

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF CONNECTICUT
BRIDGEPORT DIVISION**

In re:)	Chapter 11
)	
ROCHDALE SECURITIES, LLC)	CASE NO. 14-51485 (AST)
)	
Debtor and Debtor-in-Possession.)	
)	
)	

**DEBTOR’S FIRST AMENDED DISCLOSURE STATEMENT RELATING
TO THE DEBTOR’S FIRST MODIFIED PLAN OF REORGANIZATION
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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I. INTRODUCTION

Rochdale Securities, LLC (“Rochdale” or the “Debtor”), seeks confirmation of its proposed plan of reorganization attached to this Disclosure Statement as **Exhibit 1** (the “Plan of Reorganization” or the “Plan”). The Debtor provides this Disclosure Statement to furnish all parties-in-interest with adequate information concerning the proposed Plan and the confirmation process.

CAPITALIZED TERMS USED IN THIS DISCLOSURE STATEMENT BUT NOT DEFINED HEREIN HAVE THE MEANINGS ASCRIBED TO SUCH TERMS IN THE PLAN.

Attached as exhibits to this Disclosure Statement are copies of the following documents:

The proposed Plan of Reorganization (**Exhibit 1**); and

The Projected Cash Distributions (**Exhibit 2**);

The confirmation process requires the Debtor to obtain sufficient votes to enable the Plan of Reorganization to be confirmed by the Bankruptcy Court. **BY THEIR TREATMENT UNDER THE PLAN, ALL CLASSES OF CLAIMS AND THE CLASS OF EQUITY INTERESTS ARE UNIMPAIRED AND ARE THEREFORE DEEMED TO ACCEPT THE PLAN. CONSEQUENTLY, NO CLASS UNDER THE PLAN IS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN.**

AS SET FORTH MORE FULLY IN SECTION IX BELOW, CAPTIONED CONFIRMATION OF THE PLAN OF REORGANIZATION, THE BANKRUPTCY COURT HAS SCHEDULED THE FOLLOWING DATES:

August 12, 2016, at 4:00 p.m. – The deadline for any objection to the Debtor’s Plan of Reorganization; and

August 19, 2016, at 3:00 p.m. – The confirmation hearing before the Bankruptcy Court with respect to the Debtor’s Plan of Reorganization.

The Debtor’s legal advisor is Zeisler & Zeisler, P.C. (“Z&Z”). It may be contacted at:

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SUMMARIES OF CERTAIN PROVISIONS OF DOCUMENTS REFERRED TO IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO, AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO, THE FULL TEXT OF THE APPLICABLE DOCUMENT, INCLUDING THE DEFINITIONS OF TERMS CONTAINED IN SUCH DOCUMENT.

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS OR EQUITY INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE DEBTOR OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

II. SUMMARY OF THE CHAPTER 11 PROCESS AND CLASSIFICATION AND TREATMENT UNDER THE PLAN

A. Overview of Chapter 11 Process

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business for the benefit of itself and all economic parties in interest. In addition to permitting rehabilitation of a debtor, chapter 11 promotes equality of treatment of similarly situated claims and similarly situated equity interests with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the bankruptcy court makes the plan binding upon a debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor of, or holder of an equity interest in, a debtor. Subject to certain limited exceptions, the confirmation order discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.

Prior to the bankruptcy court considering confirmation of the proposed plan of reorganization, Section 1125 of the Bankruptcy Code requires a debtor and any other plan proponents to provide 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 plan. The Debtor provides this Disclosure Statement in accordance with the requirements of Section 1125 of the Bankruptcy Code.

B. Funds Available for Distribution Under the Plan and Necessary Conditions

As set forth more fully below, during the pendency of this bankruptcy case, on February 23, 2016, the Debtor received a favorable award (the “Award”) against Pershing, LLC (“Pershing”) from a three member arbitration panel (the “Panel”) convened before FINRA Dispute Resolution, Inc. (“FINRA”). On March 24, 2016, Pershing paid the net amount due the Debtor pursuant to the Award, including all accrued interest, by delivering to the Debtor the amount of approximately \$7.7 million (the “Award Payment”). The following day, on March 25, 2016, Pershing filed a petition in the New York Supreme Court to vacate the Award (the “Vacatur Petition”). The New York Supreme Court heard argument on the Vacatur Petition on June 30, 2016, and no decision has entered at this time.

The Debtor, in the exercise of its reasonable business judgment after fully evaluating the various risks and costs presented and weighing the best interests of the bankruptcy estate, its creditors and holders of Equity Interests, intends to move forward with the confirmation of its Plan whereby all distributions required by the Plan will be funded through the use of the Award Payment notwithstanding the pendency of the Vacatur Petition. However, the Plan expressly provides that its Effective Date shall not occur unless and until the Debtor possesses the ability to use a sufficient portion of the Award Payment to fund all of the disbursements required in the Plan and in accordance with the Bankruptcy Code.

C. Classification And Treatment of Claims and Equity Interests Under the Plan

The following table summarizes the treatment of Claims and Equity Interests under the Plan.

THIS TABLE IS ONLY A SUMMARY OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN. FOR A COMPLETE EXPLANATION, PLEASE REFER TO THE DISCUSSION IN SECTION VI BELOW, ENTITLED “THE PLAN OF REORGANIZATION,” AND TO THE PLAN ITSELF.

THE PLAN CONTROLS THE TERMS AND CONDITIONS OF CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS.

<u>Class</u>	<u>Type of Claim or Equity Interest</u>	<u>Treatment</u>	<u>Approximate Allowed Amount¹</u>	<u>Approximate Percentage Recovery</u>
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¹ The amounts set forth herein represent the Debtor’s reasonable estimate; the actual amount will depend upon the final reconciliation and resolution of all Claims and Administrative Expenses.

<u>Class</u>	<u>Type of Claim or Equity Interest</u>	<u>Treatment</u>	<u>Approximate Allowed Amount¹</u>	<u>Approximate Percentage Recovery</u>
N/A	Administrative Expenses (including professional fees)	Except to the extent that a holder of an Allowed Administrative Expense agrees to less favorable treatment, the Reorganized Debtor shall pay all Allowed Administrative Expenses in full in Cash on the later of the Effective Date, or the date due in the ordinary course of the Debtor's business.	\$2,570,989	100%
N/A	Priority Tax Claims	Except to the extent that a holder of an Allowed Priority Tax Claim agrees to less favorable treatment, the Reorganized Debtor shall pay all Allowed Priority Tax Claims in full in Cash on the Effective Date.	\$2,240	100%

<u>Class</u>	<u>Type of Claim or Equity Interest</u>	<u>Treatment</u>	<u>Approximate Allowed Amount¹</u>	<u>Approximate Percentage Recovery</u>
1	Priority Non-Tax Claims	Unimpaired. Except to the extent that a holder of an Allowed Priority Non-Tax Claim agrees to less favorable treatment, the Reorganized Debtor shall pay all Allowed Priority Tax Claims in full in Cash on the Effective Date.	\$10,950	100%
2	Secured Claim Held By National Union Fire Insurance Co.	Unimpaired. Except to the extent National Union agrees to less favorable treatment, the Reorganized Debtor shall pay National Union in full in Cash on the Effective Date all amounts then due and payable pursuant to the National Union Settlement Agreement, and National Union shall also retain, on and after the Effective Date, all rights to receive all remaining amounts due pursuant to the terms and conditions of the National Union Settlement Agreement.	\$317,088 ²	100%
3	General Unsecured Claims	Unimpaired. All General Unsecured Creditors shall receive 100% of their Allowed General Unsecured Claims plus interest at the legal rate accrued since the Petition Date, paid in full in Cash on the Effective Date.	\$2,795,504.17	100%
4	Equity Interests	Unimpaired. The holders of Equity Interests will retain their interest in the Debtor.	N/A	100%

² Subject to the terms and conditions of the National Union Settlement Agreement. The amount stated includes thirty days' interest on the Award. It is subject to change to the extent that the Debtor receives additional "net recoveries" on the Apple Trades Causes of Action prior to the Effective Date.

III. DESCRIPTION OF THE DEBTOR'S ORIGINAL, PREPETITION BUSINESS, ASSETS AND LIABILITIES

A. Corporate Structure

The debtor is owned by the following, who are each its members: Rochdale Corporation ("Rochdale Corp.") (24.85 percent membership interest); Hal Tunick ("Tunick") (22.36 percent membership interest); Kristen Talgo ("Talgo") (22.36 percent membership interest); Daniel J. Crowley ("Crowley") (20.01 percent membership interest); Richard D. Oddo (4.67 percent membership interest); Patrick R. Burke, Jr. (2.8 percent membership interest); Richard Bennett (1.06 percent membership interest); Kevin Cassidy (0.94 percent membership interest); and Matt Simpson (0.94 percent membership interest). Crowley is also the Debtor's Manager, President and Chief Executive Officer. Carl Acebes is the Debtor's other Manager.

B. Description of the Debtor's Prepetition Business

Prior to October of 2012, the Debtor was a successful and highly respected securities broker-dealer that had been in business since June 3, 1975. As of that month, the debtor employed approximately 60 traders, analysts, staff and others at its Stamford, Connecticut headquarters and at its offices in New York, New Jersey, Florida and California.

C. Prepetition Indebtedness³

1. Liability on the Note and to Its Guarantors

On or about October 28, 2010, the Debtor borrowed \$2 million (the "Loan") from Lawrence D. Altschul ("Altschul"), pursuant to a certain Subordinated Loan Agreement (the "Loan Agreement"), which provided for the repayment of all principal and interest upon a maturity date of October 28, 2011 (the "Maturity Date"). On or about October 28, 2011, the Debtor and Altschul executed an amendment (the "Amendment") extending the Maturity Date to October 28, 2012 (the "Extended Maturity Date"). There were four guarantors with respect to the Debtor's obligations under the Loan Agreement, to wit: Talgo, Rochdale Corp., Tunick and Crowley (together with Talgo, Rochdale Corp. and Tunick, are each referred to individually herein as a "Guarantor" and, collectively, are referred to as the "Guarantors"). Each Guarantor executed a guaranty (each a "Guaranty" and, collectively, the "Guarantees"), each of which guaranteed to Altschul timely performance and payment of 25 percent of the Debtor's liabilities and obligations under the Loan Agreement. On or about December 8, 2011, Altschul assigned all of his rights and obligations under the Loan Agreement to Karen Altschul and Eric J.

³ The foregoing summary of the Debtor's prepetition indebtedness is provided for information purposes only and shall not constitute an admission, waiver or estoppel concerning the extent, validity and/or priority of any Claims, or otherwise; the Debtor reserving and retaining any and all rights and remedies held in that regard.

Altschul, Trustees under Irrevocable Trust Agreement of Lawrence D. Altschul (collectively, the “Altschul Trustees”).

Upon the occurrence of the Extended Maturity Date, the Debtor was in a condition of financial distress due to the Apple Scheme and subsequent events (as defined and discussed herein at § IV) and was unable to repay the Loan. Three of the Guarantors, Talgo, Rochdale Corp. and Tunick, each satisfied 25 percent of the Debtor’s obligations under the Loan Agreement pursuant to their Guarantees and the fourth, Crowley, satisfied a portion of the liabilities under his Guaranty. Each of these Guarantors is entitled to indemnification by the Debtor under the common law as a result. On or about January 30, 2013, the Altschul Trustees commenced an arbitration proceeding against the Debtor and Crowley seeking to recover the remaining obligations under the Loan Agreement. On or about November 1, 2013, an arbitration award was entered in favor of the Altschul Trustees. Thereafter, an Amended Judgment entered on the Altschul Trustee’s arbitration award in the amount of \$639,564.32, plus interest accruing at the Florida legal rate of 4.75 percent from February 5, 2014 until payment is made.

2. The Office Lease

Prior to the Petition Date, the Debtor had leased office space at 750 East Main Street, 7th Floor, Stamford, CT (the “Office Space”), from East Main Street Equity Partners, LLC (the “Landlord”), pursuant to a lease dated December 21, 2007 (the “Lease”). The Lease, by its terms, expired on May 31, 2015. The Debtor surrendered the Office Space to the Landlord on or about July 1, 2013. The Debtor’s liability under the Lease is capped pursuant to § 502(d) of the Bankruptcy Code.

3. Liability Caused By the Apple Scheme and Related Events

The Apple Scheme and subsequent events (as defined and discussed herein at § IV) subjected the Debtor to extensive losses, which included losses caused in relation to a \$1 billion Apple trade (the “Apple Trades Losses”) and losses resulting from the liquidation of certain of the Debtor’s assets. These events led to the destruction of the Debtor’s successful broker-dealer business.

At the time of the Apple Scheme, there was in effect certain coverage purchased by the Debtor from National Union Fire Insurance Company of Pittsburgh, Pa. (“National Union”) pursuant to its Securities Dealer Bond Number 56-934-25 (the “Bond”). The Debtor submitted a claim to National Union under the Bond for the Apple Trades Losses (the “Bond Claim”). National Union, on or about August 9, 2013, paid the Debtor \$800,000 with respect to its Bond Claim, which was the limit of insurance under the Bond, pursuant to a Settlement Agreement (the “National Union Settlement Agreement”) executed by the Debtor and National Union. Further pursuant to the National Union Settlement Agreement, the Debtor assigned to National Union 15.1 percent of its net recoveries from certain potential claims or causes of action against third parties who may be partially or fully responsible for the Apple Trades Losses (the “Apple Trades Causes of Action”).

D. Debtor’s Significant Prepetition Assets

The Debtor's most significant assets are (i) its claims against persons and entities that caused it to sustain damages around and after October of 2012, when the Debtor was the victim of the Apple Scheme (as defined and discussed herein at § IV), and (ii) the proceeds thereof. Prior to the Petition Date, none of these claims had been adjudicated. Since the Petition Date, the Debtor has obtained the arbitration Award against Pershing on one such claim, in the net amount of nearly \$7.7 million, after deducting the deficiency balance owed to Pershing related to a debit arising from the Apple Scheme, interest thereon and a small attorney's fee award. The Debtor retains other such claims, which have not yet been adjudicated.

IV. KEY EVENTS LEADING TO THE COMMENCEMENT OF THE REORGANIZATION CASE

On October 25, 2012, one of the Debtor's employees, who later pleaded guilty to, among other things, securities fraud (the "Perpetrator"), perpetrated a fraud upon the Debtor in connection with the purchase of \$1 billion worth of Apple, Inc. ("Apple") stock for a purported institutional customer that is believed to have conspired with the Perpetrator to arrange the fraudulent transaction.

Unbeknownst to the Debtor and its principals, at the time that these trades were submitted for execution to executing brokers by the Perpetrator, the Perpetrator, apparently in cahoots with an employee of the customer, had concocted a scheme whereby if Apple's share price increased after its earnings were released—post-closing of the markets that same day—they would claim knowledge and responsibility for the purchase, but if the share price declined they would deny knowledge or "DK" the purchase such that the Debtor would be left holding the bag (the "Apple Scheme"). The Apple Scheme would not have been possible absent improper and unlawful conduct by the Debtor's executing broker-dealers and by the purported institutional customer.

Apple's share price initially declined in after-hours trading in response to the October 25, 2012 earnings report, the Perpetrator fled the Debtor's offices and the broker-dealer representing the purported buyer denied having intended to purchase \$1 billion of Apple. On Friday, October 26, 2012, Pershing cleared the trades into one of the Debtor's proprietary trading accounts at Pershing. The Debtor was forced to liquidate the Apple position. (Collectively, the trades into and out of the Apple position discussed herein are referred to as the "Apple Trades"). In the end, the liquidation caused the Debtor to incur the approximately \$5.3 million in Apple Trades Losses, which rendered the Debtor without sufficient net capital to continue its operations as a broker-dealer pursuant to SEC and FINRA requirements. On Monday, October 29, 2012, Pershing liquidated one of the Debtor's most significant remaining assets, a portfolio of esoteric fixed income securities (the "FI Portfolio").

The Debtor continued to operate, although not as a broker-dealer, in an attempt to reorganize outside of bankruptcy, for a period of approximately two years following the destruction of its business as described above. During this time, the Debtor's president and chief executive officer, Crowley, attempted to save the 30-year old company and to preserve as many jobs as possible while searching for investors or other ways in which he could restore the

Debtor's net capital compliance and resume operations as a broker-dealer. Ultimately, because of pressure from creditors, the Debtor was forced to make the decision to seek Chapter 11 protection. This case was filed on September 23, 2014.

V. THE REORGANIZATION CASE

A. Marshalling Assets of the Estate

Upon the commencement of the bankruptcy case, among the Debtor's immediate priorities was identifying and maximizing the value of its assets which could be utilized to satisfy creditors' claims. In this reorganization case, by far the Debtor's largest assets are its claims against entities and persons whose misfeasance and malfeasance caused it to sustain damages in the time around and after the Apple Scheme was perpetrated. Among the most significant of these were the Debtor's claims against Pershing. As set forth below, the Debtor's claims against Pershing have been liquidated.

B. The Pershing Arbitration

The FDCA between Rochdale and Pershing contains a broad arbitration clause, providing for any dispute between the parties to be resolved through arbitration before FINRA. Accordingly, prior to the Petition Date, on April 4, 2014, the Debtor filed its Statement of Claim against Pershing with FINRA, seeking damages for Pershing's forced liquidation of the Apple position and its unreasonable and reckless liquidation of the FI Portfolio, as well as damages for the destruction of the Debtor's business and prejudgment and postjudgment interest. On June 16, 2014, Pershing filed its Answer and Counterclaim (the "Answer and Counterclaim") denying any liability, seeking to recover the deficiency balance on the loan it made to Rochdale to finance the purchase of the Apple position (the "Counterclaim"), and seeking attorney's fees. The Debtor subsequently sought to recover its attorney's fees.

Pershing's Counterclaim was stayed by the commencement of this case as of the Petition Date. Therefore, on March 26, 2015, Pershing filed its Motion for Relief From the Automatic Stay requesting that the automatic stay be modified such that the Debtor and Pershing could continue simultaneous prosecution of their claims through the FINRA arbitration and determine the amounts due to all parties. The Debtor consented to this motion.

The three-member FINRA arbitration Panel presided over fifteen days of hearings between August and December of 2015.

On February 23, 2016, the Panel rendered a unanimous decision, ruling in the Debtor's favor on its claims for conversion of the Apple position (more than \$2 million) and the FI Portfolio (more than \$1.7 million) and on its claim for the destruction of its business (\$2 million). The Panel also awarded the Debtor pre-Award interest at 9 percent, post-Award interest accruing at 9 percent until the date on which Pershing pays the Award, a portion of the Debtor's attorney's fees incurred on the Debtor's affirmative claims against Pershing and a portion of the expert witness fees for which the Debtor had sought reimbursement. In addition, the Panel awarded on Pershing's Counterclaim related to the Apple debit balance approximately

\$500,000, pre-Award interest thereon, continuing interest until the date of payment and attorney's fees incurred on Pershing's Counterclaim. In sum: including interest as of the date of the Award, attorney's fees and costs, the Panel awarded more than \$8.4 million to the Debtor and approximately \$780,000 to Pershing, which nets to an Award in the Debtor's favor in the amount of nearly \$7.7 million, as of the date of the Award.

Pershing paid the net Award on March 24, 2016. The following day, Pershing filed a petition in the New York Supreme Court to vacate the Award. Pershing also filed a motion in this chapter 11 case seeking to segregate (the "Segregation Motion") the Award Payment from the Debtor's other funds pending adjudication of its Vacatur Petition. The Debtor has cross-moved to confirm the Award. The New York Supreme Court heard argument on June 30, 2016, and has not yet entered a decision.

The Debtor has proposed the Plan whereby its confirmation is not dependent upon the adjudication of Pershing's Vacatur Petition because there presently exists no legal impediment to the Debtor's use of the Award Payment in a manner consistent with the Bankruptcy Code and in accordance with the Plan. However, the Plan expressly provides that its Effective Date shall not occur unless and until the Debtor possesses the ability to use a sufficient portion of the Award Payment to fund all of the disbursements required in the Plan and in accordance with the Bankruptcy Code.

C. Bar Date

In accordance with the provisions of the Bankruptcy Code and Bankruptcy Rules, the Bankruptcy Court issued an order (the "Bar Date Order") establishing January 26, 2015, as the date by which proofs of claim (of parties other than governmental units) against the Debtor were to be filed in the Reorganization Cases (the "Bar Date"). A notice of the Bar Date was sent to all creditors as part of the Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors, and Deadlines dated September 24, 2014, and a proof of claim form was mailed to all known holders of Claims.

D. Resolution of the Debtor's Applications for Compensation and Motion to Pay and Pershing's Segregation Motion

On March 31, 2016, the Debtor filed Applications for Compensation to Expert Witness with respect to each of Dr. Mark Frigo, NewOak Advisors, and ThornApple Associates, seeking the allowance and payment of the fees and expenses they incurred during their employment by the Debtor as expert witnesses in the arbitration with Pershing. On April 13, 2016, the Debtor filed its Motion to Pay the Liquidated/Non-Disputed Portion of the Amended Claim of Karen Altschul & Eric Altschul, as Trustees Under the Irrevocable Trust Agreement with Lawrence D. Altschul. Pershing objected to the payment of these claims.

At the hearing held before the Bankruptcy Court on June 1, 2016, to consider these matters as well as Pershing's Segregation Motion, Pershing and the Debtor resolved Pershing's objections. The Debtor and Pershing agreed that the fees and expenses incurred by the experts would be allowed and paid, and that the debt due the Altschul Trustees would be paid by the Debtor and treated as a loan to Crowley who would have then satisfied his and the Debtor's debt

due to the Altschul Trustees. The Bankruptcy Court has since entered agreed-upon orders reflecting the parties' resolution and these amounts have been or the Debtor anticipates will be paid by the Debtor. As part of the agreement, Pershing on the record on June 1st withdrew its Segregation Motion.

E. The Debtor's Business Plan Post Confirmation of the Plan

The Debtor intends to use the proceeds of the Award Payment to fund all distributions required by the Plan to be paid on the Effective Date. The Debtor will prosecute its remaining claims, including its remaining Apple Trades Causes of Action. The proceeds of such claims and the remaining proceeds of the Award Payment shall be used to pay ongoing operating expenses and make distributions to the holders of Equity Interests.

VI. THE PLAN OF REORGANIZATION

A. Introduction

The Plan provides for the satisfaction of all the Debtor's Allowed Administrative Expenses and Claims through their payment in full in Cash on the Effective Date of the Plan. The Debtor possesses the funds necessary to make these payments.

The following is a general discussion of the provisions of the Plan. The Plan is attached as **Exhibit 1** to this Disclosure Statement. In the event of any discrepancies, the terms of the Plan will govern.

B. Classification and Treatment of Claims and Equity Interests Under the Plan of Reorganization

One of the key concepts under the Bankruptcy Code is that only claims and equity interests that are "allowed" may receive distributions under a chapter 11 plan. This term is used throughout the Plan and the descriptions below. In general, an "allowed" claim or "allowed" equity interest simply means that the debtor agrees, or in the event of a dispute, that the Bankruptcy Court determines, that the claim or equity interest, and the amount thereof, is in fact a valid obligation of the debtor. By operation of Sections 1111(a), 501(a) and 502(a) of the Bankruptcy Code, a claim or interest that appears in the schedules filed by the Debtor and is not identified as disputed, contingent, or unliquidated, is deemed "allowed" unless a party in interest objects. Additionally, Section 502(a) of the Bankruptcy Code provides that a timely filed proof of claim or equity interest is deemed "allowed" (regardless of the Debtor's schedules) unless the debtor or other party in interest objects. However, Section 502(b) of the Bankruptcy Code specifies certain claims that may not be "allowed" in bankruptcy even if a proof of claim is filed. These include, but are not limited to, claims that are unenforceable under the governing agreement between a debtor and the claimant or applicable non-bankruptcy law, claims for unmatured interest, property tax claims in excess of the debtor's equity in the property, claims for services that exceed their reasonable value, real property lease and employment contract rejection damage claims in excess of specified amounts, late-filed claims, and contingent claims for contribution and reimbursement.

The Bankruptcy Code requires that, for purposes of treatment and voting, a chapter 11 plan divides the different claims against, and equity interests in, the debtor into separate classes based upon their legal nature. Claims of a substantially similar legal nature are usually classified together, as are equity interests of a substantially similar legal nature. Because an entity may hold multiple claims and/or equity interests which give rise to different legal rights, the “claims” and “equity interests” themselves, rather than their holders, are classified.

Under a Chapter 11 plan, the separate classes of claims and equity interests must be designated either as “impaired” (affected by the plan) or “unimpaired” (unaffected by the plan). If a class of claims is “impaired,” the Bankruptcy Code affords certain rights to the holders of such claims, such as the right to vote on the plan, and the right to receive, under the chapter 11 plan, no less value than the holder would receive if the debtor were liquidated in a case under chapter 7 of the Bankruptcy Code. Under Section 1124 of the Bankruptcy Code, a class of claims or interests is “impaired” unless the plan (i) does not alter the legal, equitable and contractual rights of the holders or (ii) irrespective of the holders’ acceleration rights, cures all defaults (other than those arising from the debtor’s insolvency, the commencement of the case or nonperformance of a nonmonetary obligation), reinstates the maturity of the claims or interests in the class, compensates the holders for actual damages incurred as a result of their reasonable reliance upon any acceleration rights, and does not otherwise alter their legal, equitable and contractual rights. Typically, this means that the holder of an unimpaired claim will receive on the later of the consummation date or the date on which amounts owing are actually due and payable, payment in full, in Cash, with post-petition interest to the extent appropriate and provided for under the governing agreement (or if there is no agreement, under applicable non-bankruptcy law), and the remainder of the debtor’s obligations, if any, will be performed as they come due in accordance with their terms. Thus, other than its right to accelerate the debtor’s obligations, the holder of an unimpaired claim will be placed in the position it would have been in had the debtor’s case not been commenced. Pursuant to 1126(f) of the Bankruptcy Code, holders of unimpaired claims or interests are “conclusively presumed” to have accepted the plan. Accordingly, their votes are not solicited. Under the Debtor’s Plan, classes 1, 2, 3 and 4 are unimpaired, and, therefore, the holder of claims so classified are “conclusively presumed” to have voted to accept the Plan.

Consistent with these requirements, the Plan divides the Allowed Claims against and Allowed Equity Interests in the Debtor into the following classes:

Class	Designation	Impairment	Entitled to Vote
N/A	Administrative Expenses	Unimpaired	No
N/A	Priority Tax Claims	Unimpaired	No
Class 1	Priority Non-Tax Claims	Unimpaired	No
Class 2	Secured Claim of National Union	Unimpaired	No
Class 3	General Unsecured Claims	Unimpaired	No
Class 4	Equity Interests	Unimpaired	No

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i. Unclassified

1. Administrative Expenses

Administrative Expenses are the actual and necessary costs and expenses of the Debtor's Reorganization Case that are allowed under Sections 503(b), 507(a)(2) and 507(b) of the Bankruptcy Code. Such expenses will include, but are not limited to, amounts owed to vendors providing goods and services to the Debtor during the chapter 11 cases, tax obligations incurred after the Petition Date, and reclamation claims granted administrative expense status by the Debtor in accordance with the Bankruptcy Court order authorizing the implementation of certain reclamation procedures in these cases. Other administrative expenses include the actual, reasonable, and necessary professional fees and expenses of the Debtor's employed professionals incurred during the pendency of the Reorganization Case.

Except to the extent that a holder of an Allowed Administrative Expense agrees to a less favorable treatment, and subject to Section 2.1(b) of the Plan concerning entities seeking awards under Bankruptcy Code Sections 503(b)(2) through (8) for compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date, the Reorganized Debtor shall pay Cash in an amount equal to such Allowed Administrative Expense to each holder of an Allowed Administrative Expense on the later of the Effective Date or the date Allowed; provided, however, that Allowed Administrative Expenses representing liabilities incurred in the ordinary course of business by the Debtor in Possession or liabilities arising under loans or advances to or other obligations incurred by the Debtor in Possession, shall be assumed and paid by the Reorganized Debtor in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions.

ALL REQUESTS FOR PAYMENT OF ADMINISTRATIVE EXPENSES UNDER SECTIONS 503(B), 507(A)(2), AND 507(B) OF THE BANKRUPTCY CODE MUST BE FILED ON OR BEFORE THIRTY (30) DAYS AFTER THE EFFECTIVE DATE, OR SUCH ADMINISTRATIVE EXPENSES SHALL BE DISALLOWED AND FOREVER BARRED AND PRECLUDED.

Pursuant to Section 2.1(b) of the Plan, all entities seeking awards by the Bankruptcy Court for compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date under Sections 503(b)(2) through (8) of the Bankruptcy Code shall (i) file their respective applications for final allowances of compensation for services rendered and reimbursement of expenses incurred and (ii) shall be paid in full, in Cash, in such amounts as are Allowed by the Bankruptcy Court (A) upon the later of (1) the Effective Date and (2) the date on which the order Allowing such Administrative Expense becomes a Final Order, or (B) upon such other terms as may be mutually agreed upon by such holder and the Reorganized Debtor.

ALL APPLICATIONS FOR COMPENSATION FOR SERVICES RENDERED AND/OR REIMBURSEMENT OF EXPENSES INCURRED THROUGH AND INCLUDING

THE EFFECTIVE DATE UNDER SECTIONS 503(B)(2) THROUGH (8) OF THE BANKRUPTCY CODE MUST BE FILED ON OR BEFORE THIRTY (30) DAYS AFTER THE EFFECTIVE DATE, OR SUCH ADMINISTRATIVE EXPENSES SHALL BE DISALLOWED AND FOREVER BARRED AND PRECLUDED.

The Debtor estimates, assuming the Effective Date occurs no later than September 9, 2016, and assuming further that the confirmation of the Debtor’s Plan is not contested, that the Allowed unpaid Administrative Expenses on the Effective Date will approximate \$2,570,989.00, exclusive of debt incurred in the ordinary course of the Debtor’s business after the Petition Date. The estimated Administrative Expenses on the Effective Date are broken downs as follows:

\$200,000	Approx. fees and expenses incurred by Debtor’s counsel, Z&Z, from chapter 11 case, beyond retainer
\$2,263,520	Z&Z’s contingency fee on account of the Award against Pershing
\$81,934	Z&Z’s costs from Pershing Arbitration
\$13,000	United States Trustee chapter 11 fees
\$12,535	Fees from Crowley counsel, Meister Seelig & Fein LLP (“MSF”)

If confirmation of the Debtor’s Plan is contested, Administrative Expenses will be greater.

Pershing asserts that if the Vacatur Petition is granted by Final Order or if the denial of the Vacatur Petition is reversed by Final Order on appeal, it would have a restitution claim against the Reorganized Debtor for the recovery of the amount of the Award Payment. The Debtor disputes that Pershing would be entitled to a claim against the Reorganized Debtor for restitution under the circumstances presented even if Pershing was ultimately successful.

2. Priority Tax Claims

Priority Tax Claims essentially consist of unsecured claims of federal and state governmental authorities for the kinds of taxes specified in Section 507(a)(8) of the Bankruptcy Code, such as certain income taxes, property taxes, excise taxes, sales taxes and employment and withholding taxes. These unsecured claims are given a statutory priority in right of payment. The Debtor is aware of one Priority Tax Claim asserted by the Connecticut Department of

Revenue Services in the amount of \$2,240. The Debtor is in the process of reviewing this Priority Tax Claim.

With respect to any Allowed Priority Tax Claims not paid pursuant to prior Bankruptcy Court order, except to the extent that a holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, each holder of an Allowed Priority Tax Claim shall be paid in full, in Cash, on the Effective Date, to the extent that it is due and payable on or before the Effective Date. All Allowed Priority Tax Claims which are not due and payable on or before the Effective Date will be paid in the ordinary course of business as such obligations become due.

ii. Classified

The Plan provides for the treatment of each class of claims or interests as outlined below.

Class 1 – Priority Non-Tax Claims
(Unimpaired. Not entitled to vote.)

Priority Non-Tax Claims include certain claims that are granted priority in payment under Section 507(a) of the Bankruptcy Code, including certain wage, salary and other compensation obligations to employees of the Debtor up to a statutory cap of \$10,950 per employee. The Debtor estimates that on the Effective Date, the allowed amount of such claims is \$10,950. The Debtor is aware of one such claim, that of Daniel J. Crowley, who is owed unpaid wages of \$24,475.28 and thus holds a Priority Non-Tax Claim at the amount of the statutory cap (the remainder of Crowley's claim for unpaid wages constitutes a General Unsecured Claim).

With respect to any Allowed Priority Non-Tax Claims not paid pursuant to prior Bankruptcy Court order, except to the extent that a holder of an Allowed Priority Non-Tax Claim agrees to less favorable treatment, each Allowed Priority Non-Tax Claim shall be paid in full, plus interest accrued after the Petition Date at the legal rate, in Cash, on the Effective Date. All Allowed Priority Non-Tax Claims which are not due and payable on or before the Effective Date shall be paid in the ordinary course of business in accordance with the terms thereof. Such treatment shall be in complete satisfaction and discharge of the Debtor's obligations to the holders of Priority Non-Tax Claims.

Class 2 – Secured Claim of National Union
(Unimpaired. Not entitled to vote.)

Class 2 consists of the Allowed Secured Claim arising from the National Union Settlement Agreement. National Union shall be allowed a Secured Claim in the amount of \$317,088.39 pursuant to the National Union Settlement Agreement. To the extent that National Union filed a proof of claim in an amount greater than such amount, such proof of claim is disallowed. On or about the Effective Date, National Union shall receive a cash distribution in the amount of its Secured Claim, which shall be in complete satisfaction and discharge of the Debtor's obligations with respect to all amounts due and payable under the National Union Settlement Agreement as of the Effective Date. National Union shall also retain its rights under

the National Union Settlement Agreement with respect to any future recoveries on account of the Apple Trades Causes of Action subsequent to the Effective Date.

Class 3 – General Unsecured Claims
(Unimpaired. Not entitled to vote.)

Class 3 consists of the Allowed General Unsecured Claims. The Allowed General Unsecured Claims are those Claims against the Debtor which arose or accrued prior to the Petition Date that are not Administrative Expenses, Priority Tax Claims, Priority Non-Tax Claims, or Secured Claims. The Debtor estimates that on the Effective Date, the amount of Allowed Class 3 Claims will aggregate approximately \$2,795,504.17, exclusive of Disputed Claims. The vast majority of this amount is comprised of the claims of the Altschul Trustees and the Guarantors of the Loan from Altschul, the claim of the Debtor's former Landlord under the Lease and claims of former customers and employees of the Debtor. The Plan provides that all General Unsecured Creditors shall receive 100 percent of their Allowed General Unsecured Claims, plus interest accrued after the Petition Date at the legal rate, paid in full in Cash on the Effective Date. Such treatment shall be in complete satisfaction and discharge of the Debtor's obligations to the General Unsecured Creditors.

Class 4 – Equity Interests
(Unimpaired. Not entitled to vote.)

Class 4 of the Plan consists of the Equity Interests, which include any and all membership interests or other equity or ownership interests whatsoever in or of any of the Debtor, including all rights relating to any Equity Interests, and all rights, interests, and Claims arising under or in connection with any agreements entered into by any of the Debtor in connection with the issuance, purchase or sale of such security.

The Plan provides that on the Effective Date, the holders of Equity Interests shall retain their interests in the Debtor and such interests shall continue in the Reorganized Debtor

F. Means of Implementing the Plan

The Plan will be implemented through the use of funds in the possession of the Debtor, including the Award Payment received from Pershing.

G. Individuals Proposed to Serve, After Confirmation of the Plan, as Officers

The Debtor proposes that Crowley shall continue in his capacity as a Manager, the President and the Chief Executive Officer of the Reorganized Debtor. Carl Acebes shall continue in his capacity as a Manager of the Reorganized Debtor. Since the Petition Date, Crowley has received compensation for his service to the Debtor in the amount of \$125,000 per annum and reimbursement for healthcare expenses. Crowley's compensation arrangement with the Debtor expires on the Effective Date. His responsibilities to the Reorganized Debtor are not yet defined and the Reorganized Debtor may choose to compensate Crowley. Such compensation will be decided by the Reorganized Debtor's other Manager taking into account the Reorganized Debtor's future revenue, profitability and other financial circumstances, as well

as the nature of Crowley's services. In any event, Crowley's compensation by the Reorganized Debtor will not impact the treatment of Allowed Administrative Expenses and Claims, all of which will be fully paid in accordance with the Plan as of the Effective Date or upon their allowance.

H. Incurrence of New Indebtedness and Obligations

Effective on the Effective Date, the Reorganized Debtor is authorized to incur new indebtedness and obligations, if any, without the need for any further corporate action and without any further action by holders of Claims or Equity Interests.

I. Plan Provisions Governing Distribution

i. Date of Distributions

Unless otherwise provided herein, any distributions and deliveries to be made hereunder on the Effective Date shall be made on the Effective Date or as soon as practicable thereafter and deemed made on the Effective Date. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

ii. Disbursing Agent

All distributions under the Plan shall be made by the Reorganized Debtor as disbursing agent (the "Disbursing Agent"). The Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court; and, in the event that a Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Reorganized Debtor.

iii. Rights and Powers of Disbursing Agent

i. *Powers of the Disbursing Agent*

The Disbursing Agent shall be empowered to: (i) effect all actions and execute all agreements, instruments and other documents necessary to perform its duties under the Plan, (ii) make all distributions contemplated hereby, (iii) employ professionals to represent it with respect to its responsibilities, and (iv) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

ii. *Expenses Incurred On or After the Effective Date*

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by the Disbursing Agent on or after the Effective Date (including, without limitation, taxes) and any reasonable compensation and expense reimbursement claims (including, without limitation, reasonable attorney fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Debtor.

iv. Distribution Record Date

The Disbursing Agent will have no obligation to recognize the transfer of, or the sale of any participation in, any Allowed Claim that occurs after the close of business on the Distribution Record Date and will be entitled for all purposes herein to recognize and make distributions only to those holders of Allowed Claims that are holders of such Claims, or participants therein, as of the close of business on the Distribution Record Date. The Disbursing Agent will have no obligation to recognize the transfer or sale of any Allowed Claim that occurs after the close of business on the Distribution Record Date.

v. Delivery of Distributions

Subject to Bankruptcy Rule 9010, all distributions to any holder of an Allowed Claim or Allowed Administrative Expense will be made at the address of such holder as set forth on the Schedules filed with the Bankruptcy Court or on the books and records of the Debtor or its agents, as applicable, unless the Debtor or Reorganized Debtor has been notified in writing of a change of address, including, without limitation, by the filing of a proof of Claim or interest by such holder that contains an address for such holder different from the address reflected for such holder on the Schedules. In the event that any distribution to any holder is returned as undeliverable, the Disbursing Agent will use commercially reasonable efforts to determine the current address of such holder, but no distribution to such holder will be made unless and until the Disbursing Agent has determined the then current address of such holder, at which time such distribution will be made to such holder without interest; provided that such distributions will be deemed unclaimed property under Section 347(b) of the Bankruptcy Code at the expiration of one year from the Effective Date. After such date, all unclaimed property or interest in property will revert to the Reorganized Debtor, and the claim of any other holder to such property or interest in property will be discharged and forever barred.

vi. Manner of Payment

At the option of the Disbursing Agent, any Cash payment to be made under the Plan may be made by a check or wire transfer or as otherwise required or provided in applicable agreements.

All distributions of Cash, to the creditors of the Debtor under the Plan shall be made by, or on behalf of, the Debtor.

vii. Setoffs and Recoupment

The Debtor may, but will not be required to, set off against, or recoup from, any Claim and the payments to be made pursuant to the Plan in respect of such Claim, any Claims of any nature whatsoever that the Debtor may have against the claimant, but neither the failure to do so nor the allowance of any claim under the Plan will constitute a waiver or release by the Debtor or Reorganized Debtor of any such claim it may have against such claimant.

J. Procedures for Treating Disputed Claims

1. Objections

Except as otherwise provided in the Plan, as of the Effective Date, objections to, and requests for estimation of, Claims and Administrative Expenses may be interposed and prosecuted only by the Reorganized Debtor.

2. No Distributions Pending Allowance

Notwithstanding any other provision in the Plan, if any portion of a Claim or Administrative Expense is Disputed, no payment or distribution provided in the Plan shall be made on account of such Claim or Administrative Expense unless and until such Disputed Claim or Disputed Administrative Expense becomes Allowed.

3. Distributions After Allowance

To the extent that a Disputed Claim or Disputed Administrative Expense ultimately becomes an Allowed Claim or Allowed Administrative Expense, distributions (if any) shall be made to the holder of such Allowed Claim or Allowed Administrative Expense in accordance with the provisions of the Plan. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim or Disputed Administrative Expense becomes a Final Order, the Disbursing Agent shall provide to the holder of such Claim or Administrative Expense the distribution (if any) to which such holder is entitled to receive under the Plan.

L. Provisions Governing Executory Contracts and Unexpired Leases

1. Treatment

Except as otherwise provided in the Confirmation Order or in any contract, instrument, release, indenture, or other agreement, or document entered into in connection with the Plan, as of the Effective Date the Debtor shall be deemed to have rejected each executory contract and unexpired lease to which it is a party, unless such contract or lease (a) was previously assumed or rejected by the Debtor, (b) previously expired or terminated pursuant to its own terms, (c) is the subject of a motion to assume filed on or before the Confirmation Date, or (d) is set forth in the Plan Supplement, as an executory contract or unexpired lease to be assumed. The Confirmation Order shall constitute an order of the Bankruptcy Court under section 365 and 1123(b) of the Bankruptcy Code approving the contract and lease assumptions or rejections described above, as of the Effective Date.

Each executory contract and unexpired lease that is assumed and relates to the use, ability to acquire, or occupancy of real property shall include (a) all modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affect such executory contract or unexpired lease and (b) all executory contracts or unexpired leases appurtenant to the premises, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, usufructs, reciprocal easement agreements, vaults, tunnel or bridge

agreements or franchises, and any other interests in real estate or rights *in rem* related to such premises, unless any of the foregoing agreements has been rejected pursuant to an order of the Bankruptcy Court.

2. Cure Payments

The Bankruptcy Code authorizes a debtor to make any payments necessary to cure outstanding defaults under such executory contracts or unexpired leases in connection with their assumption. With respect to any executory contract or unexpired leases assumed as of the Effective Date, the Debtor will make such necessary cure payments.

Any monetary amounts by which any executory contract or unexpired lease to be assumed hereunder is in default shall be satisfied, under Section 365(b)(1) of the Bankruptcy Code, by the Debtor. If there is a dispute regarding (i) the nature or amount of any Cure, (ii) the ability of the Debtor or any assignee to provide “adequate assurance of future performance” (within the meaning of Section 365 of the Bankruptcy Code) under the contract or lease to be assumed, or (iii) any other matter pertaining to assumption, Cure will occur following the entry of a Final Order resolving the dispute and approving the assumption or assumption and assignment, as the case may be.

3. Rejection Damages Claims

Subject to the approval of the Court, the Bankruptcy Code authorizes a debtor to reject any of its executory contracts or unexpired leases.

Proofs of all Claims arising out of the rejection of executory contracts and unexpired leases pursuant to the Plan must be filed with the Bankruptcy Court, with proper supporting documentation detailing the calculation of such claim, and served upon the Debtor and its counsel not later than 30 days after the earlier of (a) the date on which the notice of the occurrence of the Effective Date has been served, and (b) the date of entry of an order of the Bankruptcy Court approving such rejection. Any Claims not filed within such time shall be forever barred from assertion against the Debtor, its Estate, the Reorganized Debtor, and their respective properties and interests.

M. Conditions Precedent to Effective Date

1. Conditions Precedent to Confirmation

The Plan shall not be confirmed unless and until the following conditions have been satisfied or waived in accordance with Article IX of the Plan:

(a) The Plan, all exhibits thereto, and the Confirmation Order are acceptable in form and substance to the Debtor;

(b) The Confirmation Order, in form and substance satisfactory to the Debtor, has been entered on the docket maintained by the Clerk of the Bankruptcy Court; and

(c) The Debtor has reached an agreement with the holders of administrative claims described in Section 2.1 of the Plan.

2. Conditions Precedent to Effectiveness

The Effective Date shall not occur and the Plan shall not become effective unless and until the following conditions are satisfied in full or waived in accordance with Article IX of this Plan:

- (a) All actions and all agreements, instruments, or other documents necessary to implement the terms and provisions of the Plan, including those actions identified in Article V of the Plan, are effected or executed and delivered, as applicable, in form and substance satisfactory to the Debtor; and
- (b) The Debtor possesses the ability to use the Award Payment to fund all of the disbursements required in the Plan and in accordance with the Bankruptcy Code.

3. Waiver of Conditions

Each of the conditions precedent in Sections 9.1 and 9.2(a) of the Plan may be waived, in whole or in part, by the Debtor. Any such waivers may be effectuated at any time, without notice, without leave or order of the Bankruptcy Court, and without any formal action; provided, however, that notwithstanding the foregoing the Effective Date shall not be later than September 9, 2016.

4. Satisfaction of Conditions

Any actions required to be taken on the Effective Date will take place and will be deemed to have occurred simultaneously, and no such action will be deemed to have occurred prior to the taking of any other such action. If the Debtor determines that one of the conditions precedent set forth in Section 9.2 of the Plan cannot be satisfied and the occurrence of such condition is not waived or cannot be waived, then the Debtor will file a notice of the failure of the Effective Date with the Bankruptcy Court and the Confirmation Order may be vacated by the Bankruptcy Court. If the Confirmation Order is vacated pursuant to Section 9.2 of the Plan, the Plan will be null and void in all respects, and nothing contained in the Plan will constitute a waiver or release of any Claims against the Debtor or the allowance of any Administrative Expense or Claim as an Allowed Claim.

5. Effect of Nonoccurrence of Conditions

If each of the conditions to consummation and the occurrence of the Effective Date has not been satisfied or duly waived on or before sixty (60) days from the Confirmation Date, the Confirmation Order may be vacated by the Bankruptcy Court. If the Confirmation Order is so vacated, the Plan will be null and void in all respects, and nothing contained in the Plan will constitute a waiver or release of any Claims against any the Debtor or the Allowance of any Administrative Expense or Claim.

N. Effect of Confirmation

1. Revesting of Assets

On the Effective Date and except to the extent the Bankruptcy Court retains jurisdiction pursuant to the terms of the Plan, the Debtor, its properties and interests in property, and its operations shall be released from the custody and jurisdiction of the Bankruptcy Court, and all property of the Estate of the Debtor, including any pre-paid expenses and deposits with vendors, shall vest in the Reorganized Debtor. From and after the Effective Date, the Reorganized Debtor may operate its business and may use, acquire and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, subject to the terms and conditions of the Plan.

2. Binding Effect

Subject to the occurrence of the Effective Date, on and after the Confirmation Date, the provisions of the Plan shall bind any holder of a Claim against, or Equity Interest in, the Debtor and such holder's respective successors and assigns, whether or not the Claim or Equity Interest of such holder is impaired under the Plan, whether or not such holder has accepted the Plan, and whether or not such holder is entitled to a distribution under the Plan.

3. Discharge of Debtor

Except to the extent otherwise provided in the Plan or in the Confirmation Order, the rights afforded in the Plan and the treatment of all Claims against or Equity Interests in the Debtor hereunder shall be in exchange for and in complete satisfaction, discharge, and release of all debts of, Claims against, and Equity Interests in, the Debtor of any nature whatsoever, known or unknown, including, without limitation, any interest accrued or expenses incurred thereon from and after the Petition Date, or against its Estate, the Reorganized Debtor, or its properties or interests in property. Except as otherwise provided in the Plan or in the Confirmation Order, upon the Effective Date, all Claims against and Equity Interests in the Debtor shall be satisfied, discharged and released in full exchange for the consideration, if any, provided in the Plan. Except as otherwise provided in the Plan or in the Confirmation Order, all entities shall be precluded from asserting against the Debtor or the Reorganized Debtor or their respective properties or interests in property, any other Claims based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date. Notwithstanding the foregoing, in the event that subsequent to the Effective Date an order for relief is entered with respect to the Reorganized Debtor under either Chapter 7 or Chapter 11 of the Bankruptcy Code, each of the Reorganized Debtor's creditors in such bankruptcy case shall have an allowed claim in the full amount owed to such creditor as of the Debtor's Petition Date less any amount actually paid on account of such claim by the Debtor or the Reorganized Debtor pursuant to the Plan.

4. Term of Injunctions or Stays

(a) Except as otherwise expressly provided in the Plan or in the Confirmation Order, all Persons or entities who have held, hold or may hold Claims or Equity Interests shall be permanently enjoined, from and after the Effective Date, from (i) commencing or continuing in

any manner any action or other proceeding of any kind on any such Claim or Equity Interest against the Debtor or Reorganized Debtor, (ii) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against any Debtor or Reorganized Debtor with respect to such Claim or Equity Interest, (iii) creating, perfecting, or enforcing any encumbrance of any kind against any Debtor or Reorganized Debtor or against the property or interests in property of any Debtor or Reorganized Debtor with respect to such Claim or Equity Interest, (iv) asserting any right of setoff (except to the extent permitted by Bankruptcy Code § 553), subrogation, or recoupment of any kind against any obligation due to any Debtor or Reorganized Debtor or against the property or interests in property of any Debtor or Reorganized Debtor, with respect to such Claim or Equity Interest, and (v) pursuing any Claim released pursuant to the Plan.

(b) Unless otherwise provided in the Confirmation Order, all injunctions or stays arising under or entered during the Reorganization Case 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.

5. Exculpation

In consideration for (i) the services provided during the Debtor's bankruptcy case, (ii) the services committed to be provided for the Reorganized Debtor, (iii) the contributions to be made by the holders of Equity Interests on the Effective Date, and (iv) the claims waived on the Effective Date by the Insiders and holders of Equity Interests:

AS OF THE CONFIRMATION DATE, THE DEBTOR AND ITS OFFICERS, EMPLOYEES AND PROFESSIONALS INCLUDING ATTORNEYS SHALL BE DEEMED TO HAVE SOLICITED ACCEPTANCES OF THE PLAN OF REORGANIZATION IN GOOD FAITH AND IN COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE AND THE BANKRUPTCY RULES. THE DEBTOR, THE REORGANIZED DEBTOR AND THE DISBURSING AGENT, AND EACH OF THEIR RESPECTIVE OFFICERS, EMPLOYEES AND PROFESSIONALS INCLUDING ATTORNEYS SHALL HAVE NO LIABILITY TO ANY HOLDER OF ANY CLAIM OR EQUITY INTEREST OR ANY OTHER PERSON FOR ANY ACT OR OMISSION TAKEN IN GOOD FAITH AT ANY TIME ON OR BEFORE THE EFFECTIVE DATE IN CONNECTION WITH, OR ARISING OUT OF, THE REORGANIZATION CASE, THE DISCLOSURE STATEMENT, THE PLAN, THE SOLICITATION OF VOTES FOR AND THE PURSUIT OF CONFIRMATION OF THE PLAN, THE OFFER AND ISSUANCE OF ANY SECURITIES UNDER THE PLAN, THE CONSUMMATION OF THE PLAN, OR THE ADMINISTRATION OF THE PLAN OR THE PROPERTY TO BE DISTRIBUTED UNDER THE PLAN, EXCEPT FOR WILLFUL MISCONDUCT OR GROSS NEGLIGENCE AS DETERMINED BY A FINAL ORDER AND, IN ALL RESPECTS, SHALL BE ENTITLED TO RELY UPON THE ADVICE OF COUNSEL WITH RESPECT TO THEIR DUTIES AND RESPONSIBILITIES UNDER THE PLAN.

6. Limited Exceptions

Notwithstanding any other provision of the Plan and Confirmation Order, the Plan and Confirmation Order do not release:

(i) Pursuant 18 U.S.C. § 3613(e) and (f), a criminal fine or criminal restitution imposed pursuant to 18 U.S.C. § 3613 or a lien filed as prescribed by 18 U.S.C. § 3613;

(ii) Any debt rendered not dischargeable pursuant to 11 U.S.C. § 1141(d)(6);

(iii) Any debt owed to any governmental unit of the United States of America or State of Connecticut by any Person other than the Debtor. Upon the Reorganized Debtor's failure to make any payment due on a tax claim that is not cured within 30 days of the mailing of a written notice of default, the Connecticut Department of Revenue Services may exercise all rights and remedies available under non-bankruptcy law for the collection of its entire claim.

7. Retention of Jurisdiction

The Bankruptcy Court will have exclusive jurisdiction of all matters, arising out of, or related to, the Reorganization Case and the Plan pursuant to, and for the purposes of, Sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

a) To hear and determine pending applications for the assumption or rejection of executory contracts or unexpired leases and the allowance of Claims and Administrative Expenses resulting therefrom;

b) To determine any and all adversary proceedings, applications, and contested matters that are pending on the Effective Date;

c) To hear and determine any timely objections to, or requests for estimation of, Administrative Expenses or proofs of claims, including, without limitation, any objections to the classification of any Administrative Expense, Claim or Equity Interest, and to allow or disallow any Disputed Administrative Expense or Disputed Claim, in whole or in part;

d) To resolve disputes as to the ownership of any Administrative Expense, Claim, or Equity Interest;

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

f) To issue such orders in aid of execution of the Plan, to the extent authorized by Section 1142 of the Bankruptcy Code;

g) To consider any amendments to or modifications of the Plan, or to cure

any defect or omission, or reconcile any inconsistency, in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

h) To hear and determine all applications of retained professionals under Sections 330, 331, and 503(b) of the Bankruptcy Code for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date;

i) To hear and determine disputes or issues arising in connection with the interpretation, implementation or enforcement of the Plan, the Confirmation Order, any transactions or payments contemplated by the Plan, any agreement, instrument, or other document governing or relating to any of the foregoing, or any settlement approved by the Bankruptcy Court;

j) To hear and determine matters concerning state, local and federal taxes in accordance with Sections 346, 505, and 1146 of the Bankruptcy Code (including, without limitation, any request by the Debtor prior to the Effective Date, or request by the Reorganized Debtor after the Effective Date, for an expedited determination of tax under Section 505(b) of the Bankruptcy Code);

k) To hear any other matter not inconsistent with the Bankruptcy Code;

l) To hear and determine all disputes involving the existence, scope and nature of the discharges, releases and injunctions granted under the Plan, the Confirmation Order, or the Bankruptcy Code;

m) To issue injunctions and effect any other actions that may be necessary or desirable to restrain interference by any entity with the consummation or implementation of the Plan; and

n) To enter a final decree closing the Reorganization Case.

O. Miscellaneous Provisions

1. Payment of Statutory Fees

In accordance with §1129(a)(12) of the Bankruptcy Code and 28 U.S.C. §1930, all quarterly fees payable to the United States Trustee shall be paid by the debtor in full on or before their respective due dates and shall continue to be assessed and paid until such time as a final decree is entered by the Court or the Court enters an order converting or dismissing this case. The debtor shall also timely file monthly operating reports every month until such time as a final decree is entered by the Court or the Court enters an order converting or dismissing this case.

2. Modification of Plan

The Plan may be modified by the Debtor in accordance with section 1127 of the Bankruptcy Code.

3. Revocation of Plan

The Debtor reserves the right, at any time prior to the entry of the Confirmation Order, to revoke and withdraw the Plan.

4. Severability of Plan Provisions

In the event that, prior to the Confirmation Date, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable in accordance with its terms.

5. Governing Law

Except to the extent that the Bankruptcy Code or other federal law is applicable (including, but not limited to, the provisions of Title IV of the Employee Retirement Income Security Act of 1974, 29 U.S.C. §§ 1301-1461), or to the extent an exhibit to the Plan or Plan Supplement provides otherwise (in which case the governing law specified therein shall be applicable to such exhibit), the rights, duties, and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Connecticut without giving effect to the principles of conflict of laws

6. Compliance with Tax Requirements

In connection with the consummation of the Plan, any party issuing any instrument or making any distribution under the Plan, including any party described in section 6.2 above, shall comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all distributions under the Plan shall be subject to any such withholding or reporting requirements. Notwithstanding the above, each holder of an Allowed Claim that is to receive a distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations, on account of such distribution. Any party issuing any instrument or making any distribution under the Plan has the right, but not the obligation, to not make a distribution until such holder has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligations.

7. Exemption from Transfer Taxes

Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under or in connection with the Plan, the creation of any mortgage, deed of trust, or other security interest, the making or assignment of any lease or

sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including, without limitation, any merger agreements, or agreements of consolidation, deeds, bills of sale, or assignments executed in connection with any of the transactions contemplated under the Plan shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

8. Expedited Tax Determination

The Debtor and the Reorganized Debtor are authorized to request an expedited determination of taxes under Section 505(b) of the Bankruptcy Code for any or all returns filed for, or on behalf of, the Debtor for any and all taxable periods (or portions thereof) ending after the Petition Date through, and including, the Effective Date.

VII. CERTAIN FACTORS AFFECTING THE DEBTOR

A. Certain Bankruptcy Law Considerations

1. Risk of Non-Confirmation of the Plan of Reorganization

Although the Debtor believes that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion or that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the re-solicitation of votes.

Risk of Non-Occurrence of the Effective Date

Although Debtor believes that the Effective Date will occur soon after the Confirmation Date, there can be no assurance as to such timing.

B. Additional Factors To Be Considered

1. The Debtor Has No Duty to Update

The statements contained in this Disclosure Statement are made by the Debtor as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Debtor has no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

2. No Representations Outside This Disclosure Statement Are Authorized

No representations concerning or related to the Debtor, the Reorganization Case, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance, or rejection, of the Plan that are other than as contained in, or included with, this Disclosure Statement should not be relied upon by you in arriving at your decision.

3. Projections and Other Forward Looking Statements Are Not Assured, and Actual Results Will Vary

Certain of the information contained in this Disclosure Statement is, by nature, forward looking, and contains estimates and assumptions which might ultimately prove to be incorrect, and contains projections which may be materially different from actual future experiences. There are uncertainties associated with any projections and estimates, and they should not be considered assurances or guarantees of the amount of funds or the amount of Claims in the various classes that might be allowed.

4. Timing of Confirmation

Confirmation of the Plan is not dependent upon the adjudication of Pershing's Vacatur Petition because there exists no legal impediment to the Debtor's use of the Award Payment in a manner consistent with the Bankruptcy Code and in accordance with the Plan. However, the Plan expressly provides that its Effective Date shall not occur unless and until the Debtor possesses the ability to use a sufficient portion of the Award Payment to fund all of the disbursements required in the Plan and in accordance with the Bankruptcy Code.

5. No Legal or Tax Advice is Provided to You by this Disclosure Statement

The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each creditor or Equity Interest holder should consult his, her, or its own legal counsel and accountant as to legal, tax and other matters concerning his, her, or its Claim or Equity Interest.

This Disclosure Statement is not legal advice to you. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

6. No Admission Made

Nothing contained herein shall constitute an admission of, or be deemed evidence of, the tax or other legal effects of the Plan on the Debtor or on holders of Claims or Equity Interests.

C. Certain Tax Matters

For a summary of certain federal income tax consequences of the Plan to holders of claims and equity interests and to the Debtor, see Section XII below, entitled "CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN."

VIII. VOTING UNNECESSARY; ALL CLASSES DEEMED TO ACCEPT PLAN

Because all of the classes of Claims and the class of Equity Interests will receive 100 percent recovery with respect to their Allowed Claims and Equity Interests, none of the classes is impaired and all are deemed to accept the Plan.

IX. CONFIRMATION OF THE PLAN OF REORGANIZATION

A. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a plan of reorganization. As set forth in the Disclosure Statement Order, the Bankruptcy Court has scheduled the confirmation hearing to consider the Debtor's Plan of Reorganization for **3:00 p.m. (Eastern Time) on August 19, 2016.** The confirmation hearing may be adjourned from time-to-time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the confirmation hearing or any subsequent adjourned confirmation hearing.

Any objection to confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules, must set forth the name of the objector, the nature and amount of claims or interests held or asserted by the objector against the Debtor's estate or property, the basis for the objection and the specific grounds therefore, and must be filed with the Bankruptcy Court, together with proof of service thereof, and served upon (i) Zeisler & Zeisler P.C., 10 Middle St., 15th Fl., Bridgeport, CT 06604, Attorneys for the Debtor (Attention: Stephen M. Kindseth, Esq.) and (ii) Office of the United States Trustee, District of Connecticut, Attn: Holley L. Claiborn, Esq., Giaino Federal Building, 150 Court St., Room 302, New Haven, CT 06510, so as to be received no later than **4:00 p.m. (Eastern Time) on August 12, 2016.**

Objections to confirmation of the Plan of Reorganization are governed by Bankruptcy Rule 9014.

UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT, SUCH OBJECTIONS SHALL BE WAIVED AND RELINQUISHED AUTOMATICALLY, AND THE PARTY IN INTEREST SHALL BE BARRED AND PRECLUDED FROM RAISING ANY OBJECTION TO THE CONFIRMATION OF THE PLAN.

B. Requirements for Confirmation of the Plan of Reorganization

1. Requirements of Section 1129(a) of the Bankruptcy Code

(a) *General Requirements*

At the confirmation hearing, the Bankruptcy Court will determine whether the following confirmation requirements specified in Section 1129 of the Bankruptcy Code have been satisfied:

- 1) The Plan complies with the applicable provisions of the Bankruptcy Code;
- 2) The Debtor has complied with the applicable provisions of the Bankruptcy Code;

- 3) The Plan has been proposed in good faith and not by any means proscribed by law;
- 4) Any payment made or promised by the Debtor or by a Person issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Reorganization Case, or in connection with the Plan and incident to the Reorganization Case, has been disclosed to the Bankruptcy Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;
- 5) The Debtor has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as an officer of the Debtor, an affiliate of the Debtor participating in a Plan with the Debtor, or a successor to the Debtor under the Plan of Reorganization, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity holders and with public policy, and the Debtor has disclosed the identity of any insider that will be employed or retained by the Debtor, and the nature of any compensation for such insider. With respect to each class of claims or equity interests, each holder of an impaired claim or impaired equity interest either has accepted the Plan or will receive or retain under the Plan on account of such holder's claim or equity interest, property of a value, as of the Effective Date, that is not less than the amount such holder would receive or retain if the Debtor was liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. See discussion of "Best Interests Test" below;
- 6) Except to the extent the Plan meets the requirements of Section 1129(b) of the Bankruptcy Code (discussed below), each class of claims or equity interests has either accepted the Plan or is not impaired under the Plan;
- 7) Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the Plan provides that administrative expenses and priority claims other than priority tax claims will be paid in full on the Effective Date and that priority tax claims will receive on account of such claims deferred Cash payments, over a period not exceeding six years after the date of assessment of such claims, of a value, as of the Effective Date, equal to the allowed amount of such claims;
- 8) At least one class of impaired claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a claim in such class; and
- 9) Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor or any successor

to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan. See discussion of “Feasibility” below.

(b) *Best Interests Test: Liquidation Analysis Unnecessary Because All Holders of Claims and Equity Interests Unimpaired*

As described above, the Bankruptcy Code requires that each holder of an impaired claim or equity interest either (a) accepts the Plan or (b) receives or retains under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor was liquidated under chapter 7 of the Bankruptcy Code on the Effective Date. Specifically, Section 1129(a)(7)(A)(ii) requires that each “impaired class of claims or interests” “receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under chapter 7 of this title on such date.” Because there are no impaired classes of Claims or Equity Interests under the Debtor’s plan of reorganization – in that the Debtor will pay 100 percent of all Allowed Claims and Equity Interests – the Debtor need not satisfy the typical Chapter 7 Liquidation Analysis in order to confirm its Plan.

(c) *Feasibility*

The Bankruptcy Code requires a debtor to demonstrate that confirmation of a plan of reorganization is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor unless so provided by the plan of reorganization. For purposes of determining whether the Plan meets this requirement, the Debtor has analyzed its ability to meet its financial obligations as contemplated thereunder. Because the Debtor has sufficient Cash on hand to pay and will pay all Allowed Claims and Administrative Expenses in full and in Cash, on the Effective Date, the Plan is feasible and is not likely to be followed by further reorganization of the Debtor.

2. Requirements of Section 1129(b) of the Bankruptcy Code Inapplicable

X. SECTION 1129(B) OF THE BANKRUPTCY CODE CONTAINS REQUIREMENTS FOR CONFIRMATION OF A PLAN OF REORGANIZATION WHERE ALL OF THE REQUIREMENTS OF SECTION 1129(A) OF THE BANKRUPTCY CODE ARE MET EXCEPT FOR SECTION 1129(A)(8). SECTION 1129(A)(8) OF THE BANKRUPTCY CODE CONCERNS WHETHER EACH CLASS OF CLAIMS OR INTERESTS HAS ACCEPTED THE PLAN OF REORGANIZATION OR IS UNIMPAIRED THEREBY. IN THAT ALL CLASSES OF CLAIMS AND EQUITY INTERESTS ARE DEEMED TO ACCEPT THE PLAN AND NONE IS IMPAIRED, THE REQUIREMENTS OF SECTION 1129(B) OF THE BANKRUPTCY CODE ARE INAPPLICABLE. FINANCIAL INFORMATION

The projected cash distributions to be made by the Debtor on the Effective Date is contained in Exhibit 2 to this Disclosure Statement, and the full text of which is incorporated herein by reference. This financial information is provided to permit the holders of claims and

equity interests to better understand the distributions the Debtor anticipates making on the Effective Date.

XI. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN OF REORGANIZATION

If the Plan is not confirmed and consummated, the alternatives to the Plan include (i) liquidation of the Debtor under chapter 7 of the Bankruptcy Code and (ii) an alternative chapter 11 plan of reorganization.

A. Liquidation Under Chapter 7

If no plan can be confirmed, the Debtor's chapter 11 case may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed to liquidate the assets of the Debtor for distribution in accordance with the priorities established by the Bankruptcy Code.

The Debtor believes that liquidation under chapter 7 would be inefficient in that it would require a chapter 7 trustee to invest substantial time and energy familiarizing him or herself with the Debtor's estate such that distributions to creditors would likely be delayed and would result in additional administrative expenses involved in the appointment of a trustee. The Debtor also believes that it is in a better position than a chapter 7 trustee to prosecute the remaining Apple Trades Causes of Action. Further, because all Allowed Claims will be satisfied from the proceeds of the Award in the Pershing arbitration, the proceeds of any remaining Apple Trades Causes of Action shall be solely the property of the Debtor for the benefit of its equity holders. It is therefore most appropriate that the Debtor's equity holders supervise and direct prosecution of the remaining Apple Trades Causes of Action.

B. Alternative Plan of Reorganization

If the Plan of Reorganization is not confirmed, the Debtor or any other party in interest could attempt to formulate a different chapter 11 plan of reorganization. Such a plan of reorganization might involve either a reorganization and continuation of the Debtor's business or an orderly liquidation of its assets. With respect to an alternative plan, the Debtor has explored various alternatives in connection with the formulation and development of the Plan. The Debtor believes that the Plan, as described herein, enables creditors and equity holders to realize the most value under the circumstances in that it will pay 100 percent on all Allowed Claims in an expeditious manner. The Debtor respectfully submits that its Plan provides an ideal outcome for the holders of Allowed Claims. Further, under the Debtor's Plan, the Reorganized Debtor will exit bankruptcy on the best possible financial footing, minimizing the risk of any future insolvency proceedings.

XII. 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 Debtor and to the holders of Claims. The following summary is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations promulgated thereunder, judicial decisions, and published

administrative rules and pronouncements of the Internal Revenue Service (the “IRS”), all as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below.

The U.S. federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtor has not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt. In addition, this summary generally does not address foreign, state or local tax consequences of the Plan, nor does it address the U.S. federal income tax consequences of the Plan to special classes of taxpayers (such as foreign taxpayers, broker-dealers, persons not holding their Claims as capital assets, financial institutions, tax-exempt organizations, persons holding Claims who are not the original holders of those Claims or who acquired such Claims at an acquisition premium, and persons who have claimed a bad debt deduction in respect of any Claims).

Accordingly, the following summary of certain U.S. 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.

IRS Circular 230 Notice: *To ensure compliance with IRS Circular 230, holders of Claims and Equity Interests are hereby notified that: (A) any discussion of federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be used, and cannot be used, by holders of Claims or Equity Interests for the purpose of avoiding penalties that may be imposed on them under the Tax Code; (b) such discussion is written in connection with the promotion or marketing by the Debtor of the transactions or matters addressed herein; and (c) holders of Claims and Equity Interests should seek advice based on their particular circumstances from an independent tax advisor.*

A. Consequences to Holders of Claims and Equity Interests

The U.S. federal income tax consequences to a holder receiving, or entitled to receive, a payment in partial or total satisfaction of a Claim may depend on a number of factors, including the nature of the Claim, the holder’s method of accounting, and its own particular tax situation. Because the holders’ Claims and tax situations differ, holders should consult their own tax advisors to determine how the Plan affects them for federal, state and local tax purposes, based on its particular tax situations. Pursuant to the Plan, the holders of Allowed Claims will receive Cash distributions in the full amount of such Claims in satisfaction and discharge thereof, and the holders of Equity Interests (Class 4) will retain their respective interests in the Debtor and such interests shall continue in the Reorganized Debtor. Therefore, the Debtor does not believe that the tax consequences to such holders will differ from their receipt of full payment or continued ownership of equity were such to occur outside of bankruptcy.

B. Information Reporting and Withholding

All distributions to holders of Claims under the Plan are subject to any applicable tax withholding, including employment tax withholding. Under U.S. federal income tax law,

interest, dividends, and other reportable payments may, under certain circumstances, be subject to “backup withholding” at the then applicable withholding 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 and the appropriate information is supplied to the IRS. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

In addition, from an information reporting perspective, Treasury Regulations generally require disclosure by a taxpayer on its federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, the following: (1) certain transactions that result in the taxpayer’s claiming a loss in excess of specified thresholds; and (2) certain transactions in which the taxpayer’s book-tax differences exceed a specified threshold in any tax year. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders’ tax returns.

The foregoing summary has been provided for informational purposes only. All holders of Claims receiving a distribution under the Plan are urged to consult their tax advisors concerning the federal, state, local and foreign tax consequences applicable under the Plan.

XIII. CONCLUSION

The Debtor believes that confirmation and implementation of the Plan is in the best interests of all creditors and should be confirmed by this Court.

Dated: July 8, 2016.

Respectfully submitted,

ROCHDALE SECURITIES, LLC.

By: /s/ Daniel J. Crowley

Name: Daniel J. Crowley

Title: President