

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

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In re:

JADECO CONSTRUCTION CORP.,

Chapter 11
Case No. 16-71508 (REG)

Debtor.
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**DISCLOSURE STATEMENT IN CONNECTION WITH
PROPOSED LIQUIDATING CHAPTER 11 PLAN OF REORGANIZATION**

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

SHAFFERMAN & FELDMAN LLP
137 Fifth Avenue, 9th Floor
New York, New York 10010
(212) 509-1802
Joel M. Shafferman, Esq.

Counsel to the Debtor

Dated: July 11, 2016

I. SUMMARY

Jadeco Construction Corp., the debtor and debtor-in-possession herein (the "Debtor"), provide this Disclosure Statement (the "Disclosure Statement"), pursuant to §1125(b) of title 11 of the United States Code (the "Bankruptcy Code"), to all known Creditors and equity Interest Holders of the Debtor, and other parties in interest, for the purpose of soliciting acceptances of the Chapter 11 Liquidating Plan of Reorganization (the "Plan") proposed by the Debtor. The Plan has been filed with the United States Bankruptcy Court for the Eastern District of New York (the "Bankruptcy Court") and a copy of the same accompanies the Plan. By Order dated September 1, 2016, this Disclosure Statement was approved by the Bankruptcy Court as containing "adequate information" of a kind, and in sufficient detail, to enable a hypothetical reasonable investor typical of the Debtor's Creditors to make an informed decision whether to accept or reject the Plan.

The Debtor strongly urges that you read this Disclosure Statement because it contains a summary of the Plan provisions and important information concerning the Debtor's financial affairs, the administration of the Debtor's bankruptcy estate and the anticipated recovery by Creditors of the Debtor.

A finding by the Bankruptcy Court that the Disclosure Statement contains adequate information pursuant to Section 1125 of the Bankruptcy Code does not mean, indicate or imply in any manner that the Bankruptcy Court recommends either an acceptance or a rejection of the Plan by a party eligible to vote thereon.

A glossary of terms frequently used in this Disclosure Statement is set forth in Article 1 of the Plan. Capitalized terms utilized, but not defined herein, have the meanings ascribed to them in the Plan.

In the opinion of the Debtor, the treatment of Claims and Interests under the Plan provides a greater recovery for Creditors and Interest Holders than that which is likely to be achieved under alternative reorganization plans or the liquidation of the Debtor under Chapter 7 of the Bankruptcy Code.

Accordingly, the Debtor believes that Confirmation of the Plan is in the best interests of Creditors and Interest Holders and recommends that you vote to accept the Plan.

B. THE PLAN

The table below provides a summary of the classification and treatment of Claims and Interests under the Plan. The figures set forth in the table below are the Debtor's best current estimate of the aggregate amount of Claims and Interests in the Case. These estimates are based upon an analysis of the Schedules filed by the Debtor, Proofs of Claim and Proofs of Interest filed by Creditors and Interest Holders, and certain other documents of public record. There can be no assurance that Claims and Interests will be allowed by the Bankruptcy Court in the amounts set forth below. The aggregate amount of Allowed Claims and Allowed Interests may be significantly lowered from the amounts set forth below as the result of objections to Claims which may be brought, or through stipulations

which may be negotiated with various Creditors.

Class and Estimated Amount	Type of Claim or Interest	Summary of Treatment
<p>Unclassified ó Amount To Be Determined</p>	<p>Statutory Fees</p>	<p>All fees and charges payable to the U.S. Trustee, including those owed under 28 U.S.C. §1930(a)(6), shall be fully paid. Such fees and charges that are due on or prior to the Effective Date, shall be paid no later than ten (10) days after the Effective Date.</p> <p>Such fees that may become due after the Effective Date shall be paid as they become due by the Post-Confirmation Debtor until the entry of a final decree closing the Chapter 11 Case, or until the Chapter 11 Case is converted or dismissed.</p>
<p>Unclassified ó Amount To Be Determined</p>	<p>Administrative Claims (including Claims for Professional Compensation, Post-Petition Ordinary Court Liabilities and Post-Petition Tax Claims, if any)</p>	<p>Each Allowed Administrative Claim, to the extent not previously paid, shall be paid in Cash in full on (i) the later of (x) the Effective Date, (y) the date payment of such Claim is due under the terms thereof or applicable law, or (z) three business days after such Claim becomes an Allowed Administrative Claim or (ii) as may be otherwise agreed in writing by the holder of such Claim.</p>
<p>Unclassified – Amount To Be Determined</p>	<p>Priority Tax Claims</p>	<p>Each Allowed Priority Tax Claim, to the extent not previously paid, shall be paid in Cash in full on the later of (i) the Effective Date, or (ii) three business days after such Claim becomes an Allowed Priority Tax Claim.</p>
<p>Class 1 – Scheduled Amount \$427,483.65¹</p>	<p>Gold Coast Secured Claim</p>	<p>Unimpaired. In full satisfaction, release and discharge of the Gold Coast Secured Claim, Gold Coast, as the holder of the Allowed Class 1 Claim, shall be paid the full Allowed amount of the Gold Coast Secured Claim in cash from the Net Sale Proceeds on the Initial Distribution Date in accordance with §1124(1) of the Bankruptcy Code.</p>
<p>Class 2 – Amount To Be Determined²</p>	<p>Other Secured Claims</p>	<p>Unimpaired. In full satisfaction, release and discharge of their secured claims, Mercedes-Benz Financial and Komatsu Financial as the holders of the Allowed Class 2 Claim, shall be paid the full Allowed amount of the Other Secured Claims in cash from the Net Sale Proceeds on the Initial Distribution Date in accordance with §1124(1) of the Bankruptcy Code.</p>

¹ The Debtor reserves all of its rights to object to the amount of the Gold Coast Secured Claim.

² The Debtor reserves all of its rights to object to the amount of the Other Secured Claims.

Class and Estimated Amount	Type of Claim or Interest	Summary of Treatment
Class 3 – Amount To Be Determined ³	General Unsecured Claims	Impaired. To the extent that any funds are available from the Net Sale Proceeds, the Smithtown Litigation Fund, and/or cash on hand after full payment of all Statutory Fees, Allowed Administrative Claims, the Allowed Claims in Class 1 and Class 2, In full satisfaction, release and discharge of their general unsecured claims each holder of an Allowed Class 3 General Unsecured Claim shall be paid a Pro Rata Cash distribution of any remaining amounts on the earlier of: (i) the Initial Distribution Date or (ii) three business days after such Claim becomes an Allowed Claim, not to exceed payment in full plus interest at the legal rate.
Class 4-	Interests	Impaired. On the Effective Date, all outstanding Interests in the Debtor shall be canceled and deemed terminated and of no force and effect and the Holders of such Interests shall not be entitled to retain or receive any property on account of such Interest.

C. CONFIRMATION OF THE PLAN

Pursuant to Section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider Confirmation of the Plan to be held on October 2016 at 1:30 p.m., Prevailing Eastern Time, before the Honorable Robert E. Grossman, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Eastern District of New York, Alfonse M. D'Amato U.S. Courthouse, 290 Federal Plaza, Courtroom 860, Central Islip, New York 11722. The Bankruptcy Court has directed that objections, if any, to Confirmation of the Plan be filed and served on or before October , at 5:00 p.m. Prevailing Eastern Time in the manner described under "ACCEPTANCE AND CONFIRMATION -- Confirmation Hearing."

At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of Section 1129(a) of the Bankruptcy Code have been satisfied with regard to the Plan, in which event the Bankruptcy Court may enter an order confirming the Plan. The Debtor intends to seek Confirmation of the Plan at the Confirmation Hearing. In the event that any unimpaired Class of Claims does not accept the Plan, Confirmation of the Plan may be sought pursuant to Section 1129(b) of the Bankruptcy Code. **The Debtor believes that the Plan satisfies all applicable requirements of Section 1129(a) and Section 1129(b) of the Bankruptcy Code.** See "ACCEPTANCE AND CONFIRMATION -- Requirements for Confirmation" for a description of such requirements. Confirmation makes the Plan binding upon the Debtor, its Interest Holders, all Creditors and other parties regardless of whether they have accepted the Plan.

³ The Debtor reserves all of its rights to object to General Unsecured Claims.

D. VOTING INSTRUCTIONS - SUMMARY

The following discussion summarizes the more detailed voting instructions set forth in the Section of this Disclosure Statement entitled "VOTING INSTRUCTIONS." If you have any questions regarding the timing or manner of casting your ballot, please refer to the "VOTING INSTRUCTIONS" Section of this Disclosure Statement and the instructions contained on the ballot that you received with this Disclosure Statement.

General. The Debtor has sent a ballot with voting instructions and a copy of this Disclosure Statement to all of the Debtor's known Creditors, who are in Classes impaired under the Plan and are entitled to vote to accept or reject the Plan. Creditors may refer to the above chart to determine whether they are impaired and entitled to vote on the Plan. Creditors should read the ballot carefully and follow the voting instructions. Creditors should only use the ballot that accompanies this Disclosure Statement.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by (a) the holders of two-thirds in amount and more than one-half in number of claims in each impaired Class who actually vote on the Plan, and (b) the holders of two-thirds in amount of equity security interests in each impaired class of interests who actually vote on the Plan. In the event the requisite acceptances are not obtained, the Bankruptcy Court may nevertheless confirm the Plan if (i) the Bankruptcy Court finds that the Plan accords fair and equitable treatment, and does not discriminate unfairly, with respect to the Class or classes rejecting it, and (ii) at least one impaired Class of Claims has accepted the Plan determined without considering the acceptance of any insider. See "ACCEPTANCE AND CONFIRMATION -- Requirements for Confirmation" and "EFFECT OF CONFIRMATION."

As evidenced by the preceding paragraph, a successful reorganization depends upon the receipt of a sufficient number of votes in support of the Plan. YOUR VOTE IS THEREFORE EXTREMELY IMPORTANT. Creditors should exercise their right to vote to accept or reject the Plan.

Voting Multiple Claims and Interests. A single form of ballot is provided for each Class of Claims. Any Person who holds Claims in more than one Class is required to vote separately with respect to each Class in which such Person holds Claims.

Deadline for Returning Ballots. The Bankruptcy Court has directed that, to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received by counsel to the Debtor by not later than 5:00 p.m. Prevailing Eastern Time, on **October , 2016**, at the following address:

Shafferman & Feldman LLP
137 Fifth Avenue, 9th Floor,
New York, New York 10010
Attn: Joel M. Shafferman, Esq.

Voting Questions. If you have any questions regarding the provisions or

requirements for voting on the Plan or require assistance in completing your ballot, you may contact either the Debtor's counsel, Joel M. Shafferman, Esq., at (212) 509-1802.

E. NOTICE TO HOLDERS OF CLAIMS AND INTERESTS

This Disclosure Statement and the accompanying ballots are being furnished to the Debtor's known Creditors pursuant to Section 1125(b) of the Bankruptcy Code in connection with a solicitation of acceptances of the Plan. The Plan is incorporated herein by reference.

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

THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN PROPOSED BY THE DEBTOR. PLEASE READ THIS DOCUMENT WITH CARE.

THIS DISCLOSURE STATEMENT IS NOT A SOLICITATION FOR CAPITAL CONTRIBUTIONS TO THE DEBTOR FROM ANY ENTITY.

THE PLAN HAS NOT BEEN APPROVED OR DISAPPROVED BY ANY BANKRUPTCY COURT, THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE FAIRNESS OR MERITS OF THE PLAN OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

The historical information concerning the Debtor has been prepared by the Debtor to the best of its knowledge and belief and based upon information available to the Debtor such as filings made with the Bankruptcy Court and other courts and the Debtor does not vouch for its accuracy. The estimates of Claims set forth herein may vary from the final amounts of Claims allowed by the Bankruptcy Court. While every effort has been made to ensure the accuracy of all such information, the information presented herein is unaudited and has not been examined, reviewed or compiled by independent public accountants.

This Disclosure Statement contains a summary of certain provisions of the Plan and the transactions contemplated thereunder, and may contain descriptions of certain other related documents. While the Debtor believes that these summaries are fair and accurate, such summaries are qualified to the extent that they do not set forth the entire text of such documents. Reference is made to the Plan and the documents referred to herein and therein, if any, for a complete statement of the terms and provisions thereof. In the event of any inconsistency between the terms of the Plan and this Disclosure Statement, the terms of the Plan shall be controlling.

In reviewing the Plan and this Disclosure Statement, the reader should give special attention to "RISK FACTORS."

No statements or information concerning the Debtor or its assets, future business operations, results of operations or financial condition, are authorized by the Debtor other than as set forth in this Disclosure Statement and the exhibits hereto (including the Plan).

The statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified herein. The delivery of this Disclosure Statement shall not create, under any circumstances, an implication that there has been no change in the facts set forth herein since the date hereof.

This Disclosure Statement is intended for the sole use of Creditors and Interest Holders to make an informed decision about the Plan. Each holder of a Claim or Interest should review this Disclosure Statement and all exhibits hereto (including the Plan) before casting a ballot. Holders of Claims or Interests are urged to consult with their own legal and financial advisors.

No solicitation of votes to accept or reject the Plan may be made except pursuant to this Disclosure Statement and Section 1125 of the Bankruptcy Code. No Person has been authorized to use or promulgate any information concerning the Debtor or its business or the Plan, other than the information contained in this Disclosure Statement and the exhibits hereto. You should not rely on any information relating to the Debtor or its businesses or the Plan other than that contained in this Disclosure Statement and the exhibits hereto.

II. RECOMMENDATION

In opinion of the Debtor, the treatment of Creditors and Interest Holders under the Plan provides a greater possible recovery than is likely to be achieved under any other alternatives including liquidation under Chapter 7 of the Bankruptcy Code. See "ALTERNATIVES TO THE PLAN." The Debtor believes that in Chapter 7 liquidation, Administrative Expenses may not be paid and other than to the secured creditors, no creditor would receive any distributions on account of its Allowed Claim.

THE DEBTOR BELIEVES THAT CONFIRMATION OF THE PLAN IS IN THE BEST INTERESTS OF CREDITORS AND INTEREST HOLDERS, AND URGE EACH CREDITOR ENTITLED TO VOTE TO ACCEPT THE PLAN.

III. EVENTS LEADING TO CHAPTER 11

The Debtor is a New York corporation which has been engaged in the business of providing labor, material and services for asphalt and concrete paving for roadwork, curbs and sidewalks. The Debtor's customers have generally been municipalities, including the town

of Smithtown (öSmithtownö). In fact, the Debtor has worked under contracts with Smithtown since it was founded in 1994.

The Debtor's Rendering of Services for Smithtown Under Bid 08-050

In June 2008 the Debtor submitted a bid for roadwork, curbs, sidewalks, etc. to Smithtown (öBID 08-050ö). On April 30, 2009, Smithtown's purchasing director, Joseph Kostecki (öKosteckiö), acting on behalf of Smithtown, agreed to extend BID 08-050 up to and including June 17, 2010. From April 2009 through June 17, 2010, the Debtor continued to provide services to Smithtown in accordance with BID 08-050, and at the direction of the highway superintendent Glenn Jorgensen (öJorgensenö) and his foremen.

On May 19, 2010, Smithtown, by and through Kostecki, extended BID 08-050 up to and including June 30, 2011. On June 29, 2011, Kostecki, acting on behalf of Smithtown, sent the Debtor a purchase order dated June 29, 2011, in the sum of \$988,667.87 (öthe June 29, 2011 Purchase Orderö). The June 29, 2011 Purchase Order referenced BID 08-050 and described the services to be provided by the Debtor for Smithtown.

On June 30 2011, the Debtor received a work order from Jorgensen instructing the Debtor to perform certain work, labor and services for Smithtown. Between June, 2011 and October, 2011, the Debtor continued to perform work at the specific request of Smithtown, through its Highway Department. The work performed is documented by invoice numbers 214, 215, 236, 238, 239, 240, 242, 243, 244, and 246 (the öInvoicesö), and the total sum due to the Debtor \$497,212.25. In October 2011, the Invoices were submitted to the Smithtown's Purchasing Director, together with the required certified payroll.

Smithtown's Default in Paying the Debtor for the Work it Performed

On October 25, 2011, Smithtown remitted a partial payment, in the amount of \$55,544.99, to the Debtor. Smithtown alleged that this \$55,544.99 payment was for the sums owed on account of invoices numbers 242, 243, 244 and 246.

On November 18, 2011, Smithtown approved the claim voucher for all of the remaining unpaid Invoices. However, on or around December 14, 2011, the Debtor received a letter from John J. Morris, Town Comptroller of Smithtown, stating, in pertinent part:

This additional amount was for work done after your contract with the Town of Smithtown expired, therefore they cannot be paid.

On or about December 16, 2011, after Smithtown had still not paid the Invoices, counsel for the Debtor served a Notice of Claim upon Smithtown demanding that it turnover to the Debtor the sum of \$441,667.26 owed in connection with the services it provided under BID 08-050.

The Debtor's Commencement of Legal Proceedings to Collect its Account Receivable from Smithtown

Thereafter, the Debtor appeared for a General Municipal Law 50 hearing and commenced an action in the Supreme Court of the State of New York, County of Suffolk against Smithtown to collect the account receivable by submitting a motion for summary judgment in lieu of complaint pursuant to CPLR §3213 demanding judgment against Smithtown, in the sum of \$441,667.26. The state court denied the Debtor's motion for summary judgment in lieu of complaint.

On March 14 2013, the Debtor filed and served an amended verified complaint against Smithtown demanding the sum of \$441,667.26 representing the amount due for the unpaid invoices, and the sum of 336,125.79 as a result of debt incurred by the Debtor due to Smithtown's failure to pay the sum of \$441,667.26. Thereafter, Smithtown served a verified answer, together with affirmative defenses and counterclaims. On April 3, 2013, the Debtor filed a verified answer to Smithtown's counterclaims.

As a result of Smithtown's failure to pay the Debtor, on account of the Invoices, and due to the resulting cash flow crisis, the Debtor was unable to continue operating. Therefore, on April 6, 2016 (the "Petition Date"), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code with the Clerk of this Court.

IV. SIGNIFICANT EVENTS IN THE CHAPTER 11 CASE

A. Retention of Professionals

Section 327(a) of the Bankruptcy Code provides that a debtor in possession or a trustee, with the court's approval, may employ one or more accountants or other professional persons that do not hold or represent an interest adverse to the estate and that are disinterested persons to represent or assist the debtor in carrying out its duties under the Bankruptcy Code. 11 U.S.C. § 327(a).

By Order of the Bankruptcy Court dated June 7, 2013, the Debtor was authorized to retain the law firm Shafferman & Feldman LLP as its general bankruptcy counsel with regard to its chapter 11 case.

B. Claims Bar Date

In accordance with the requirements of Section 521 of the Bankruptcy Code and Bankruptcy Rule 3003(c)(3), the Debtor sought, by application, the entry of an Order of the Bankruptcy Court establishing a last date for the filing of claims against the Debtor for obligations which arose prior to the Petition Date. Thereafter, and by Order of the Bankruptcy Court dated June 30, 2016 (the "Bar Date Order"), the Bankruptcy Court directed that all proofs of claim for pre-Petition Date obligations (by non-government entities) be filed on or before August 29, 2016 (the "Bar Date"). Pursuant to the Bar Date Order, proofs of claim by government units are due by October 3, 2016.

A notice of the Bar Date was mailed to all known creditors of the Debtor. In addition to the liquidated, non-contingent and/or undisputed claims identified in the Schedules, a total of six (6) proofs of claim were filed against the Debtor as of the date hereof. The Debtor and its professionals are currently undertaking an analysis with regard to the scheduled and filed claims in an effort to reconcile the same.

C. Prosecution of the Smithtown Adversary Proceeding

On May 7, 2016, the Debtor filed a "Notice of Removal of a Pending State Court Action" (the "Removal Notice") under 28 U.S.C. §§1334(b) and 1452 of the Federal Rules of Bankruptcy Procedure. Pursuant to the Removal Notice, the Debtor removed the Action to the Bankruptcy Court for the Eastern District of New York. The Debtor is hoping to pay holders of Allowed claims in Class 3 through its successful prosecution of the Smithtown Adversary Proceeding.

On or around June 9, 2016, Smithtown filed motion seeking an order abstaining and remanding the Smithtown Adversary Proceeding to the state court (the "Abstention/Remand Motion"). A hearing on the Abstention/Remand Motion is scheduled to be held on July 13, 2016.

D. Sale of Equipment and Vehicles

In this liquidating Chapter 11 case, the Debtor expects to pay the holders of allowed claims in Classes 1 and 2 its creditors from the Net Sale Proceeds generated from the public auction sale of its equipment and vehicles (the "Assets"). On July 8, 2016, the Debtor filed a motion seeking permission to sell the Assets at public sale to the highest or best bidder(s) with such Liens to attach to the proceeds of sale pursuant to Bankruptcy Code sections 363(a), (b), (f) and (m) and Bankruptcy Rules 2002, 6004 and 9004(f).

V. SUMMARY OF THE PLAN

The following summary of the terms of the Plan is qualified in its entirety by reference to the provisions of the Plan, which is incorporated herein by reference.

A. CLASSIFICATION OF CLAIMS AND INTERESTS

Article 3 of the Plan classifies the various Claims against and Interests in the Debtor into five (5) classes of Claims and one (1) class of Interests:

Class 1-	Gold Coast Secured Claim
Class 2-	Other Secured Claims
Class 3-	General Unsecured Claims
Class 4-	Interests

As set forth in Article 2 of the Plan, pursuant to Section 1123(a)(1) of the Bankruptcy Code, Statutory Fees, Administrative and Priority Tax Claims against the

Debtor have not been classified. See "SUMMARY OF THE PLAN -- Treatment of Non-Classified Claims."

Because the amounts, if any that will be generated from the auction sale of the Property cannot be determined at this time, it is not clear as to which Classes of Claims will ultimately be impaired under the Plan.

Class 1 Gold Coast Secured Claim. Class 1 consists of the Allowed Secured Claim held by Gold Coast Bank, in the scheduled amount of \$427,483.65.

Class 2 –Other Secured Claims. Class 2 consists of the secured claims of Mercedes-Benz Financial and Komatsu Financial.

Class 3 - General Unsecured Claims. Class 3 consists of all Allowed Claims against the Debtor not including Statutory Fees, Administrative Claims, Priority Tax Claims, or Secured Claims, and includes any Allowed Deficiency Claims.

Class 4 - Interests. Class 6 consists of all Interests in the Debtor, all of which are held by Jacinto Dealmeida

B. TREATMENT OF CLAIMS AND INTERESTS CLASSIFIED UNDER THE PLAN

Articles 4 and 5 of the Plan provide for the treatment of impaired and unimpaired Claims and Interests classified in Article 3 of the Plan as follows:

5.1 Class 1 - Gold Coast Secured Claim. In full satisfaction, release and discharge of the Gold Coast Secured Claim, Gold Coast, as the holder of the Allowed Class 1 Claim, shall be paid the full Allowed amount of the Gold Coast Secured Claim in cash from the Net Sale Proceeds on the Initial Distribution Date in accordance with §1124(1) of the Bankruptcy Code.

5.2 Class 2 – Other Secured Claims. In full satisfaction, release and discharge of their secured claims, Mercedes-Benz Financial and Komatsu Financial as the holders of the Allowed Class 2 Claim, shall be paid the full Allowed amount of the Other Secured Claims in cash from the Net Sale Proceeds on the Initial Distribution Date in accordance with §1124(1) of the Bankruptcy Code.

5.3 Class 3 – General Unsecured Claims. To the extent that any funds are available from the Net Sale Proceeds, the Smithtown Litigation Fund, and/or cash on hand after full payment of all Statutory Fees, Allowed Administrative Claims, the Allowed Claims in Class 1 and Class 2, In full satisfaction, release and discharge of their general unsecured claims each holder of an Allowed Class 3 General Unsecured Claim shall be paid a Pro Rata Cash distribution of any remaining amounts on the earlier of: (i) the Initial Distribution Date or (ii) three business days after such Claim becomes an Allowed Claim, not to exceed payment in full plus interest at the legal rate.

5.6 Class 4 – Interests. On the Effective Date, all outstanding Interests in the Debtor shall be canceled and deemed terminated and of no force and effect and the

Holders of such Interests shall not be entitled to retain or receive any property on account of such Interest.

C. TREATMENT OF NON-CLASSIFIED CLAIMS

Pursuant to Section 1123(a)(1) of the Bankruptcy Code, the Plan does not classify Administrative Claims entitled to priority treatment under Section 507(a)(1) of the Bankruptcy Code or Claims of Governmental Units entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code. Article 2 of the Plan provides for the manner of treatment of such nonclassified Claims.

Statutory Fees. The Debtor has a statutory duty to pay all outstanding amounts that may be due to the United States Trustee upon Confirmation, together with any fees due pursuant to 28 U.S.C. §1930(a)(6) through the date of the entry of a final decree closing the chapter 11 case, conversion of the case to chapter 7 or dismissal of the case. As of the date hereof, the Debtor is current with regard to its obligations to the United States Trustee. Statutory Fees that are due on or prior to the Effective Date of the Plan shall be paid on the Effective Date or as soon thereafter as reasonably practicable. Statutory Fees that may become due after the Effective Date shall be paid as they become due by the Debtor until the entry of a final decree closing the chapter 11 case, conversion of the case to chapter 7 or dismissal of the case.

Administrative Claims. Administrative Claims are defined as the costs and expenses of administration of this Case, allowable under Section 503(b) of the Bankruptcy Code, other than Bankruptcy Fees. Administrative Claims include Claims for the provision of goods and services to the Debtor after the Petition Date, the liabilities incurred in the ordinary course of the Debtor's business after the Petition Date, Claims of professionals, such as attorneys, appraisers, and accountants, retained pursuant to an order of the Bankruptcy Court, for compensation and reimbursement of expenses under Section 330 of the Bankruptcy Code, and tax claims for the period from the Petition Date to the Effective Date of the Plan.

Subject to the provisions of Article 8 of the Plan with respect to Disputed Claims, each Administrative Claim, to the extent not previously paid, shall be paid by the Disbursing Agent in Cash in full on (i) the later of (a) the Effective Date, (b) the date payment of such Claim is due under the terms thereof or applicable law, or (c) three (3) business days after such Claim becomes an Allowed Administrative Claim or (ii) as may be otherwise agreed in writing by the holder of such Claim; provided, however, that any Administrative Claim incurred by the Debtor in the ordinary course of its business shall be paid in full in accordance with the terms and conditions of the particular transaction giving rise to such Administrative Claim and any agreements relating thereto by the Receiver or the Debtor.

Professionals' Fees. Section 330 of the Bankruptcy Code sets the standard for the determination by the Bankruptcy Court of the appropriateness of fees to be awarded to Professionals retained in a case under the Bankruptcy Code. All Professionals shall file final applications for approval of compensation and reimbursement of reasonable and necessary expenses pursuant to Section 330 of the Bankruptcy Code no later than thirty

(30) days following the Effective Date. Any such application timely filed shall be deemed to be an Administrative Claim, subject to the entry of a Final Order by the Bankruptcy Court approving such application. Objections to any Professional's application for compensation or reimbursement must be timely filed and served upon such Professional, counsel to the Debtor in accordance with the Bankruptcy Rules or any order entered by the Bankruptcy Court. Upon entry of a Final Order approving an application, the fees shall be paid within three (3) days thereafter or in accordance with this Plan or as otherwise agreed to in writing by the Professional.

Priority Tax Claims. Generally, Priority Tax Claims are (subject to certain timing and date of assessment limitations) unsecured claims of "governmental units" (as defined in the Bankruptcy Code) based upon: (a) taxes measured by income or gross receipts; (b) property taxes; (c) withholding taxes; (d) employment taxes; (e) excise taxes; (f) customs duties; and (g) penalties based on actual pecuniary losses relating to the foregoing. These Priority Tax Claims include, among others, all taxes measured by income or gross receipts attributable to the three-year period immediately preceding the Petition Date (*i.e.*, from April 24, 2010 through the Petition Date).

In full satisfaction, release and discharge, the holders of Allowed Priority Tax Claims shall be paid in Cash in full on the later of (i) the Effective Date, or (ii) three business days after such Claim becomes an Allowed Priority Tax Claim.

D. DISPUTED CLAIMS AND INTERESTS

Article 8 of the Plan contains a mechanism for resolving disputes concerning the amount of certain Claims or Interests asserted against the Debtor or its estate by any Entity.

Time to Object. Unless otherwise ordered by the Bankruptcy Court the Debtor may file and serve any objection to any Claim or Interest at any time, but in no event after the later to occur of (i) 180 days following the Initial Distribution Date, (ii) 180 days after the date proof of such Claim or Interest or a request for payment of such Claim is filed.

Prosecution of Objections. After the Effective Date, only the Debtor shall have authority to settle, compromise, withdraw or resolve objections to Claims.

Disallowance. Except as provided in Section 6.1 of the Plan, any Disputed Claim for which no proof of claim has been filed on or prior to the Bar Date shall be disallowed and expunged as of the Effective Date.

E. DISTRIBUTIONS UNDER THE PLAN

Article 8 contains provisions governing the making of distributions on account of Claims and Interests. In general, any payments, distributions or other performance to be made pursuant to the Plan on account of any Allowed Claim or Allowed Interest shall be deemed to be timely made if made on or within five (5) days following the later of (i) the Effective Date or (ii) the expiration of any applicable objection deadline with respect to

Disputed Claims or Interests or (iii) such other times provided in the Plan. All Cash payments to be made by the Disbursing Agent pursuant to the Plan shall be made by check drawn on a domestic bank.

Disbursing Agent. The Debtor shall be the Disbursing Agent to make distributions under the Plan. Pursuant to the terms of the Plan, 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.

Distributions to holders of Allowed Claims and Allowed Interests shall be made: (1) at the addresses set forth on the Proofs of Claim or Proofs of Interests filed by such holders; (2) at the addresses set forth in any written notices of address changes delivered to the Disbursing Agent after the date of any related Proof of Claim; or (3) at the address reflected in the Schedules if no Proof of Claim or Proof of Interest is filed and the Disbursing Agent has not received a written notice of a change of address. If the distribution to the holder of any Claim or Interest is returned to the Disbursing Agent as undeliverable, no further distribution shall be made to such holder unless and until the Disbursing Agent is notified in writing of such holder's then current address. The Disbursing Agent shall not be required to attempt to locate any holder of an Allowed Claim or an Allowed Interest.

F. UNCLAIMED DISTRIBUTIONS

Any Cash or other property to be distributed under the Plan that is unclaimed shall be reallocated to those Creditors with Allowed Claims in the same class of Creditor whom such distribution was initially made. Such reallocation shall be made after the expiration of (i) three months after the Effective Date and such funds remain unclaimed or (ii) thirty days after an Order allowing the Claim of that Entity becomes a Final Order, and such Entity's claim shall be deemed to be reduced to zero.

G. DISTRIBUTIONS WITH RESPECT TO DISPUTED CLAIMS

During the pendency of any objection to any Claim or Interest, no distribution under the Plan will be made to the holder of such Claim or Interest. There will be set aside and reserved on behalf of such Disputed Claim or Interest, however, such cash or property as the holder thereof would be entitled to receive in the event such Claim or Interest was an Allowed Claim or an Allowed Interest on the date of such distribution. On any date that distributions are to be made under the terms of the Plan, the Disbursing Agent shall deposit in one or more segregated accounts, Cash or property equal to 100% of the Cash or property that would be distributed on such date on account of Disputed Claims as if each such Disputed Claim were an Allowed Claim but for the pendency of a dispute with respect thereto, including, but not limited to (i) Disputed Claims that may be entitled to treatment as Administrative Expenses or as priority claims pursuant to Sections 503 and 507 of the Bankruptcy Code, (ii) claims of Governmental Units for any tax and (iii) any amount due but not payable on the Effective Date on account of Administrative Expenses or claims entitled to priority pursuant to Sections 503 and 507 of the Bankruptcy Code). The Disbursing Agent may also segregate any interest, dividends

or proceeds of such Cash. Such Cash together with any interest, dividends or proceeds thereof, be held in trust for the benefit of the holders of all such Disputed Claims pending determination of their entitlement thereto.

Within three (3) business days after the entry of a Final Order resolving an objection to a Disputed Claim, the Disbursing Agent shall distribute all Cash or property, including any interest, dividends or proceeds thereof, to which a holder is then entitled, if any, with respect to any formerly Disputed Claim that has become an Allowed Claim. To the extent practicable, the Disbursing Agent may invest any Cash or other property segregated on account of a Disputed Claim, Disputed Interest, undeliverable distribution, or any proceeds thereof (i) in a manner that will yield a reasonable net return taking into account the safety of the investment or (ii) in any manner permitted by Section 345 of the Bankruptcy Code; provided, however, that the Disbursing Agent shall be under no obligation to so invest such Cash or proceeds and shall have no liability to any party for any investment made or any omission to invest such Cash, other property or proceeds.

H. COMPLIANCE WITH TAX REQUIREMENTS

In connection with the Plan, the Disbursing Agent, shall comply with all withholding and reporting requirements imposed by federal, state and local taxing authorities and distributions under the Plan shall be subject to such withholding and reporting requirements; provided, however, that the transfer of any Cash, property or other interest hereunder shall not be subject to any federal, state or local tax to the fullest extent provided under Section 1146 of the Bankruptcy Code.

I. EFFECTIVE DATE

The Effective Date of the Plan is defined to mean the later of: (i) one Business Day after the Confirmation Order becomes a Final Order; or (ii) the date all conditions to the Effective Date have been satisfied or waived by the entity entitled by the Plan to waive such condition.

J. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

All Executory Contracts, to the extent not previously rejected or assumed or designated to be assumed and assigned pursuant to Section 7(iv)(c) hereof, shall be deemed rejected on Confirmation effective as of the Effective Date. Any claim for damages arising from such rejection shall be filed with the Court no later than thirty (30) days after receipt of notice of the occurrence of the Effective Date.

K. IMPLEMENTATION

Except as set forth elsewhere in this Plan all payments required to be made under this Plan shall be made by the Disbursing Agent in accordance with the terms of this Plan from the Net Sale Proceeds, Smithtown Litigation Fund, and any Cash on hand with the Receiver or the Debtor.

L. MANAGEMENT OF THE DEBTOR

On and after the Effective Date the management of the Debtor's affairs shall vest in the Debtor, as it winds down its affairs under applicable state law.

M. PRESERVATION OF RIGHTS OF ACTION

Except as otherwise provided in the Plan, or in any contract, instrument, release or other agreement entered into in connection with the Plan, the Debtor shall retain, and in accordance with its determination of the best interest of the estate, may enforce any claims, rights and causes of action (i) arising under Sections 510 and 544 through 550 of the Bankruptcy Code or (ii) belonging to the Debtor as of the Petition Date, or the Estate of the Debtor, and arising under any provision of state or federal law, or any theory of statutory or common law or equity, including, but not limited to, any cause of action asserted, or which may hereafter be asserted. Any recovery received by the Debtor

through the prosecution, settlement or collection of any such claim, right or cause of action, shall be used to satisfy Allowed Claims under the terms of the Plan.

N. MODIFICATION AND REVOCATION OF THE PLAN

The Plan may be altered, amended or modified by the Debtor at any time before the substantial consummation of the Plan, as provided in Sections 1101(a) and 1127 of the Bankruptcy Code and Bankruptcy Rule 3019. Section 1127 of the Bankruptcy Code authorizes the proponent of a plan of reorganization to modify such plan at any time prior to confirmation of the plan so long as the plan, as modified, continues to meet certain requirements of Sections 1122 and 1123 of the Bankruptcy Code with respect to the classification of Claims and Interests and the contents of a plan. Prior to Confirmation, if a proponent files modifications to a plan, pursuant to Section 1127(a) "the plan as modified becomes the plan." No order of the Court is required to modify the Plan under the terms of Section 1127(a); however, the proponent of a modification to a plan must comply with Section 1125 of the Bankruptcy Code with respect to the plan as modified. In other words, if a modification materially alters the treatment of any Creditor or Interest Holder who has accepted the Plan, the Debtor will be required to make additional disclosures to those Creditors or Interest Holders whose treatment has been materially and adversely altered and give such Creditors or Interest Holders an opportunity to change their votes.

The Debtor may revoke or withdraw the Plan at any time prior to entry of the Confirmation Order. If the Debtor revokes or withdraws the Plan, or if no Confirmation Order is entered, the Plan shall be null and void, and nothing contained in the Plan shall constitute a waiver or release of any Claims by or against, or any Interest in, the Debtor; or prejudice in any manner the rights of the Debtor in any further proceedings involving the Debtor.

O. RETENTION OF JURISDICTION

The Plan contains detailed provisions providing for the retention of jurisdiction by the Bankruptcy Court over the Case for the purposes of, *inter alia*, determining all disputes relating to Claims or Interests and other issues presented by or arising under the interpretation, implementation or enforcement of the Plan, and to determine all other matters pending on the date of confirmation.

P. RISK FACTORS

The Plan is a liquidating Plan and as such the Debtor believes that after the sale of the Property the Debtor will not have any remaining business to administer except the distributions due under the Plan from the sale proceeds and miscellaneous assets such as claims arising under Sections 544 through 550 of the Bankruptcy Code with respect to pre and post-petition transfers of its assets.

Therefore the Debtor believes that the confirmation of the Plan is not likely to be followed by further financial reorganization of the Debtor.

VI. VOTING INSTRUCTIONS

A Creditor or Interest Holder who is entitled to vote may accept or reject the Plan by executing and returning to the Balloting Agent (as defined below) the ballot (a "Ballot") that was sent out with this Disclosure Statement. See "VOTING INSTRUCTIONS -- Who May Vote." The following instructions govern the time and manner for filing Ballots accepting or rejecting the Plan, withdrawing or revoking a previously filed acceptance or rejection, who may file a Ballot, and procedures for determining the validity or invalidity of any Ballot received by the Balloting Agent.

A. DEADLINE FOR RECEIPT OF BALLOTS

The solicitation period for votes accepting or rejecting the Plan will expire at 5:00 p.m., Prevailing Eastern Time, on by **October 1, 2016 at 5:00 p.m.** (the "Voting Deadline"). A Ballot accepting or rejecting the Plan must be received no later than that date and time or it will not be counted in connection with the Confirmation of the Plan or any modification thereof.

B. BALLOTING AGENT

All votes to accept or reject the Plan must be cast by using the Ballot. Executed Ballots should be returned by **October 1, 2016 at 5:00 p.m.**, the Voting Deadline, to:

Shafferman & Feldman LLP
137 Fifth Avenue, 9th Floor
New York, New York 10010
Attn: Joel M. Shafferman, Esq.

(the "Balloting Agent"). A Creditor or Interest Holder entitled to vote who has not

received a Ballot, or whose Ballot has been lost, stolen or destroyed, may contact the Balloting Agent at the address indicated above, or call Joel M. Shafferman, Esq., at (212) 509-1802.

C. WHO MAY VOTE - IN GENERAL

Claims in Classes 1 and 2 are not impaired under the Plan and, thus, are assumed to have accepted the Plan. Allowed Claims in Class 4 is impaired and, thus, holders of Claims in Class 3 is being solicited and is entitled to vote to accept or reject the Plan. The holder of Interests in Class 3 is deemed to have rejected the Plan.

Ballots Executed in a Representative or Fiduciary Capacity. Ballots executed by executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, must indicate the capacity in which such person executed the Ballot and, unless otherwise determined by the Debtor, must submit proper evidence satisfactory to the Debtor of their authority to so act.

Voting Multiple Claims and Interests. A single form of ballot is provided for each Class of Claims. Any Person who holds Claims in more than one Class is required to vote separately with respect to each Class in which such Person holds Claims.

D. PENDING OBJECTIONS

No Ballot cast with respect to any Claim which is the subject of a pending objection will be counted for purposes of determining whether the Plan has been accepted or rejected, unless the Bankruptcy Court orders otherwise.

E. DEFECTS OR IRREGULARITIES

ANY EXECUTED AND TIMELY FILED BALLOT WHICH DOES NOT INDICATE EITHER ACCEPTANCE OR REJECTION OF THE PLAN SHALL BE DEEMED TO BE NEITHER AN ACCEPTANCE NOR A REJECTION OF THE PLAN AND SHALL BE DEEMED NOT TO HAVE BEEN CAST.

Where more than one timely and properly completed Ballot is received, the Ballot which bears the latest date will be counted.

Subject to a Court order, the Debtor reserves the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured prior to the deadline for filing timely Ballots. Neither the Debtor nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots, nor will any of them incur any liability for failure to provide such notification. All questions as to the validity, form, eligibility (including the time of receipt), acceptance and revocation or withdrawal of Ballots will be determined by the Bankruptcy Court, upon motion and upon such notice and hearing as is appropriate under the circumstances. Unless otherwise directed by the Bankruptcy Court, delivery of Ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots as to which any irregularities have not been cured or waived will not be

counted toward the acceptance or rejection of the Plan. At the conclusion of the balloting period, the Debtor will file a report, along with the Ballot Certification, identifying any defective or irregular Ballots that it has not counted.

F. REVOCATION OF PREVIOUSLY FILED ACCEPTANCES OR REJECTIONS

Subject to an Order of the Bankruptcy Court, any Creditor who has delivered a valid Ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Balloting Agent at any time prior to the Voting Deadline.

A notice of withdrawal, to be valid, must (i) describe the Claim represented by such Claim, (ii) be signed by the Creditor as the case may be, in the same manner as the Ballot was signed and (iii) be received by the Balloting Agent on or before the Voting

Deadline. The Debtor reserves the absolute right to contest the validity of any such withdrawals of Ballots.

VII. ACCEPTANCE AND CONFIRMATION

A. CONFIRMATION HEARING

The Bankruptcy Code requires that the Bankruptcy Court, after notice, hold a hearing to consider confirmation of the Plan. The Confirmation Hearing is scheduled to commence on **October , 2016 at 1:30 p.m.**, before the Honorable Robert E. Grossman, United States Bankruptcy Judge, in the United States Bankruptcy Court, Eastern District of New York, Alfonse M. D'Amato U.S. Courthouse, 290 Federal Plaza, Courtroom 860, Central Islip, New York 11722. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the Confirmation Hearing.

The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed and served so as to be received on or before October , 2016 at 5:00 p.m. Prevailing Eastern Time by: (i) Shafferman & Feldman LLP, 137 Fifth Avenue, 9th Floor, New York, New York 10010, Attn: Joel M. Shafferman, Esq. and (ii) Office of the United States Trustee, Alfonse M. D'Amato U.S. Courthouse, 290 Federal Plaza, Central Islip, New York 11722.

B. REQUIREMENTS FOR CONFIRMATION

At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of Section 1129 of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. These requirements include determinations by the Bankruptcy Court that: (i) the Plan has classified Claims and Interests in a permissible manner, (ii) the contents of the Plan comply with various requirements of the Bankruptcy Code, (iii) the Plan has been proposed in good faith, (iv) the Debtor and East Tremont have made disclosures concerning the Plan that are adequate

and include information concerning all payments made or promised in connection with the Plan and the Case, (v) the Plan is in the best interest of all Creditors and Interest Holders, (vi) the Plan is feasible, and (vii) the Plan has been accepted by the requisite number and amount of Creditors or Interest Holders in each Class entitled to vote on the Plan, or that the Plan may be confirmed without such acceptances. The Debtor and East Tremont believe that all of these conditions have been or will be met prior to the Confirmation Hearing.

Best Interest Test. The so-called best interest test requires that each impaired Creditor and impaired Interest Holder either (a) accepts the Plan or (b) receives or retains under the Plan property of a value, as of the Effective Date of the Plan, that is not less than the value such entity would receive or if the Debtor were to be liquidated under Chapter 7 of the Bankruptcy Code.

Should the Plan or an alternative plan not be confirmed, the Debtor believes that the Debtor's case may be converted to Chapter 7. A sale of the Property under Chapter 7 would not, in the Debtor's view, generate sufficient proceeds to satisfy all Secured Claims, Priority Claims and/or Administrative Claims and also provide for a Pro Rata distribution to Allowed General Unsecured Claims.

To determine what the holders in each Impaired Class of Claims or Interest would receive if the Debtor were liquidated under Chapter 7, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtor's assets and properties in a Chapter 7 liquidation case. The amount that would be available for satisfaction of Allowed Claims against and Allowed Interests in the Debtor would consist of the proceeds resulting from the disposition of the Debtor's assets, augmented by the cash held by the Debtor at the commencement of the Chapter 7 case which in this case is minimal. Such amount would be reduced by the amount of any Claim or Claims secured by the Debtor's assets, the costs and expenses of the liquidation, and such additional Administrative Claims and Priority Claims that may result from the termination of the Debtor's business.

The costs of liquidation under Chapter 7 would become Administrative Claims with the highest priority against the proceeds of liquidation. Such costs would include the fees payable to attorneys, financial advisors, appraisers, accountants and other professionals that a Chapter 7 trustee may engage to assist in the liquidation. In addition, Chapter 7 costs would include any liabilities incurred or assumed pursuant to the transactions necessary to effectuate the liquidation of the Property. Moreover, claims entitled to administrative priority may arise by reason of any breach or rejection of any executory contracts entered into by the Debtor during the pendency of the case in Chapter 11.

After satisfying Administrative Claims arising in the course of the Chapter 7 liquidation, the proceeds of the liquidation would then be payable to satisfy any unpaid expenses incurred during the time this Case was pending under Chapter 11, including compensation for attorneys, financial advisors, appraisers, accountants and other professionals retained by the Debtor.

After consideration of the effects that a Chapter 7 liquidation would have on the proceeds available for distribution including (i) the increased costs and expenses of a Chapter 7 liquidation arising from fees payable to the attorneys, financial advisors, appraisers, accountants and other professionals that a Chapter 7 trustee may engage to assist in the liquidation, (ii) the erosion in value of the Debtor's assets in a Chapter 7 case in the context of the expeditious liquidation required under Chapter 7 and the "forced sale" atmosphere that would prevail, and (iii) the potential increase in Claims which would be satisfied on a priority basis or on a parity with the Claims of general Unsecured Creditors, the Debtor believes that holders of Claims in impaired Classes would be unlikely to receive any distribution on account of their Claims except under the Plan.

Liquidation Analysis. The Debtor has concluded that the Plan provides to each Creditor a recovery with a present value greater than the present value of the distribution which such Creditor would receive if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code. Although a liquidation analysis estimating distributions under a hypothetical liquidation of a debtor's assets is commonly submitted in support of a proposed plan, here where the Debtor's assets are to be sold under a Plan and the proceeds distributed in accordance with the priority scheme established under the Bankruptcy Code and applicable non-bankruptcy law, the actual liquidation value will be established and a hypothetical analysis will serve little purpose.

The Debtor believes that in the event the Debtor's assets were sold in Chapter 7 liquidation, all of the proceeds would go to a portion, if not all, to East Tremont's Secured Claim and possibly, a portion for Administrative Claims. In such event, no funds would be remaining for the Unsecured Creditors, thus no Creditor would receive a distribution in a Chapter 7 case.

Feasibility. For the Plan to be confirmed, it must be demonstrated that consummation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor. Because the Plan contemplates the sale of the Debtor's Assets and prosecution of its claim against Smithtown, feasibility is not relevant.

Confirmation With the Acceptance of Each Impaired Class. The Plan may be Confirmed if each impaired Class of Claims or Interests accepts the Plan. Classes of Claims or Interests which are not impaired are deemed to have accepted the Plan. A Class is impaired if the legal, equitable or contractual rights attaching to the Claims or Interests of that Class are modified other than by curing defaults and reinstating maturities or by payment in full in cash.

Holders of Claims impaired by the Plan are entitled to file Ballots accepting or rejecting the Plan. Holders of Claims or Interests not impaired by the Plan, are deemed to accept the Plan, and may not vote to accept or reject the Plan. Holders of Claims or Interests that will neither receive nor retain any property under the Plan and are deemed to reject the Plan.

The Bankruptcy Code defines acceptance of a plan by a Class of Claims as

acceptance by the holders of two-thirds in dollar amount and a majority in number of Claims of that Class. Only those Claims, the holders of which actually vote to accept or reject the Plan, are counted for the purpose of determining whether the requisite number and amount of acceptances have been received.

With respect to Unsecured Claims, the absolute priority rule allows the confirmation of a Plan over the rejection of a class of Unsecured Claims if the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the Plan on account of such junior claim or interest any property.

Confirmation Without the Acceptance of Each Impaired Class. In the event that any impaired Class of Claims or Interests does not accept the Plan, the Bankruptcy Court may nevertheless confirm the Plan at the request of the Debtor and East Tremont if (i) all other requirements of Section 1129(a) of the Bankruptcy Code are satisfied, (ii) at least one impaired Class of Claims votes to accept the Plan without regard to any vote cast on account of a Claim held by insiders (as defined in the Bankruptcy Code) and (iii) as to each impaired Class which has not accepted the Plan, the Bankruptcy Court determines that the Plan does not discriminate unfairly and is fair and equitable with respect to such non-accepting Class. The Debtor believes that the Plan is in the best interest of all Creditors and strongly recommend that all parties entitled to vote cast their ballots in favor of accepting the Plan. Nevertheless, out of an excess of caution, pursuant to the Plan, the Debtor has requested that the Court confirm the Plan over the rejection of any non-accepting class in the event all other elements of Section 1129(a) are satisfied.

A plan does not discriminate unfairly if the legal rights of a non-accepting class are treated in a manner that is consistent with the treatment of other classes whose legal rights are intertwined with those of the non-accepting class, and no class receives payments in excess of that which it is legally entitled to receive for its Claims or Interests. The Debtor believes that under the Plan all classes of Impaired Claims and Impaired Interests are treated in a manner that is consistent with the treatment of other classes of Claims and Interests with which their legal rights are intertwined, if any, and no class of Claims or Interests will receive payments or Property with an aggregate value greater than the aggregate value of the Allowed Claims and Allowed Interests in such class. Accordingly, the Debtor believes the Plan does not discriminate unfairly as to any impaired class of Claims or Interests.

Whether the Plan is fair and equitable depends upon the application of the so-called absolute priority rule. Subject to certain exceptions, this rule, codified in Section 1129(b)(2) of the Bankruptcy Code, generally requires that an impaired Class of Claims or Interests that has not accepted the Plan must be paid in full if a more junior class receives any distribution under the Plan.

With respect to Unsecured Claims, the absolute priority rule allows the confirmation of a Plan over the rejection of a class of Unsecured Claims if the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the Plan on account of such junior claim or interest any property.

VIII. EFFECT OF CONFIRMATION

A. NO DISCHARGE OF DEBTOR

In accordance with section 1141(d)(3)(A) and (B) of the Bankruptcy Code, on the Effective Date the Debtor shall be not receive a discharge.

B. LIMITATION OF LIABILITY

Section 1125(e) of the Bankruptcy Code, commonly referred to as the "safe harbor", protects persons acting in good faith from civil claims arising in connection with solicitations of acceptances of plans of reorganization or participating in the offer, issuance, sale or purchase of a security under the Plan. Pursuant to Section 1125(e), as set forth in Article 9 of the Plan, the Debtor, its Interest Holders, officers, managers, directors, any of its agents or employees (acting in such capacity) and any professional person employed by any of the Debtor shall have the protections afforded by section 1125(e) of the Bankruptcy Code.

C. INJUNCTION

Except as otherwise provided in the Plan or the Confirmation Order, the entry of the Confirmation Order, shall constitute an injunction against the commencement or continuation of any action, the employment of process, or any act, to collect, recover or offset from the Debtor's property transferred under the Plan.

IX. ALTERNATIVES TO THE PLAN

If the Plan is not confirmed by the Bankruptcy Court the alternatives may include (a) liquidation of the Debtor under Chapter 7 of the Bankruptcy Code or (b) the promulgation and confirmation of an alternative plan of reorganization.

As discussed at length above, the Debtor believes that the Plan provides a recovery to all Creditors equal to or greater than would be obtainable in a Chapter 7 liquidation.

X. CERTAIN FEDERAL INCOME TAX CONSEQUENCES

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 particular circumstances pertaining to each holder of an Allowed General Unsecured Claim. Each holder of an Allowed General Unsecured Claim is urged to consult his own tax advisors. This summary does not cover all potential U.S. federal income tax consequences that could possibly arise under the Plan and does not address the Plan's U.S. federal income tax consequences for any holder of an General Unsecured Claim that is a partnership (or other pass-through entity) or otherwise subject to special tax rules.

This summary is based upon the laws in effect on the date of this Disclosure Statement and existing judicial and administrative interpretations thereof, all of which are subject to change, possibly with retroactive effect. Holders of Allowed General

Unsecured Claims should consult their own tax advisors as to the Plan's specific federal, state, local and foreign income and other tax consequences.

In the event of a distribution to Class 5 General Unsecured Claims, each Holder will recognize gain or loss upon the receipt of such pro-rata share equal to the difference, if any, between the amount realized by such Holder and the Holder's adjusted basis in his, her or its Allowed Unsecured Claim. Any gain or loss realized by a Holder should constitute ordinary income or loss to her unless the General Unsecured Claim is a capital asset. If a General Unsecured Claim is a capital asset, and it has been held for more than one year, such Holder will realize long term capital gain or loss.

The tax consequences to Holders will differ and will depend on factors specific to each Holder, including but not limited to: (i) whether the Holder's General Unsecured Claim (or portion thereof) constitutes a claim for principal or interest; (ii) the origin of the Holder's Claim; (iii) the type of consideration received by the Holder in exchange for the Unsecured Claim; (iv) whether the Holder is a United States person or foreign person for tax purposes; (v) whether the Holder reports income on the accrual or cash basis method; (vi) whether the Holder has taken a bad debt deduction or otherwise recognized loss with respect to a General Unsecured Claim.

THERE ARE MANY FACTORS WHICH WILL DETERMINE THE TAX CONSEQUENCES TO EACH HOLDER. FURTHERMORE, THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX, AND IN SOME CASES, UNCERTAIN. THEREFORE IT IS IMPORTANT THAT EACH HOLDER OBTAIN HIS, HER OR ITS OWN TAX ADVICE REGARDING THE TAX CONSEQUENCES TO SUCH HOLDER AS A RESULT OF THE PLAN.

THE DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY HOLDER FOR THE PURPOSE OF AVOIDING TAX PENALTIES THAT MAY BE IMPOSED ON A TAX PAYER. THE DISCUSSION HEREIN WAS WRITTEN TO SUPPORT THE TRANSACTIONS DESCRIBED IN THIS DISCLOSURE STATEMENT. EACH HOLDER SHOULD SEEK ADVICE BASED UPON THE HOLDER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

XI. ADDITIONAL INFORMATION

Requests for information and additional copies of this Disclosure Statement, the Ballots and the other materials delivered together herewith and all deliveries, correspondence and questions, as the case may be, relating to the Plan should be directed to either the Debtor's counsel, Shafferman & Feldman LLP, 137 Fifth Avenue, 9th Floor, New York, New York 10010, Attn: Joel M. Shafferman, Esq., (212) 509-1802.

Copies of all pleadings, orders, lists, schedules, proofs of claims or other documents submitted in these cases are on file in the Office of the Clerk of the United States Bankruptcy Court, at the United States Bankruptcy Court, Eastern District of New

