (i) payments aggregating approximately \$1.3 million with respect to settlements of  
21 prior tort claims; (ii) two judgments totaling approximately \$9 million entered against Yellow  
22 Cab in the fourth quarter of 2015 (by plaintiff *Fua* in amount of \$8.1 million plus accrued  
23 interest, and plaintiff *Oliverio*, in the amount of \$861,250 plus accrued interest); (iii) some 150  
24 open claims aggregating approximately \$10 million.

25 Accordingly, Yellow Cab commenced this Chapter 11 Case in an attempt to restructure its  
26 (primarily tort-related) debts, particularly in view of the judgment enforcement efforts undertaken

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27 <sup>1</sup> Pursuant to a 2007 transaction, the Mississippi Street Property was transferred to Taxi Property Company, LLC  
28 (“TPC”), which assumed the related debt obligation owed to FRB plus agreed to pay Yellow Cab an additional  
\$3,000,000, with Yellow Cab leasing the Mississippi Street Property from TPC.

1 or threatened by tort creditors. *E.g.*, in the face of judgment creditor *Fua*'s enforcement efforts,  
2 the San Francisco Superior Court stayed enforcement of her \$8.1 million judgment until January  
3 25, 2016; judgment creditor Oliverio obtained an abstract of judgment in the amount of \$861,250  
4 against Yellow Cab on November 19, 2015; judgment creditor *Sumi Lim* obtained an Abstract of  
5 Judgment on January 8, 2016 in the amount of \$527,215 for purposes of lien recording based on  
6 Yellow Cab's cessation of payments pursuant to the parties' settlement.

7 **IV. RELEVANT EVENTS DURING THE BANKRUPTCY CASE**

8 **A. Case Commencement**

9 The Debtor filed its voluntary petition under Chapter 11 of Title 11 of the United States  
10 Code on January 22, 2016 (the "Petition Date") and it continues to operate as a debtor-in-  
11 possession pursuant to Bankruptcy Code Sections 1107 and 1108.

12 **B. Appointment Of Debtor's Responsible Individual**

13 On January 25, 2016, the Court entered its Order appointing Pamela Martinez, President  
14 of Yellow Cab, as the responsible individual for the Debtor in this bankruptcy case pursuant to  
15 the Debtor's application.

16 **C. Appointment Of The Official Unsecured Creditors' Committee**

17 The Office of the United States Trustee appointed the Official Committee of Unsecured  
18 Creditors (the "Committee") on February 3, 2016, and added two members to the Committee on  
19 March 3, 2016.

20 **D. Retention of Professional by the Debtor And The Committee**

21 With the Court's approval, the Debtor has retained the following professionals in this  
22 bankruptcy case: Farella Braun Martel LLP (general bankruptcy counsel); Aaron & Wilson, LLP  
23 (special litigation counsel); Calladine & Peterson, LLP (special litigation counsel); Thompson,  
24 Welch, Soroko & Gilbert (special counsel); and Douglas A. Taylor, CPA (accountant).

25 With the Court's approval, the Committee has retained the following professionals in this  
26 bankruptcy case: Pachulski Stang Ziehl & Jones LLP (bankruptcy counsel); and Development  
27 Specialists Inc. (financial advisors).

28

1           **E. First Day and Related Motions**

2           Immediately following the filing of the voluntary petition, the Debtor sought relief from  
3 the Court including: (i) a motion to approve a stipulation with secured creditor First Republic  
4 Bank authorizing the Debtor to continue to use cash collateral for normal operations pursuant to  
5 an operating budget; (ii) a motion authorizing the Debtor to continue to use its pre-petition cash  
6 management practices and existing bank accounts; (iii) a motion authorizing the Debtor to pay  
7 and continue pre-petition employee compensation benefits and related obligations; (iv) a motion  
8 to limit notice; (v) a motion to ensure the provision of continued utility services to the Debtor;  
9 (vi) a motion authorizing the Debtor to continue its pre-petition deposit practices with affiliate  
10 drivers; and (vii) a motion authorizing the Debtor to pay certain prepetition taxes (collectively,  
11 the “First Day Motions”). The Court entered its Orders on the First Day Motions (in certain cases  
12 modifying the relief requested therein) following hearings thereon.

13           **F. Claims Bar Date**

14           The Court established May 16, 2016 for Persons or Entities other than Governmental  
15 Units and July 20, 2016 for Governmental Units as the deadlines (bar date) to file proofs of claim  
16 in this bankruptcy case.

17           **G. Creditors’ Committee Motion To Pursue Estate Legal Claims**

18           The Committee, through its retained professionals (including counsel and financial  
19 advisers) conducted extensive investigation and discovery of the Debtor and numerous other  
20 parties regarding the Debtor’s finances, operations and historical transactions and events. The  
21 Committee filed a motion seeking to pursue, on behalf of the Debtor’s bankruptcy estate, legal  
22 claims against various parties, including the Debtor’s officers and directors, related parties  
23 (including Taxi Property Company, the lessor of the Debtor’s primary business location and its  
24 subsidiaries, All Taxi Dispatch and Taxi Equipment Leasing) and the Debtor’s (several hundred)  
25 medallion holders. Such motion was pending before the Court at the time of the filing of this  
26 Disclosure Statement.

27           **H. Assumption/Rejection Of Real Property Leases**

28           The Court authorized the Debtor to assume, pursuant to Bankruptcy Code Section 365, its

1 real property lease for the property located at 1760 Cesar Chavez Street, San Francisco,  
2 California, which the Debtor uses for the installation and repair of taxicab radio and computer  
3 equipment. The Court (with the agreement of the landlord Taxi Property Company) has  
4 extended, until August 31, 2016, the deadline for the Debtor to file a motion to assume or reject,  
5 pursuant to Bankruptcy Code Section 365, the real property lease for the property located at 1200  
6 Mississippi Street, San Francisco, California, which is the Debtor's primary business location.  
7 The Debtor is currently in negotiations with Taxi Property Company to further extend that period.

8 **I. Summary Of Monthly Operating Reports**

9 Attached hereto as Exhibit "1" is a summary of the most recent Monthly Operating  
10 Report filed by the Debtor.

11 **V. PLAN OF REORGANIZATION**

12 **A. Administrative Expense Claims**

13 As provided under Bankruptcy Code Section 1123(a)(1), Administrative Expense Claims  
14 are not classified for purposes of voting on, or receiving distributions under, the Plan.  
15 Accordingly, holders of Administrative Expense Claims are not entitled to vote on the Plan.

16 To the extent that Allowed Administrative Expense Claims have not already been paid,  
17 satisfied or otherwise released prior to the Effective Date, and except to the extent that a Holder  
18 of an Allowed Administrative Expense Claim agrees to a different treatment, each Holder of an  
19 Allowed Administrative Expense Claim shall receive Cash from the Estate in an amount equal to  
20 such Allowed Claim, in full and final satisfaction, settlement and release and in exchange for such  
21 Claim, on the later of the Effective Date or the date such Administrative Expense Claim becomes  
22 an Allowed Administrative Expense Claim pursuant to a Final Order of the Bankruptcy Court, or  
23 as soon thereafter as reasonably practicable.

24 **1. Applicable Bar Dates for Administrative Expense Claims**

25 Except for applications for payment by Professionals under the Bankruptcy Code and fees  
26 payable to the United States Trustee pursuant to 28 U.S.C. § 1930, and except for taxes that arise  
27 after the Petition Date (which shall be paid as and when they come due), all requests for payment  
28 of outstanding Administrative Expense Claims incurred through and including the Effective Date

1 shall be filed and served on Reorganized Yellow Cab, the Plan Administrator and the Post-  
2 Confirmation Committee no later than sixty (60) calendar days after the Effective Date.

3 **2. Professional Fees**

4 All Professionals seeking an award by the Bankruptcy Court of compensation for services  
5 rendered or reimbursement for expenses incurred through and including the Effective Date in  
6 accordance with Section 503(b) of the Bankruptcy Code, to the extent not already paid as a result  
7 of interim applications for such payment, shall file their respective final applications for allowance  
8 of compensation for services rendered and reimbursement of expenses incurred through and  
9 including the Effective Date by no later than that date that is thirty (30) calendar days after the  
10 Effective Date or such other date as may be fixed by the Bankruptcy Court. Such Professional fee  
11 and expense Claims shall be paid in full in such amounts as are Allowed by the Bankruptcy Court  
12 (i) on the date such Administrative Expense Claim becomes an Allowed Administrative Expense  
13 Claim, or as soon thereafter as is reasonably practicable, or (ii) upon such other terms as may be  
14 mutually agreed upon by such Holder of an Administrative Expense Claim and the Plan  
15 Administrator.

16 **3. Statutory U.S. Trustee Fees**

17 All United States Trustee fees payable by the Estate pursuant to 28 U.S.C. § 1930 shall be  
18 paid in full by the Estate in accordance with the Plan without the need for the Office of the United  
19 States Trustee to file any request for payment.

20 **B. Priority Tax Claims**

21 As provided under Bankruptcy Code Section 1123(a)(1), Priority Tax Claims are not  
22 classified for purposes of voting on, or receiving distributions under, the Plan. Accordingly,  
23 holders of Priority Tax Claims are not entitled to vote on the Plan.

24 To the extent that Allowed Priority Claims have not already been paid, satisfied or  
25 otherwise released prior to the Effective Date, and except to the extent that a Holder of an  
26 Allowed Priority Tax Claim agrees to a different treatment, on the later of the Effective Date or  
27 the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as  
28 is reasonably practicable, the Trustee shall pay to each Holder of an Allowed Priority Tax Claim,

1 in full and final satisfaction, settlement and release and in exchange for such Claim, an amount in  
2 Cash equal to the unpaid amount of such Allowed Priority Tax Claim plus any interest that may  
3 be owing under Bankruptcy Code Section 511, from the assets of the Estate.

4 **C. Classification Of Claims And Interests**

5 The Plan is intended to address all Claims and Interests against the Debtor and any  
6 property or assets of the Debtor or its Estate, of whatever character. Claims and Interests, other  
7 than Administrative Expense Claims and Priority Tax Claims, are classified for all purposes  
8 including voting (unless otherwise specified), confirmation and distribution pursuant to the Plan  
9 as set forth below.

10 A Claim or Interest is placed in a particular Class only to the extent that the Claim or  
11 Interest falls within the description of that Class, and is classified in other Classes to the extent  
12 that any portion of the Claim or Interest falls within the description of such other Classes. A  
13 Claim or Interest is placed in a particular Class for the purpose of receiving distributions pursuant  
14 to the Plan only to the extent that such Claim or Interest is an Allowed Claim in that Class and  
15 such Claim or Interest has not been paid, released or otherwise satisfied prior to the Effective  
16 Date. Multiple Proofs of Claim filed by a Claim Holder which qualify for inclusion within the  
17 same Class shall be aggregated, and if Allowed, shall constitute a single Allowed Claim.

18 **D. Classes Under the Plan.**

|            |   |                              |
|------------|---|------------------------------|
| 19 Class 1 | Priority Non-Tax Claims   | Unimpaired, deemed to accept |
| 20 Class 2 | Miscellaneous Secured Claims (each secured creditor in a separate class identified as Class 2A, 2B, etc.) | Unimpaired, deemed to accept |
| 21 Class 3 | General Unsecured Claims  | Impaired, entitled to vote   |
| 22 Class 4 | Interests in YCC  | Impaired, entitled to vote   |



1           **E. Treatment Of Classified Claims And Interests**

2                   **Class 1 – Priority Non-Tax Claims**

3                    1.     Impairment and Voting

4                    Class 1 is unimpaired. Holders of Priority Non-Tax Claims are deemed to have accepted  
5 the Plan under Bankruptcy Code Section 1126(f) and are not entitled to vote on the Plan.

6                    2.     Treatment

7                    Each Holder of an Allowed Class 1 Claim, unless otherwise mutually agreed upon by the  
8 Holder of such Claim and the Debtor, will receive Cash from the Estate in an amount equal to such  
9 Allowed Class 1 Claim on the later of (a) the Effective Date, or (b) the date such Claim becomes  
10 an Allowed Claim pursuant to a Final Order, or as soon thereafter as is practicable.

11                   **Class 2- Miscellaneous Secured Claims**

12                   1.     Impairment and Voting

13                   Class 2 is unimpaired under the Plan. Holders of Miscellaneous Secured Claims are  
14 deemed to have accepted the Plan under Section 1126(f) of the Bankruptcy Code and are not  
15 entitled to vote on the Plan. For purposes of distributions under the Plan, each holder of a  
16 Miscellaneous Secured Claim in Class 2 is considered to be in its own separate subclass within  
17 Class 2, and each such subclass is deemed to be a separate Class for purposes of the Plan.

18                   2.     Alternative Treatment

19                   On the Effective Date, or as soon thereafter as is practicable, Reorganized Yellow Cab,  
20 shall select one of the following alternative treatments for each Allowed Miscellaneous Secured  
21 Claim in Class 2, which treatment shall be in full and final satisfaction, settlement, release, and  
22 discharge of, and exchange for, such Allowed Miscellaneous Secured Claim:

23                    a.     Abandonment or Surrender

24                    Reorganized Yellow Cab will abandon or surrender to the holder of such Claim the  
25 property securing such Claim, in full satisfaction and release of such Claim.

26                    b.     Cash Payment

27                    Reorganized Yellow Cab will pay (or direct the Plan Administrator to pay) to the holder  
28 of such Claim Cash equal to the amount of such Claim, or such lesser amount to which the holder

1 of such Claim shall agree, in full satisfaction and release of such Claim, from the assets of the  
2 Estate.

3 c. Unimpairment

4 Reorganized Yellow Cab will leave the rights of the holder of such Claim unimpaired or  
5 provide for such other treatment as necessary to otherwise satisfy the requirements of the  
6 Bankruptcy Code.

7 **3. Unsecured Deficiency Claim**

8 Any Unsecured Deficiency Claim asserted by a Holder of an Allowed Miscellaneous  
9 Secured Claim in Class 2 shall be filed with the Bankruptcy Court within thirty (30) days  
10 following the date of the abandonment or surrender of such Creditor's collateral or such  
11 Creditor's receipt of its distribution under the Plan. Any such Allowed Unsecured Deficiency  
12 Claim shall be treated as a Class 3 General Unsecured Claim.

13 **Class 3 – General Unsecured Claims**

14 **1. Impairment and Voting**

15 Class 3 is impaired under the Plan. Holders of General Unsecured Claims are entitled to  
16 vote on the Plan.

17 **2. Treatment**

18 On or as soon as practicable following the Effective Date, each Holder of such an  
19 Allowed General Unsecured Claim shall receive a Pro Rata share of the Periodic Distributable  
20 Cash of the Estate on such Periodic Distribution Dates as are established by the Plan  
21 Administrator. In addition, each holder of an Allowed General Unsecured Claim shall receive a  
22 Pro Rata Share of any stock in the Reorganized Debtor relinquished by Holders of Class 4  
23 Interests pursuant to the elective provisions of Section V.D.2.a of the Plan. To the extent there  
24 are sufficient funds (after payment of all Allowed General Unsecured Claims in full) with which  
25 to pay it, Holders of Allowed General Unsecured Claims are entitled to interest at the Legal Rate.

26 **Class 4 – Interests in YCC**

27 **1. Impairment and Voting**

28 Class 4 is impaired under the Plan. Holders of Interests in this Class are entitled to vote on

1 the Plan.

2 **2. Treatment**

3 Holders of Class 4 Interests shall receive a Pro Rata share of common stock in  
4 Reorganized Yellow Cab based on the respective membership interests in YCC held by such  
5 Interest Holders.

6 Such newly issued common stock shall be represented by stock certificates issued by the  
7 Plan Administrator on behalf of Reorganized Yellow Cab on the Effective Date. The pre-petition  
8 Interests held by such Holders shall be deemed cancelled as of the Effective Date of the Plan.

9 Holders of Class 4 Interests shall be deemed to grant to the Post-Confirmation Committee  
10 an irrevocable proxy to exercise all voting and approval rights represented by the stock in the  
11 Reorganized Debtor under the Debtor's organizational documents until such time as all Holders  
12 of Allowed Claims in Classes 3 are repaid in full with interest at the Legal Rate. Upon such  
13 repayment, the proxy shall be automatically revoked.

14 a. **Alternative Elective Treatment Of Holders Of Class 4 Interests**

15 Each Holders of a Class 4 Interest, in its sole and absolute discretion, can elect to  
16 relinquish their Pro Rata share of common stock in Reorganized Yellow Cab in exchange for a  
17 full and complete release of any and all Avoidance Actions that the Estate may have against them,  
18 including, without limitation, with respect to any patronage distributions, patronage dividends or  
19 similar amounts paid by the Debtor to such Holder of a Class 4 Interest. Such election may be set  
20 forth by the Holder of a Class 4 Interest on the ballot for the Plan or in such other manner as the  
21 Bankruptcy Court may authorize.

22 **F. Executory Contracts And Unexpired Leases**

23 **1. Assumption or Rejection**

24 The unexpired leases and executory contracts that the Debtor proposes to assume, to  
25 assume and assign or to reject pursuant to Bankruptcy Code Section 365 shall be set forth in the  
26 Plan Supplement, along with the proposed cure amounts with respect to any unexpired leases or  
27 executory contracts that the Debtor seeks to assume, as applicable. Subject to Bankruptcy Code  
28 Section 365, unless expressly assumed under the Plan, all unexpired leases and executory

1 contracts not previously assumed, assigned or rejected pursuant to Final Order of the Bankruptcy  
2 Court entered prior to the Effective Date or not subject to a pending motion to assume, assign or  
3 reject filed with the Bankruptcy Court prior to the Effective Date shall be deemed rejected as of  
4 the Effective Date.

5 **2. Claims Arising Out of Rejection**

6 Any Claims arising out of the rejection of an executory contract or unexpired lease  
7 pursuant to the Plan must be filed with the Bankruptcy Court by no later than thirty (30) calendar  
8 days after the Effective Date. If no Proof of Claim is filed within such time period, it shall be  
9 conclusively presumed that no such Claim exists and the Holder thereof will be forever barred  
10 from receiving a distribution from the Plan Administrator or Reorganized Yellow Cab. Potential  
11 Claims arising from rejection of an executory contract or unexpired lease under this section will  
12 be considered Disputed Claims for purposes of Plan implementation and calculation of the  
13 Disputed Claims Reserve for the Estate.

14 **G. Funding the Plan**

15 The Plan is a reorganizing plan and shall be funded with (1) the Cash on hand in the  
16 Debtor's Estate as of the Effective Date, (2) the net proceeds of Causes of Action that may be  
17 recovered for the benefit of the Estate by the Plan Administrator, (3) the dividends or other  
18 amounts payable on account of stock in Reorganized Yellow Cab.

19 **H. Corporate Action**

20 The officers and directors that shall serve for the Debtor following confirmation of the  
21 Plan shall be disclosed in the Confirmation Hearing Notice. On the Effective Date and  
22 automatically and without further action, (i) each then-existing member of the board of directors  
23 of the Debtor will be deemed to have resigned, (ii) each then-existing officer of the Debtor will be  
24 deemed to have resigned (iii) the Amended and Restated Bylaws for Reorganized Yellow Cab  
25 shall become effective, (iv) the board of directors of Reorganized Yellow Cab shall be elected  
26 pursuant to its Restated Bylaws, (v) the officers of Reorganized Yellow Cab shall be appointed  
27 pursuant to its Restated Bylaws, (vi) the Plan Administrator shall be appointed as Plan  
28 Administrator under the Plan, and (vi) pursuant to California law, Reorganized Yellow Cab shall

1 be authorized and empowered to take all such actions and measures necessary to implement and  
2 administer the terms and conditions of the Plan.

3 The Amended and Restated Bylaws will each incorporate the terms of the Plan as  
4 necessary or appropriate and prohibit the issuance of nonvoting equity securities as required by  
5 Section 1123(a)(6) of the Bankruptcy Code.

6 **I. Revesting**

7 Except as otherwise provided for in the Plan or the Confirmation Order, on the Effective  
8 Date, without any further action, the Reorganized Debtor will be vested with all of the Estate  
9 Assets held by the Debtor prior to the Effective Date, free and clear of all Claims, liens, interests,  
10 and other encumbrances, and shall have all of the powers of a corporation under applicable law.  
11 As of the Effective Date, and except as expressly provided in the Plan, the Reorganized Debtor  
12 may operate its business and use, acquire and dispose of property and settle and compromise  
13 claims without the supervision of the Bankruptcy Court, free of any restrictions of the Bankruptcy  
14 Code or Bankruptcy Rules. The Reorganized Debtor may retain such professionals (including,  
15 without limitation, attorneys and accountants) as may be deemed necessary or desirable by the  
16 Reorganized Debtor to assist and advise in operating its business and carrying out its powers and  
17 duties pursuant to the Plan. The procedures for compensation of such professionals is set forth in  
18 the Plan.

19 **J. Plan Administrator**

20 **1. Appointment, Removal, Duration of Appointment**

21 The appointment of the initial Plan Administrator identified in the Confirmation Hearing  
22 Notice shall become effective on the Effective Date. Unless the Plan Administrator resigns, is  
23 removed, or otherwise is unable to continue, the Plan Administrator's term shall expire upon  
24 payment in full of all Allowed Class 3 Claims.

25 **2. Powers and Duties of the Plan Administrator**

26 The Plan Administrator shall administer certain aspects of the Reorganized Debtor's  
27 Estate, and the Estate Assets, and make distributions from certain Estate Assets in accordance  
28 with the Plan, subject to the oversight of Reorganized Yellow Cab and/or the Post-Confirmation

1 Committee as provided for in the Plan.

2 **3. Fees and Expenses**

3 Subject to and in accordance with the provisions of the Plan, the Confirmation Order, and  
4 any other Final Order of the Bankruptcy Court, the Plan Administrator shall be entitled to receive  
5 reasonable compensation for services rendered on behalf of the Reorganized Debtor and  
6 reimbursement of reasonable and necessary expenses. The procedures for compensation of the  
7 Plan Administrator is set forth in the Plan.

8 **4. Retention of Professionals**

9 The Plan Administrator may retain such professionals (including, without limitation,  
10 attorneys and accountants) as may be necessary to assist in carrying out the provisions of and  
11 purposes underlying the Plan. The procedures for compensation of such professionals is set forth  
12 in the Plan.

13 **5. Indemnification of Plan Administrator**

14 The Plan Administrator and his, her or their agents shall not be liable for actions taken or  
15 omitted in his, her or their capacity as the Plan Administrator, or on behalf of, the Plan  
16 Administrator, except those acts arising out of his, her or their own willful misconduct, gross  
17 negligence, bad faith, self-dealing, breach of fiduciary duty or other duty imposed under  
18 applicable law, or *ultra vires* acts, and each shall be entitled to indemnification and  
19 reimbursement for fees and expenses in defending such their actions or inactions.

20 **6. Reporting Requirements**

21 Within one hundred twenty (120) calendar days following the Effective Date, the Plan  
22 Administrator shall file a report with the Bankruptcy Court setting forth the status of  
23 implementation of the Plan, including the amount distributed to Holders of Allowed Claims, and  
24 amounts currently reserved for the Administrative Reserve, Disputed Claims Reserve and Tax  
25 Reserve. Further reports shall be filed every one hundred twenty (120) calendar days setting forth  
26 the ongoing status of implementation of the Plan through the closing of the Bankruptcy Case.

27  
28

1                   7.     Limitation of Powers

2                   a.     *Prosecution of Causes of Action*

3                   The Plan Administrator must obtain approval of the Post-Confirmation Committee  
4 concerning the prosecution of any Causes of Action proposed by the Plan Administrator  
5 involving an amount in controversy in excess of \$50,000. The Post-Confirmation Committee  
6 shall be deemed to have approved any such prosecution if it fails to object thereto in a writing  
7 received by the Plan Administrator within ten (10) Business Days following written notification  
8 to the Post-Confirmation Committee by the Plan Administrator of the intended prosecution.

9                   b.     *Settlement and Compromise*

10                  The Plan Administrator must obtain approval of the Post-Confirmation Committee  
11 concerning any compromise or settlement of Causes of Action proposed by the Plan Administrator  
12 involving an amount in controversy in excess of \$50,000. The Post-Confirmation Committee  
13 shall be deemed to have approved any such compromise or settlement if it fails to object thereto in  
14 a writing received by the Plan Administrator within ten (10) Business Days following written  
15 notification to the Post-Confirmation Committee by the Plan Administrator of the intended  
16 compromise or settlement.

17                  c.     *Retention of Professionals*

18                  The Plan Administrator must obtain approval of the Post-Confirmation Committee  
19 concerning the retention by the Plan Administrator of professionals for prosecution of any Causes  
20 of Action. The Post-Confirmation Committee shall be deemed to have approved any such  
21 retention if it fails to object thereto in a writing received by the Plan Administrator within ten (10)  
22 Business Days following written notification to the Post-Confirmation Committee by the Plan  
23 Administrator of the intended retention of the professional.

24                  **K.     Post-Confirmation Committee**

25                  1.     Role of Post-Confirmation Committee

26                  On the Effective Date, the Post-Confirmation Committee shall be established for the  
27 purpose of overseeing the Plan Administrator's implementation of the Plan, including with  
28 respect to administration of certain Estate Assets, and distributions on account of Allowed Claims

1 under the Plan, as specifically provided for therein. Unless otherwise specified in the Plan, any  
2 vote to be taken by or approval given by the Post-Confirmation Committee shall require only a  
3 majority for approval.

4 **2. Powers and Duties**

5 The Post-Confirmation Committee will oversee certain decisions of the Plan  
6 Administrator and approve certain material transactions in connection with the administration of  
7 certain Estate Assets, as specifically provided for therein.

8 **3. Committee Members**

9 The Post-Confirmation Committee shall be comprised of no more than five (5) members  
10 selected by the Committee from the present members of the Committee who are willing to serve  
11 on the Post-Confirmation Committee on and after the Effective Date. The initial members of the  
12 Post-Confirmation Committee shall be disclosed in the Confirmation Hearing Notice. In the  
13 event there is a voting deadlock on the matters that are subject to the Post-Confirmation  
14 Committee's consideration as provided in the Plan, then to settle the deadlock a vote by the Plan  
15 Administrator shall be solicited and shall be determinative, except in situations involving a  
16 conflict of interest on the part of the Plan Administrator.

17 **4. Termination**

18 The Post-Confirmation Committee will remain in existence until the completion of  
19 distributions to Holders of Allowed Class 3 Claims under the Plan.

20 **5. Limitation on Liability and Exculpation**

21 Neither the members of the Post-Confirmation Committee nor the representatives or  
22 agents of such members shall be liable for actions taken or omitted in their capacity as, or on  
23 behalf of, the Post-Confirmation Committee, except those acts arising out of its or their own  
24 willful misconduct, gross negligence, bad faith, self-dealing, breach of fiduciary duty, or *ultra*  
25 *vires* acts, and each shall be entitled to indemnification and reimbursement for fees and expenses  
26 in defending such actions.

27 **6. Retention and Payment of Professionals**

28 On or after the Effective Date, the Post-Confirmation Committee may retain such



1 professionals (including, without limitation, attorneys and accountants) as necessary to assist and  
2 advise the Post-Confirmation Committee for purposes of carrying out the Post-Confirmation  
3 Committee's oversight duties as specified under the Plan. The procedures for compensation of  
4 such professionals is set forth in the Plan.

5 **L. Avoidance Actions and Other Causes of Action**

6 On the Effective Date, the Reorganized Debtor shall be vested with the right to pursue the  
7 Avoidance Actions, the Causes of Action, and any other causes of action, defenses, requests for  
8 subordination or recharacterization, or requests for any other equitable or legal relief that was or  
9 could have been asserted pre-petition by the Debtor against any party, with the exception of all  
10 claims released pursuant to the Plan and Confirmation Order. The Plan Administrator on behalf  
11 of the Reorganized Debtor may pursue, settle or release all such actions in accordance with the  
12 best interest of and for the benefit of the holders of Allowed Claims, subject to the oversight of  
13 the Post-Confirmation Committee as provided in the Plan.

14 **M. Claim Objections and Estimation of Claims**

15 On and after the Effective Date, the Reorganized Debtor, the Post-Confirmation  
16 Committee or the Plan Administrator may file objections to Claims at any time prior to the Claim  
17 Objection Deadline; provided, however, that as to Administrative Expense Claims, the  
18 Reorganized Debtor, the Post-Confirmation Committee or the Plan Administrator may object  
19 within sixty (60) calendar days of their filing. As to any Claims arising from the rejection of an  
20 executory contract or unexpired lease pursuant to Section VII of the Plan, the Reorganized  
21 Debtor, the Post-Confirmation Committee or the Plan Administrator may object within sixty (60)  
22 calendar days of the filing of any such Claims. As to Claims arising from the recovery of an  
23 avoidable transfer under Chapter 5 of the Bankruptcy Code, the Reorganized Debtor, the Post-  
24 Confirmation Committee or the Plan Administrator may object within sixty (60) calendar days of  
25 the filing of any such Claims.

26 In addition to the standing of each of the Reorganized Debtor, the Post-Confirmation  
27 Committee and the Plan Administrator to object to Claims set forth above, any Holder of an  
28 Allowed Class 4 Interest may object to (x) the portion of any Claim in Class 3 comprised of

1 interest at the Legal Rate, and (y) any Claim held by a member of the Post-Confirmation  
2 Committee, provided, however, that the objecting party shall bear all costs and expenses  
3 associated with any objection filed pursuant to this paragraph.

4 To the extent that each of the Plan Administrator, the Reorganized Debtor or the Post-  
5 Confirmation Committee has standing to object to a Claim as provided in the Plan, such party  
6 shall have authority to settle, compromise, withdraw, or litigate to judgment any such objection to  
7 a Claim, provided that the Reorganized Debtor shall have exclusive authority to settle,  
8 compromise, withdraw, or litigate to judgment any objection to a Claim filed by the Debtor prior  
9 to the Effective Date.

10 **N. Conflicts of Interest**

11 In the event that the Plan Administrator has a conflict of interest relating to the matters  
12 addressed in Section VII.F and Section VII.G of the Plan, the Plan Administrator shall recuse  
13 himself, herself or itself from such matter. If the Plan Administrator does not voluntarily recuse  
14 himself, herself or itself as provided in this Section, the Reorganized Debtor or the Post-  
15 Confirmation Committee may seek recusal of the Plan Administrator. In the event of recusal of  
16 the Plan Administrator pursuant to this Section, the Reorganized Debtor shall be empowered to  
17 designate an additional Plan Administrator solely for purposes of the conflicted matter.

18 **O. Reserves**

19 **1. Administrative Reserve**

20 The Administrative Reserve shall be used for the payment of Allowed Administrative  
21 Expense Claims up to the Effective Date and for the expenses incurred by the Plan Administrator  
22 on and after the Effective Date, including, without limitation, for payment of fees and costs of the  
23 Plan Administrator, professionals retained by the Plan Administrator and professionals retained  
24 by the Post-Confirmation Committee. The amount of the Administrative Reserve is to be  
25 determined by the Plan Administrator in his, her or its discretion, in consultation with the  
26 Reorganized Debtor and the Post-Confirmation Committee.

27 **2. Disputed Claims Reserve**

28 The Disputed Claims Reserve shall be used for the payment of all or part of a Disputed

1 Claim in the Estate that becomes an Allowed Claim entitled to distribution under the Plan after  
2 the Effective Date. If any Disputed Claims are not Allowed in whole or in part, or are  
3 subordinated to Class 3 Claims in whole or in part, then the Plan Administrator may distribute all  
4 or a portion of the Disputed Claims Reserve to the Holders of Allowed Class 3 Claims on a Pro  
5 Rata basis as provided for under the Plan.

6 **3. Tax Reserve**

7 The Plan Administrator shall establish Tax Reserve in an appropriate amount for any taxes  
8 and similar levies incurred on behalf of the Reorganized Debtor with respect to Estate Assets  
9 subject to administration of the Plan Administrator.

10 **P. Preliminary Estimates Of Allowed Claims**

11 A very preliminary analysis of the claims filed in the Bankruptcy Case undertaken to  
12 develop projections of the range of estimated allowed claims in each class for the purposes of this  
13 Disclosure Statement is set forth on Exhibit “2” attached hereto. The asserted claims against the  
14 estate greatly exceed those set forth in the projections, and therefore the analysis represents a  
15 rough estimate of how claim objections to be commenced following the confirmation of this Plan  
16 will be resolved. Without the benefit of the further analysis and discovery that would be involved  
17 in those many claim objections, the estimates are very preliminary and non-binding. The actual  
18 allowed claims in each class may vary significantly from the estimates or ranges set forth in such  
19 analysis.

20 **VI. ALTERNATIVES TO THE PLAN**

21 **A. General**

22 The Debtor believes that the Plan provides its creditors with the greatest value that is  
23 likely to be obtained on their claims. The primary alternative to confirmation of the Plan is  
24 liquidation of the estate under Chapter 7 of the Bankruptcy Code.

25 **B. Best Interests of Creditors Test and Chapter 7 Liquidation Analysis**

26 Bankruptcy Code Section 1129(a)(7) requires as a condition to confirmation of any plan  
27 of reorganization that a plan provide that holders of claims in each class that is “impaired” under  
28 the Plan will, as of the effective date of the plan, receive on account of their claims not less than

1 the amount that the holder would receive if the Debtor was hypothetically liquidated in a case  
2 under Chapter 7 of the Bankruptcy Code on the same date. A liquidation analysis estimating  
3 returns to the Debtor's creditors in a Chapter 7 liquidation is attached hereto as Exhibit "3".

4 The Debtor believes that the Plan satisfies this "best interests of creditors" test, including  
5 because conversion of this case to Chapter 7 would likely to result in higher costs of  
6 administration than confirmation of the Plan. In a Chapter 7 case, a Chapter 7 panel trustee  
7 would be appointed. A Chapter 7 trustee is compensated based upon a commission set by statute.  
8 Bankruptcy Code Section 326(a) provides that a chapter 7 trustee's compensation is 25% of the  
9 first \$5,000 disbursed or turned over to parties in interest, 10% of the next \$45,000, 5% of the  
10 next \$950,000, and reasonable compensation not to exceed 3% of any amounts in excess of \$1  
11 million. Such fees would constitute an additional expense born by the Debtor's estates in a  
12 Chapter 7 case. On top of the Chapter 7 trustee's commission, the Chapter 7 trustee would likely  
13 hire their own counsel, accountants and other professionals, whose fees and costs would add yet  
14 another layer of administrative expenses that would need to be paid before general unsecured  
15 creditors. The Debtor's business relationships and dealings are and have been relatively  
16 complicated, and if new professionals are required to familiarize themselves with the Debtor's  
17 past operations and transactions to be able to prosecute the Causes of Action and Claims  
18 objections, it would likely result in additional expense to the Estate. In a Chapter 7, there would  
19 also be costs associated with noticing new claims bar dates which is significant in this case due to  
20 there being thousands of listed creditors. The reopened bar date would further increase the  
21 burden of reviewing and objecting to new claims or different claims filed after such a new bar  
22 date.

23 As a result of the above, the Debtor submits that the best interest of creditors test is met in  
24 this case.

## 25 **VII. FEASIBILITY**

26 Bankruptcy Code Section 1129(a)(11) requires as a condition to confirmation of any plan  
27 of reorganization that such confirmation not likely to be followed by either liquidation or the need  
28 for further reorganization. The Debtor will have sufficient funds to make all payments that will

1 be due on the Effective Date using cash projected to be on hand as of that date, as reflected on  
2 Exhibit “\_\_” attached hereto.

3 Other payments required to be made under the Plan are dependent on the net proceeds of  
4 Causes of Action that may be recovered for the benefit of the Estate by the Plan Administrator  
5 and dividends or other amounts payable on account of stock in Reorganized Yellow Cab, rather  
6 than requiring payments of particular amounts.

7 In view of the foregoing, the Debtor submits that the Plan is feasible under Bankruptcy  
8 Code Section 1129(a)(11).

9 **VIII. PLAN CONFIRMATION**

10 **A. Voting**

11 In order to confirm the Plan, two-thirds in amount and a majority in number of Allowed  
12 Claims in each impaired class of creditors must vote in favor of the Plan. The majorities for each  
13 are determined by the number and amount of those who actually vote on the Plan and are entitled  
14 to vote on the Plan under Bankruptcy Rule 3018. If a class which is impaired under the Plan does  
15 not vote in favor of the Plan, the Debtor may seek confirmation under 11 U.S.C. § 1129(b).

16 **B. Confirmation Standards**

17 For the Plan to be confirmed and binding on all creditors and shareholders, the Court must  
18 determine that the following requirements under Bankruptcy Code Section 1129, as applicable in  
19 this case, have been satisfied:

- 20 1. The Plan complies with the provisions of the Code;
- 21 2. The Proponent has complied with the provisions of the Code;
- 22 3. The Plan has been proposed in good faith and not by any means forbidden by law;
- 23 4. Any payment made or to be made by the Debtor for services or costs in connection  
24 with the Bankruptcy Case has been or will be subject to approval by the Court as reasonable;
- 25 5. The Proponent has disclosed the identity and affiliations of any individual to serve  
26 after confirmation as an officer or director of the Debtor, an affiliate of the Debtor participating in  
27 a joint plan, or a successor to the Debtor under the Plan, and the identity of and compensation  
28 payable to any insider that will be employed by the reorganized debtor;

1           6.       Any rate change provided for in the Plan has been approved or is subject to  
2 approval by the regulatory commission with jurisdiction over such rates, if any;

3           7.       The holder of each claim or interest in each class of impaired claims or interests  
4 has accepted the Plan or will receive under the Plan not less than the holder would receive if the  
5 Debtor's estates was liquidated under Chapter 7 of the Bankruptcy Code;

6           8.       Each class of claims or interests has accepted or is not impaired by the Plan;

7           9.       Holders of allowed administrative or priority claims under the Code will receive  
8 Cash in the full amount of their claims on the Effective Date, unless the holder thereof agrees to a  
9 different treatment;

10          10.       At least one impaired class of claims has accepted the Plan;

11          11.       Confirmation is not likely to be followed by liquidation or further reorganization  
12 of the debtor unless such liquidation or reorganization is proposed in the Plan;

13          12.       All fees payable to the U.S. Trustee under 11 U.S.C. §1930 have been paid or the  
14 Plan provides for the payment of such fees;

15          13.       The Plan provides after its Effective Date for the continuation of all retiree  
16 benefits, as and when required by Bankruptcy Code Section 1129(a)(13);

17          14.       All transfers of property under the Plan shall be made in accordance with any  
18 applicable provisions of nonbankruptcy law; and

19          15.       The principal purpose of the Plan is not avoidance of taxes or the avoidance of the  
20 security laws of the United States.

21           **C.       Modification**

22           Under the Bankruptcy Code and the Bankruptcy Rules, the Proponent may, modify the  
23 Plan after it has been submitted for acceptance or rejection, subject to certain requirements. In  
24 addition, the Plan may be modified after confirmation and at any time until the Plan has been  
25 substantially consummated. The manner in which the Plan may be modified is set forth in  
26 Bankruptcy Code Section 1127 and Bankruptcy Rule 3019. In general, the Court may approve a  
27 modification of the Plan without a re-solicitation, so long as (a) the Plan, as modified, continues  
28 to comply with the applicable provisions of the Bankruptcy Code, and (b) modification does not

1 adversely change the treatment of creditors.

2 **IX. FEDERAL INCOME TAX CONSEQUENCES OF PLAN FOR CREDITORS**

3 Implementation of the Plan may result in federal income tax consequences to creditors and  
4 interest holders. Tax consequences to a particular creditor or interest holder may depend on the  
5 particular circumstances or facts regarding the particular claim or interest. No tax opinion has  
6 been sought or will be obtained with respect to any tax consequences of the Plan, and the  
7 following disclosure does not constitute and is not intended to constitute either a tax opinion or  
8 tax advice to any person. Rather, the following disclosure is provided for informational purposes  
9 only.

10 The federal tax consequences of the Plan to a hypothetical creditor typical of the holders  
11 of claims or interests in this case depend to a large degree on the accounting method adopted by  
12 that hypothetical creditor. A “hypothetical creditor” in this case is defined as a general unsecured  
13 creditor. In accordance with federal tax law, a holder of such a claim that uses the accrual  
14 method and who has posted its original sale to the Debtor as income at the time of the product  
15 sold or the service provided hypothetically should adjust any net operating loss to reflect the  
16 amounts paid by the Debtor under the Plan provided that holder previously deducted the liability  
17 owed by the Debtor as a “bad debt” for federal income tax purposes. Should that holder lack a  
18 net operating loss, then in accordance with federal income tax provisions, the holder should treat  
19 the dividend paid as ordinary income, again provided the holder previously deducted the liability  
20 of the Debtor as a “bad debt” for federal income tax purposes. If the accrual basis holder of the  
21 claim did not deduct the liability as a “bad debt” for federal income tax purposes, then the amount  
22 paid by the Debtor should have no current income tax implication. A holder of a claim that uses a  
23 cash method of accounting would, in accordance with federal income tax laws, treat the amount  
24 paid as income at the time of receipt.

25 **THE PROPONENT MAKES NO REPRESENTATIONS REGARDING THE**  
26 **PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION**  
27 **OF THE PLAN AS TO ANY CREDITOR OR INTEREST HOLDER. EACH PARTY**  
28 **AFFECTED BY THE PLAN SHOULD CONSULT HER, HIS OR ITS OWN TAX**

DISCLOSURE STATEMENT FOR  
DEBTOR’S CH. 11 PLAN

1 **ADVISORS REGARDING THE SPECIFIC TAX CONSEQUENCES OF THE PLAN**  
2 **WITH RESPECT TO A CLAIM OR INTEREST.**

3 **X. EFFECT OF CONFIRMATION OF PLAN**

4 **A. Binding Effect**

5 If the Plan is confirmed, the Confirmation Order, and any associated findings of fact or  
6 conclusions of law will be binding on the Debtor and all creditors and interest holders, regardless  
7 of whether a proof of Claim or Interest was filed or whether the Claim or Interest was Allowed or  
8 whether the holder of the Claim or Interest votes to accept the Plan. Such confirmation will act as  
9 a discharge, effective as of the Effective Date, of all debts, Claims against, liens and  
10 encumbrances on, and Interests in the Debtor and the Estate Assets, which debts, Claims, liens,  
11 encumbrances, and Interests arose at any time before the entry of the Confirmation Order.

12 **B. Confirmation Injunction**

13 If the Plan is confirmed, except to enforce the terms and conditions of the Plan before the  
14 Bankruptcy Court, all Persons or Entities who have held, hold or may hold any debt, Claim, lien,  
15 encumbrance against or Interest in the Debtor are permanently enjoined from and after the  
16 Confirmation Date from: (a) commencing, conducting or continuing in any manner, directly or  
17 indirectly, any suit, action or other proceeding of any kind (including, without limitation, any  
18 proceeding in a judicial, arbitral, administrative or other forum) against the Reorganized Debtor,  
19 the Estate Assets, or the Debtor's property, or any direct or indirect transferee of any property of,  
20 or direct or indirect successor in interest to, any of the foregoing Persons or Entities (collectively,  
21 the "Protected Parties"); (b) enforcing, levying, attaching (including, without limitation, any pre-  
22 judgment attachment), collecting or otherwise recovering by any manner or means whether  
23 directly or indirectly, against any of the Protected Parties of any judgment, award, decree or  
24 order; (c) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any  
25 encumbrance of any kind against any of the Protected Parties; (d) asserting any right of setoff,  
26 subrogation, or recoupment of any kind, directly or indirectly, against any obligation due to any  
27 of the Protected Parties; and (e) taking any actions in any place and in any manner whatsoever  
28 that do not conform to or comply with the provisions of the Plan.



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**C. Exculpation**

If the Plan is confirmed, to the fullest extent permissible under applicable law, the Debtor, the officers, directors, and/or managers of the Debtor, the Committee, and their agents (together, the “Exculpated Parties”) shall not have or incur any liability for, and are expressly exculpated and released from, any claims by any Person or Entity for any act or omission occurring on or prior to the Confirmation Date in connection with or arising out of action or inaction taken or omitted to be taken in connection with or related to the Bankruptcy Case; the formulation, preparation, dissemination, confirmation, implementation or consummation of the Plan or any other document created or entered into in connection with the Plan; or any other act taken or omitted to be taken in connection with or in contemplation of the filing of the Bankruptcy Case, except those acts arising out of its or their own willful misconduct, gross negligence, bad faith, self-dealing, breach of fiduciary duty or other duty under applicable law, or *ultra vires* acts.

**XI. CONCLUSION**

This Disclosure Statement has been presented for the purpose of enabling you to make an informed judgment to accept or reject the Plan. You are urged to read the Plan in full and consult with counsel if you have questions. The Debtor believes that acceptance of the Plan is in the best interest of all creditors, and will provide the best recovery in this Bankruptcy Case.

Dated: August 22, 2016

YELLOW CAB COOPERATIVE, INC.

By:                                   /s/ Pamela Martinez                                    
Pamela Martinez, President

**Submitted By:**

Dated: August 22, 2016

FARELLA BRAUN + MARTEL LLP

By:                                   /s Gary M. Kaplan                                    
Gary M. Kaplan

Attorneys for Debtor in Possession  
YELLOW CAB COOPERATIVE, INC.

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