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UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF NEW YORK

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*In re:*

Chapter 11  
Case No.: 8-16-71519

THE GREAT AMERICAN VENDING  
MACHINE, INC.

Debtor.

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**DEBTOR'S DISCLOSURE STATEMENT**

This Disclosure Statement is filed pursuant to Section 1125 of Title 11, United States Code, on behalf of The Great American Vending Machine, Inc. (the "Debtor"), the debtor and debtor-in-possession.

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

**A. INTRODUCTION/NOTICE OF HEARING AND SOURCE OF INFORMATION**

Pursuant to Section 1125 of Title 11 of the United States Code (the "Bankruptcy Code"), the Debtor in this Chapter 11 case, provides this Disclosure Statement (the "Disclosure Statement") to all of its known creditors and other parties in interest in order to provide information deemed by the Debtor to be material and necessary to enable such creditors and parties in interest to make a reasonable informed decision in the exercise of their rights to vote on and participate in the Debtor's Plan of Reorganization (the "Plan"). The Plan is annexed hereto as Exhibit "A".

Terms utilized in this Disclosure Statement, if not defined herein, shall have the same

meaning as such terms are used or defined in the Plan unless the context hereof requires a different meaning.

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

**THE BANKRUPTCY COURT HAS SET \_\_\_\_\_ AT \_\_\_\_\_ .M. AS THE DATE AND TIME OF THE HEARING ON CONFIRMATION OF THE DEBTOR'S PLAN AND OBJECTIONS THERETO, WHICH HEARING WILL BE HELD IN THE UNITED STATES BANKRUPTCY COURT, EASTERN DISTRICT OF NEW YORK, 290 FEDERAL PLAZA, CENTRAL ISLIP, NY 11743. CREDITORS OF, AND HOLDERS OF INTERESTS IN THE DEBTOR MAY ATTEND SUCH HEARING. THE BANKRUPTCY COURT HAS SET \_\_\_\_\_ AT 4:00 P.M. AS THE DATE AND TIME BY WHICH ALL WRITTEN OBJECTIONS TO CONFIRMATION OF THE PLAN SHALL BE FILED WITH THE BANKRUPTCY COURT AND SERVED UPON THE DEBTOR'S ATTORNEYS, AND UPON THE UNITED STATES TRUSTEE.**

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

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

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

**THE PLAN OFFERS GENERAL UNSECURED CREDITORS THE OPPORTUNITY TO OBTAIN A DISTRIBUTION OF APPROXIMATELY 5% OF THEIR ALLOWED CLAIMS IN EQUAL QUARTERLY INSTALLMENTS OVER A PERIOD OF FIVE (5) YEARS. CONVERSELY, AS NOTED IN THE DEBTOR'S LIQUIDATION ANALYSIS, NO DISTRIBUTION WOULD LIKELY BE AVAILABLE TO UNSECURED CREDITORS IN A CHAPTER 7 LIQUIDATION OF THE DEBTOR.**

**ACCORDINGLY, THE DEBTOR BELIEVES THAT CONFIRMATION OF THE PLAN IS IN THE BEST INTEREST OF CREDITORS AND RECOMMENDS THAT CREDITORS ACCEPT THE PLAN.**

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

**B. DEBTOR'S BUSINESS AND ITS HISTORY**

The Debtor is a New York corporation which owns and operates a bulk vending machine company selling gum and novelty toys through the use of coin operated vending machines and buying and selling bulk vending machines primarily in New York but also in other states including New Jersey, Connecticut, Massachusetts, Pennsylvania and Delaware. These machines are placed in various locations including supermarkets, laundromats, diners, movie theaters and bowling alleys.

Among the Debtor's key locations were supermarkets and grocery stores owned by the A&P Company ("A&P") which included Waldbaums, Pathmark, Superfresh, Food Basics, and Food Emporium. In July of 2015, A&P filed for bankruptcy protection. As a result, the Debtor was required to remove its machines from these key locations resulting in a loss of approximately 30-40% of its business. In addition to this serious downturn, the Debtor was involved in litigation with Aikido For Kids, Inc., ("Aikido") the purchaser of several of its vending routes resulting in a judgment against it in the amount \$344,301.67. Aikido then sought the appointment of a receiver to take over the operations of the Debtor. As a result of the foregoing, the Debtor was required to file the instant Chapter 11 case.

**C. HISTORY OF THE DEBTOR'S CHAPTER 11 CASE**

The Debtor commenced this chapter 11 by filing a voluntary petition, pursuant to Chapter 11 of the Bankruptcy Code, with the Bankruptcy Court for the Eastern District of New York, on the April 7, 2016 (the "Petition Date"). Since the Petition Date, the Debtor has continued in the operation and management of its business.

Immediately following the commencement of the case, the Debtor moved for authority to use Cash Collateral in which JPMorgan Chase Bank, NA ("Chase") and Lawrence H. Krasnow and Dianne R. Krasnow, Trustee of the Dianne Krasnow Trust Dated February 13, 1995 (the "Trust") asserted security interests. The Debtor's use of Cash Collateral has continued through a series of interim orders authorizing the Debtor's use of cash collateral that have been entered by this Court.

The Debtor also moved for an order seeking the retention of Pryor & Mandelup, LLP ("P&M") as counsel to the Debtor as well as seeking the retention of Giambalvo, Stalzer & Company, CPA's, PC ("GSC") as accountants to the Debtor. The order granting the application authorizing the Debtor to retain P&M was entered on May 5, 2016 and the order granting the application to retain GSC was entered on June 29, 2016.

On May 26, 2016 the Court entered an order setting the last date to file proofs of claim in connection with this Chapter 11 case. Pursuant to the terms of the order, all persons and entities, except governmental units, that could assert a claim against the Debtor which arose prior to the Petition Date was required to file a proof of claim on or before May 26, 2016. Proof of claims for governmental units was due by October 4, 2016 (the "Bar Date"). After reviewing the claims filed in the case, the Debtor has filed an objection to the claim of purported creditor Lucky Stone, LLC. The Debtor has also filed an objection to the purported secured claim of Aikido. In addition, the Debtor has retained the Law Offices of Scott Stone PLLC ("Stone") as special counsel and has obtained relief from the stay to prosecute an appeal of the decision and judgment obtained by Aikido prior to the commencement of this case.

As Debtor-in-Possession, the Debtor has operated at a profit throughout the course of the Chapter 11 case. From April 7 through December 31, 2016 the Debtor showed net profits of \$30,395 before Reorganization Items (See, Statement of Operations annexed hereto as Exhibit “C”). During the post-petition period the Debtor made considerable efforts to reduce overhead expenses while increasing profitability. The Debtor reduced the number of vehicles it utilizes thereby lowering automobile related expenses and insurance costs. The Debtor also reduced cost of product by utilizing local vendors. The Debtor expanded business by both adding new routes and by increasing the number of machines at several of its locations without adding additional staff. The Debtor was also able to accomplish this without purchasing new vending equipment since the Debtor retained a surplus of equipment from the closing of many of its routes due to the A&P bankruptcy.

**D. THE REORGANIZED DEBTOR**

The Reorganized Debtor shall have the same officers, directors, shareholders and members. The management consists of: (a) Stephen A. Siegel, President, who has more than 24 years of experience in the bulk vending machine business. His annual salary shall is \$41,440 per annum; and (b) David Siegel, Officer, who has more than 18 years of experience in the bulk vending machine industry. His annual salary is \$41,440 per annum.

**E. PLAN FUNDING**

The Plan will be funded by the post-petition operations of the Reorganized Debtor.

**F. CLASSIFICATION, AMOUNT, AND NUMBER OF CLAIMS**

The Plan divides all Claims and Interests into the following classes, plus Administrative and Priority Claims:

1. **Administrative Claims** - Administrative Claims consist of the Claims of: (i) the Professionals duly retained by the Debtor, for legal and accounting services performed during the Chapter 11; (ii) the Office of the United States Trustee (“UST”) under 28 U.S.C. 1930(a)(6); (iii) any other administrative expense allowed or allowable under Section 503 of the Bankruptcy Code.

2. **Priority Claims** - Consists of the following four (4) Priority Claims: (a) Department of Treasury - Internal Revenue Service ("IRS"); (b) State of New York - Department of Labor ("Labor Department"); (c) City of New York - Department of Finance ("NYC"); and (d) New York State - Department of Taxation and Finance.

3. **Class I** - Consists of the Allowed Secured Claim of JP Morgan Chase, N.A. (“Chase”).

4. **Class II**- Consists of the Allowed Secured Claim of Lawrence H. Krasnow and Dianne R. Krasnow, Trustee of the Dianne Krasnow Trust Dated February 13, 1995 (the "Trust").

5. **Class III** - Consists of the Allowed Secured Claims of America Honda Financial Corporation ("Honda").

6. **Class IV**- Consists of the Allowed Secured Claims of M&T Bank ("M&T").

7. **Class V** - Consists of the Allowed Secured Claims of TD Auto Finance, LLC ("TD Auto").

8. **Class VI**- Consists of the disputed Secured Claim of Aikido for Kids, Inc. ("Aikido").

9. **Class VII** - Consists of all Allowed General Unsecured Claims.

10. **Class VIII** - Consists of the Debtor's Interest Holders.

**G. REQUIREMENTS FOR CONFIRMATION OF THE PLAN**

**1. Requirements for Confirmation** - In order to confirm the Plan, Section 1129 of the Bankruptcy Code requires the Bankruptcy Court to make a series of determinations concerning the Plan, including that:

- a. the Plan classifies Claims and Interests in a permissible manner;
- b. the Plan complies with the technical requirements of Chapter 11 of the Bankruptcy Code;
- c. the proponents of the Plan has proposed the Plan in good faith;
- d. the Plan proponent's disclosures concerning the Plan have been adequate and have included information concerning all payments and distributions to be made in connection with the Plan; and
- e. Confirmation of the Plan will not be followed by the need for liquidation or the need for further financial reorganization of the Debtor.

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

**2. Acceptances Necessary for Confirmation.**

The Bankruptcy Code requires that the Plan place each creditor's Claim and each Interest in a class with other Claims or Interests which are substantially similar. The Debtor believes that the classification system in the Plan meets the Bankruptcy Code's standard. Although the



Bankruptcy Court must independently conclude that the Plan's classification system is legally authorized, any Creditor or Interest Holder who believes that the Plan has improperly classified any group of Claims or Interests may object to Confirmation of the Plan.

The Bankruptcy Code requires that the Plan be accepted by requisite votes of Creditors and Interest Holders in impaired classes. At the Confirmation Hearing, the Bankruptcy Court must determine, among other things, whether the Plan has been accepted by each Class of Creditors and Interest holders whose Claims or Interests are impaired under the Plan. Under Section 1126 of the Bankruptcy Code, any impaired Class is deemed to accept the Plan if it is accepted by at least two-thirds ( $2/3$ ) in amount and more than one-half ( $1/2$ ) in number of the Allowed Claims or Interests of Class members who have voted on the Plan.

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

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

### **3. Absolute Priority Rule.**

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

of three situations occur:

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

**4. Persons Entitled to Vote on the Plan.**

Only the votes of Classes whose Claims or Interests are impaired by the Plan will be counted in connection with confirmation. Generally, this includes any holders of Claims who, under the Plan, will have their contractual rights to payment altered under the Plan. The following Classes of Creditors are entitled to vote on the Plan: Classes I, II, III, V and VII.

**5. Solicitation of Acceptances.**

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

**6. Voting Procedures.**

Only Impaired Classes of Claims are entitled to vote for or against the Plan. Ballots will be mailed to the holders of Classes I, II, III, V and VII. All persons or entities entitled to vote

on the Plan may cast their votes for or against the Plan by completing, dating, and signing the ballot for accepting or rejecting the Plan to be sent to them together with a copy of the Disclosure Statement and Plan, and delivering same to counsel for the Debtor: Anthony F. Giuliano, Esq., Pryor & Mandelup, LLP, 675 Old Country Road, Westbury New York 11590. In order to be counted, all ballots must be received by Pryor & Mandelup, LLP on or before the date set forth in the Notice of Hearing on Confirmation of Plan. A copy of the proposed ballot has been annexed hereto as Exhibit "B".

## **H. DESCRIPTION OF THE PLAN**

The following is a summary of certain provisions of the Plan. IT IS NOT A COMPLETE STATEMENT OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO PROVISIONS OF THE PLAN. The Plan is annexed to this Disclosure Statement as Exhibit "A". The Plan, which is subject to the provisions of the Bankruptcy Code, provides for treatment of all Creditors of the Debtor. SINCE THE PLAN DEALS WITH SOPHISTICATED LEGAL CONCEPTS, AND INCORPORATES THE DEFINITIONS AND REQUIREMENTS OF THE BANKRUPTCY CODE, YOU MAY WISH TO CONSULT WITH COUNSEL OF YOUR CHOICE IN MAKING ANY DECISIONS REGARDING THE PLAN.

### **1. Summary of Classifications and Treatment of Claims and Interests Under the Plan**

The Plan divides Claims and Interests of the Debtor into Administrative Claims, Priority Claims and seven (7) classes of Claims and Interests. The classes and payments to be made with respect of, or treatment proposed to be accorded to Allowed Claims and Interests of each Class under the Plan are summarized and described below. The term "Allowed Claim" is defined in the

Plan. The Plan also defines "Disputed Claim(s)" and proposes the treatment to be accorded to Disputed Claims. The proposed treatment of Disputed Claims is also summarized and described below.

**a. Administrative Claims** - In order to confirm the Plan, it is necessary for the Debtor to satisfy the Allowed Administrative Claims on the Effective Date, or to have the holders of the Administrative Claims agree to different treatment.

Outstanding Administrative Claims consist of the allowed claims, incurred during the bankruptcy proceeding including, of the Debtors' duly retained professionals, including Pryor & Mandelup, L.L.P. ("P&M"), and Giambalvo Stalzer & Company ("GSC") and any other administrative expenses allowed or allowable under Section 503 of the Bankruptcy Code. P&M, and GSC shall file fee applications, pursuant to Section 330 of the Bankruptcy Code, seeking the allowance and payment of all sums and any other fees that have accrued during the period of the Debtor's reorganization. The estimated fees and expenses of P&M are approximately \$90,000. The estimated fees and expenses of GSC are approximately \$30,000.

Each holder of an Allowed Administrative Claim shall receive from the Debtor (i) cash in an amount equal to the amount of such Allowed Administrative Claim as soon as practical after the later of (a) the date that is thirty (30) days after the order confirming the Debtor's plan becomes final ("Effective Date"), or (b) thirty (30) days after the date such Administrative Claim becomes an Allowed Administrative Claim, or (ii) such other treatment as otherwise agreed by and between the Debtor and such holder.

**b. Priority Claims** - Consists of the following four (4) Priority Claim: (a) Department of Treasury - Internal Revenue Service ("IRS") in the amount of \$18,788.13; (b) State of New York -

Department of Labor (“Labor Department”) in the amount of \$8,574.37; (c) City of New York - Department of Finance (“NYC”) in the amount of \$627.47; and (d) New York State - Department of Taxation and Finance in the amount of \$6,387.74 Priority Claims will be paid in full with interest thereon at the statutory rate in equal monthly installments beginning on the Effective Date though for a period not later than five (5) years after the Filing Date. As a result, Priority Claims are not impaired and are not entitled to vote.

**c. Class I** - Consists of the Allowed Secured Claim of JP Morgan Chase, N.A. (“Chase”). As of the Petition Date, the Debtor was indebted to the Chase in the amount of \$117,332.24. As security for payment of its Class II Claim Chase shall retain its security interest in the Reorganized Debtor’s assets with the same validity, priority, and extent as existed prior to the Petition Date. Upon agreement with Chase and pursuant to Section 506(a) of the Bankruptcy Code, Chase shall have an Allowed Secured Claim of \$46,995.00 and an Allowed Unsecured Claim of \$70,337.24. In full and final satisfaction of its Allowed Secured Claim Chase shall be paid in equal monthly installments of principal and interest at 3.75% per annum for a period of 120 months beginning on the Effective Date of the Plan. The Allowed Unsecured Claim shall be treated as a Class VII General Unsecured Claim. As a result, the Class I Claim is impaired and entitled to vote pursuant to § 1126(f) of the Bankruptcy Code.

**d. Class II**- Consists of the Allowed Secured Claim of Lawrence H. Krasnow and Dianne R. Krasnow, Trustee of the Dianne Krasnow Trust Dated February 13, 1995 (the “Trust”). As of the Petition Date, the Debtor was indebted to the Trust in the amount of \$182,630.43. As security for payment of its Class II Claim the Trust shall retain its security interest in the Reorganized Debtor’s assets with the same validity, priority, and extent as existed prior to the

Petition Date. Upon Agreement with the Trust and pursuant to Section 506(a) of the Bankruptcy Code, the Trust shall have an Allowed Secured Claim of \$182,630.43. In full and final satisfaction of its Allowed Secured Claim the Trust shall be paid in equal monthly installments of principal and interest at 3.75% per annum for a period of 120 months beginning on the Effective Date of the Plan. As a result, Class II Claim is impaired and entitled to vote pursuant to §1126(f) of the Bankruptcy Code.

e. **Class III** - Consists of the Allowed Secured Claims of America Honda Financial Corporation ("Honda"). Prior to the Petition Date the Debtor financed the purchase of six (6) vehicles with Honda used in connection with its business. During the course of this Chapter 11 case, two (2) of the vehicles were returned to Honda. With respect to the remaining four (4) vehicles, as of the Petition Date, the Debtor was in arrears on their monthly installment payments to Honda in the total amount of \$2,856.47. In full and final satisfaction of its Allowed Secured Claim, and upon agreement with Honda, the Debtor will repay the arrears in equal quarterly installments without interest over the life of the plan and will continue to make its payments to Honda as required under the Retail Installment Contracts entered into by the Debtor with Honda. As a result, the Class III Claims are impaired and entitled to vote pursuant to §1126(f) of the Bankruptcy Code.

f. **Class IV**- Consists of the Allowed Secured Claims of M&T Bank ("M&T"). Prior to the Petition Date the Debtor financed the purchase of a vehicle with M&T used in connection with its business. In full and final satisfaction of its Allowed Secured Claim, the Debtor will continue to make its payments to M&T as required under the Retail Installment Contracts entered into by the Debtors with M&T. As a result, Class IV Claim is not impaired is not entitled to vote pursuant to §1126(f) of the Bankruptcy Code.

**g. Class V** - Consists of the Allowed Secured Claims of TD Auto Finance, LLC ("TD Auto"). Prior to the Petition Date the Debtor financed the purchase of a vehicle with TD Auto used in connection with its business. As of the Petition Date, the Debtor was in arrears on their monthly installment payments to TD Auto in the total amount of \$1,395.06. In full and final satisfaction of its Allowed Secured Claim and upon agreement with TD Auto, the Debtor will repay the arrears in equal quarterly installments without interest over four (4) years. The Debtor will continue to make their payments to TD Auto as required under the Retail Installment Contract entered into by the Debtor with TD Auto. As a result, Class V Claim is impaired and entitled to vote pursuant to §1126(f) of the Bankruptcy Code.

**h. Class VI** - Consists of the disputed Secured Claim of Aikido for Kids, Inc. ("Aikido"). Prior to the commencement of the instant bankruptcy case, between December 2011 and May 2012, the Debtor entered into several agreements (the "Sale Agreements") with Aikido by which the Debtor made a bulk sale of vending machines installed on the premises of various merchants throughout the greater metro New York area. On June 25, 2013, Aikido filed an action against the Debtor for breach of the Sale Agreements captioned, *Aikido for Kids, Inc. v. The Great American Vending Machine Company, Inc., et al.*, Index No. 7712/13, New York Supreme Court, Nassau County. On August 21, 2015, judgment in that action was entered in favor of Aikido in the total amount of \$344,301.67 (the "State-Court Judgment"). Subsequent to the commencement of this case, Aikido filed two proofs of Claim based on the State-Court Judgment. The first, Claim No. 19-1, is filed as a general unsecured claim in the amount of \$444,832.55. The second, Claim No. 20-1 is filed as a secured claim based upon the same State Court Judgment. The Debtor has objected to Aikido's Secured Claim and this claim will be expunged. As a result, the Class VI disputed Claim

of Aikido is not entitled to vote.

**i. Class VII** - Consists of all Allowed General Unsecured Claims in the amount of approximately \$3,553,579.59. All Allowed General Unsecured Claims will receive an approximate 5% distribution payable in equal quarterly installments over five (5) years commencing on the Effective Date. As a result, Class VII Claims are impaired and are entitled to vote pursuant to §1126(f) of the Bankruptcy Code.

**j. Class VIII**- Class VIII Claims consist of the ownership interest of Stephan A. Siegel in the Debtor. An interest means any equity security interest within the meaning of § 101(16) of the Bankruptcy Code or any other instrument evidencing an ownership interest in the Debtor, whether or not transferrable, and any option, warrant, or right, contractual or otherwise, to apply, sell or subscribe for any such interest. The Interest Holder shall receive no distribution on account of his interest, but shall retain his Interest in the Reorganized Debtor. As a result Class VIII Claims are not impaired and are not entitled to vote pursuant to § 1126(f) of the Bankruptcy Code.

**k. Classes Impaired Under The Plan**

Under Section 1126 of the Code, Classes of Claims or Interests which are impaired are entitled to vote on a Plan of Reorganization. Under Section 1124 of the Bankruptcy Code, a Class of Claims or Interests is impaired unless the Plan, with respect to such Class:

(A) leaves unaltered the legal, equitable and contractual rights to which such Claim or Interest entitles the holder of such Claim or Interest; or

(B) reinstates the maturity of such Claim or Interest as such maturity existed before such default; or

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

(D) if such claim or such interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to section



365(b)(1)(A), compensates the holder of such claim or such interest (other than the debtor or an insider) for any pecuniary loss incurred by such holder as a result of such failure; and

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

Class I, II, III, V and VII are impaired under the Plan.

**I. CURRENT OF STATEMENT OF OPERATIONS AND BALANCE SHEET, LIQUIDATION ANALYSIS, FIVE (5) YEAR PROJECTIONS**

1. Annexed hereto as Exhibit "C" is the Debtor's statement of post-petition operations.
2. Annexed hereto as Exhibit "D" is a liquidation analysis of the Debtor.
3. Annexed hereto as Exhibit "E" is the Debtor's five (5) year projection of operations.

**J. CLAIMS OBJECTIONS**

If, as of thirty (30) days after the Effective Date, the Debtor has pending objections to claims, either filed as proofs of claim and/or scheduled in the Debtor's case (the "Disputed Claims"), no distributions otherwise due will be made by the Reorganized Debtor to the holders of Disputed Claims. At the time of any distribution under the Plan, the Reorganized Debtor will reserve and will not distribute cash equal to the amount that the holders of Disputed Claims at the time of such distribution would have received had the Disputed Claims been Allowed Claims. After the Court has determined all Disputed Claims, the reserved amount will be distributed in accordance with the provisions of the Plan. At such time as a Disputed Claim becomes an Allowed Claim, the distribution that would have been dispersed had the Disputed Claim been an Allowed Claim on the

Effective Date will be distributed by the Reorganized Debtor, without interest, to the holder of such Allowed Claim promptly after the Disputed Claim becomes an Allowed Claim pursuant to final order of the Court.

The Debtor and the Reorganized Debtor reserve the right to file objections to claims, to the extent that such objections are deemed necessary and appropriate. Any objections to claims the Debtor intends to bring will be filed no later than thirty (30) days after the Effective Date. At this time, the Debtor has filed objection to the disputed secured claim of Aikido and the disputed unsecured claim of Lucky Stone, LLC. The Debtor also disputes the unsecured claim of Aikido and is prosecuting an appeal of the State Court Judgment.

**K. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

Unless the Confirmation Order shall otherwise provide, or the Debtor shall have filed a motion to assume any executory contracts or unexpired leases on the Effective Date, the Debtor will reject all executory contracts and leases which have not otherwise expired by their own terms. The Debtor does not believe there are any executory contracts to be assumed or rejected except the Debtor's cellular service contract with AT&T. The Debtor will assume its cellular service contract with AT&T. A proof of claim for any claim arising from the rejection of an executory contract shall be filed with the Clerk of the Court no later than thirty (30) days subsequent to the date that an order is entered rejecting the executory contract. The claim arising from the rejection of an executory contract or unexpired lease for which a proof of claim is not filed within such time shall be disallowed in its entirety, and shall be forever barred. The Debtor does not anticipate that there will be filed any rejection damage claims.

**L. FULL AND FINAL SATISFACTION**

As provided in the Plan, all payments, distributions, and transfers of cash or property, under the Plan are in full and final satisfaction, settlement and release of all claims whatsoever existing as of the Confirmation Date against the Debtor, the Estate and the Reorganized Debtor, of any kind or nature whatsoever. These releases shall be effective upon Substantial Consummation of the Plan.

**M. VOTING IMPAIRMENT, CONFIRMATION AND CRAMDOWN**

**a. Voting.**

Claimants with allowed impaired claims are entitled to vote to accept or reject the Plan. A claimant who fails to vote to either accept or reject the Plan will not be included in the calculations regarding the acceptance or rejection of the Plan. Classes which are not "impaired" under the Plan, pursuant to Section 1126(f) of the Bankruptcy Code, are presumed to have accepted the Plan.

If the Court determines that any class is impaired, then a ballot to be completed by the holders of Claims of that class or classes will be enclosed herewith. Instructions for completing and returning the ballots are set forth thereon and should be reviewed at length. The Plan will be confirmed by the Bankruptcy Court and made binding upon all claimants if, with respect to all classes of claimants, the Plan is accepted by the holders of two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of allowed claims in each class voting upon the Plan.

**b. The Confirmation Hearing**

The Bankruptcy Court has scheduled the Confirmation Hearing to be held before the United States Bankruptcy Judge Robert E. Grossman, at the United States Bankruptcy Court,

Eastern District of New York, 290 Federal Plaza Central Islip, New York 11722 on \_\_\_\_\_ . The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of such adjournment in open Court. At the Confirmation Hearing, or at any adjourned hearing thereof, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and whether it is in the best interests of holders of Claims and Interests. The Bankruptcy Court will also receive and consider a certification of ballots prepared on behalf of the proponent concerning the results of the vote on the Plan.

**N. POTENTIAL AVOIDANCE AND OTHER SIMILAR CASES**

The Debtor, after consultation with its professionals has determined that there are very few, if any, preference actions. Under a cost benefit analysis, any such litigation would not increase the distribution to any class of creditors. The Debtor has agreed that no such actions will be brought. The Debtor has determined that there are no fraudulent conveyance actions or any insider transactions to be brought in these Chapter 11 Cases.

**O. TAX CONSEQUENCES TO ALLOWED CLAIMANTS.**

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

- a. the existence and timing of recognition of interest income by a cash basis Claimant;
- b. the existence and timing of interest deductions on a cash basis (and sometimes to an accrual basis) Debtor;

c. the amount (and possibly the character) of worthless debt loss recognized by the Claimants;

d. the amount of cancellation of indebtedness income recognized by the Debtor; and

e. the amount of gain or loss recognized by the Claimant pursuant to a recapitalization under Internal Revenue Code § 368(a)(1)(E).

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

In addition, such Claimants will realize gain on such amount equal to the excess of the fair market value of stock, debt, other premises and cash received (excluding amounts attributable to interest and discussed above) over the cost or other tax basis of the debt claims surrendered (excluding any tax basis allocated to accrued interest). The gain may be a capital gain unless the exchange has the effect of a distribution of a dividend under Internal Revenue Code § 305 (discussed below) in which case gain recognized that is not in excess of earning and profits of the Debtor will be treated as a dividend. A corporate Claimant who receives a dividend may qualify for a dividend received deduction with respect to the dividend.

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

**-Importance of Obtaining Professional Tax Assistance.**

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

**P. RETENTION OF JURISDICTION.**

The Bankruptcy Court shall retain jurisdiction of the Chapter 11 Cases pursuant to and for the purposes set forth in Section 1127(b) of the Bankruptcy Code and, inter alia, for the following purposes:

- (i) To determine additional objections, if any, to the allowance of Claims or Interests;
- (ii) To determine any and all applications for compensation and reimbursement of expenses for professional fees and any other fees and expenses authorized to be paid or reimburses under the Bankruptcy Code;

(iii) To amend or modify the Plan to remedy any defect, cure any omission, or reconcile any inconsistency in the Plan or the Confirmation Order as may be necessary or advisable to carry out the purposes and intent of the Plan to the extent authorized by the Bankruptcy Code or the Bankruptcy Rules;

(iv) To determine any and all controversies and disputes arising under or related to the Plan;

(v) To construe and enforce any and all provisions of the Plan;

(vi) To determine any and all applications, motion, adversary proceedings and contested or litigated matters pending before the Bankruptcy Court concerning the administration of the Estates, or its property;

(vii) To determine any and all controversies and disputes arising under or related to any settlement of an adversary proceeding or contested matter approved by the Bankruptcy Court, either before or after the Confirmation Date; and

(viii) To enter a final Order or decree in the Debtor's Chapter 11 Case upon notice to the Office of the United States Trustee.

**Q. FINANCIAL INFORMATION.**

The Debtor has filed with the Bankruptcy Court monthly operating reports. This financial information has not been included in this Disclosure Statement, but may be examined in the office of the Clerk of the Bankruptcy Court, 290 FEDERAL PLAZA, CENTRAL ISLIP, NY 11743, or, upon reasonable advance notice, at the offices of Pryor & Mandelup, L.L.P., 675 Old Country Road, Westbury, NY 11590, during normal business hours.

**R. DISTRIBUTIONS UNDER THE PLAN**

General Matters Concerning the Distribution of Consideration

**1. The Disbursing Agent**

The Reorganized Debtor and such other Person(s) as may be approved by the Reorganized Debtor, or the Bankruptcy Court, shall act as Disbursing Agent(s) under the Plan. Any

such Disbursing Agent may, with the prior approval of the Reorganized Debtor, employ or contract with other Persons to assist in or to perform the distributions required.

**2. Cash Payments**

Cash payments made pursuant to the Plan will be in U.S. dollars by checks drawn on a domestic bank selected by the Reorganized Debtor, or by wire transfer from a domestic bank, at the option of the Reorganized Debtor.

**3. Transmittal of Distributions**

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

**4. Undeliverable Distributions**

If any distribution is returned to a Disbursing Agent as undeliverable, no further distributions shall be made to the holder of the Allowed Claim or Allowed Interest on which such distribution was made unless and until the Disbursing Agent or the Debtor are notified in writing of such holder's then-current address. Undeliverable distributions shall remain in the possession of the Disbursing Agent until such time as a distribution becomes deliverable or is deemed canceled (as hereinafter provided). Any unclaimed distribution held by a Disbursing Agent shall be accounted for separately, but the Disbursing Agent shall be under no duty to invest any such



unclaimed distribution in any manner. Any holder of an Allowed Claim or Allowed Interest that does not present a Claim for an undeliverable distribution within one hundred and twenty (120) days after the date upon which a distribution is first made available to such holder shall have its right to such distribution and all subsequent distributions discharged and shall be forever barred from asserting any such Claim or Interest against the Reorganized Debtor or its property or against any other Person or entity, including the Disbursing Agent. All unclaimed or undistributed distributions shall, pursuant to Bankruptcy Code Section 347(b), be the property of the Debtor and shall be treated as determined by the Debtor in its sole and absolute discretion.

**S. LEGAL EFFECTS OF CONFIRMATION AND EFFECTIVENESS OF THE PLAN**

**1. Discharge and Injunction**

Entry of the Confirmation Order shall constitute an order of the Bankruptcy Court approving the Plan and any agreements or Orders entered in connection therewith, on and after the Effective Date and subject to the payments to be made under the Plan, and that:

**a.** the rights afforded in the Plan, and the treatment of all Claims and Interests thereunder, shall be in exchange for, and in complete satisfaction, discharge, and release of all Claims, (including without limitation, all Administrative Claims, Secured Claims, Secured Equipment Lessor Claims, Priority Tax Claims, other Priority Claims, and Unsecured Claims (including any interest accrued on such Claims from and after the Petition Dates)), against the Debtor and the Reorganized Debtor, or any of their assets or properties and any liability thereunder;

**b.** all substantive or obligations of the Debtor shall be terminated, and the Debtor and the Reorganized Debtor shall be deemed discharged and released to the fullest extent permitted by Bankruptcy Code Section 1141 from all Claims that arose prior to the Effective Date

against the Debtor and the Reorganized Debtor or their property or assets, (including without limitation, all Administrative Claims, Secured Claims, Secured Equipment Lessor Claims, Priority Tax Claims, other Priority Claims, and Unsecured Claims (including any interest accrued on such Claims from and after the Petition Dates)), and all debts of the kind specified in Bankruptcy Code Sections 502(g), 502(h), or 502(i) of the Bankruptcy Code. This discharge and release shall be effective in each case whether or not: (i) a proof of claim or proof of interest based on such Claim, Administrative Claim, or Interest is Filed or deemed Filed pursuant to Bankruptcy Code Section 501, (ii) a Claim, Administrative Claim, is Allowed pursuant to the Bankruptcy Code, or (iii) the holder of a Claim, Administrative Claim has accepted the Plan;

**c.** all Persons and Governmental Units shall be permanently enjoined by Bankruptcy Code Section 524 from asserting against the Debtor, its successors, including the Reorganized Debtor, or their assets or properties, any other further Claims, or Administrative Claims, based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date. The discharge shall void any judgment against the Debtor and the Reorganized Debtor at any time obtained to the extent that it relates to a Claim, or Administrative Claim, that has been discharged or terminated;

**d.** all Persons and Governmental Units who have held, currently hold, or may hold a Claim or Administrative Claim, discharged or terminated pursuant to the terms of the Plan shall be permanently enjoined by Bankruptcy Code Section 524 from taking any of the following actions on account of any such discharged Claim or Administrative Claim: (i) commencing or continuing in any manner any action or other proceeding against the Debtor or the Reorganized Debtor, their successors, assets, or properties; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against the Debtor or the

Reorganized Debtor, their successors, assets, or properties; (iii) creating, perfecting, or enforcing any lien or encumbrance against the Debtor or the Reorganized Debtor, their successors, assets, or properties; (iv) asserting any setoff, right of subrogation, or recoupment of any kind against any obligation due to the Debtor or the Reorganized Debtor, their successors, assets, or properties; and (v) commencing or continuing any action, in any manner or place, that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order. Any Person or Governmental Unit violating such injunction may be liable for actual damages, including costs and attorneys' fees and, in appropriate circumstances, punitive damages; and

e. all Persons and Governmental Units who have held, currently hold, or may hold a Claim or Administrative Claim, discharged or terminated pursuant to the terms of the Plan shall be permanently enjoined by Bankruptcy Code Section 524 from commencing or continuing in any manner any action or other proceeding against any party on account of a Claim or cause of action that was property of the Estate, including, without limitation, any derivative Claims capable of being brought on behalf of the Debtor or the Reorganized Debtor, and all such Claims and causes of action shall remain exclusively vested in the Debtor and the Reorganized Debtor to the maximum extent such Claims and causes of action were vested in the Debtor. The Plan shall be binding upon and govern the acts of all Persons including, without limitation, all holders of Claims and Administrative Claims, all filing agents or officers, title agents or companies, recorders, registrars, administrative agencies, Governmental Units and departments, agencies or officials thereof, secretaries of state, and all other Persons who may be required by law, the duties of their office, or contract to accept, file, register, record, or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the assets of the Debtor or the Reorganized Debtor.

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

**2. Revesting of Property of the Estate and Release of Liens**

Except as otherwise provided in the Plan, any contract, instrument, or other agreement or document created in connection with the Plan, or the Confirmation Order, on the Effective Date, all Property of the Estate, wherever situated, shall be revested in the Reorganized Debtor, and except as set forth herein shall be free and clear of all Claims, mortgages, deeds of trust, liens, security interests, encumbrances, and other interests of any Person, and the Reorganized Debtor may thereafter operate its business and may use, acquire, and dispose of property and compromise or settle any Claims without the supervision or approval of the Bankruptcy Court, free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules of the United States Bankruptcy Court for the Eastern District of New York, and the guidelines and requirements of the Office of the United States Trustee.

**3. Continued Corporate Existence**

The Debtor, as Reorganized Debtor, will continue to exist after the Effective Date with all powers of a corporation under the laws of the State of New York and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under such

applicable state law, except as such rights may be limited and conditioned by the Plan. In addition, the Reorganized Debtor may operate its business free of any restrictions imposed by the Bankruptcy Code, the Bankruptcy rules or the Bankruptcy Court, subject only to the terms and conditions of the Plan. The Reorganized Debtor will be responsible for filing required post-confirmation reports and paying quarterly fees due to the Office of the United States Trustee as is required under applicable bankruptcy law.

**4. Votes Solicited in Good Faith**

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

**5. Administrative Claims Incurred After the Effective Date**

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

**6. Post Confirmation Quarterly Reports and Fees**

The Reorganized Debtor shall file and serve on the UST quarterly post-confirmation reports until the entry of a final decree, dismissal or conversion of the case to Chapter 7. The

Reorganized Debtor shall also pay all statutory fees due and payable, under 28 U.S.C. § 1930(a)(6), plus accrued interest under 31 U.S.C. § 3717, on all disbursements, including plan payments and disbursements inside and outside of the ordinary course of business, until the entry of a final decree, dismissal or conversion of the case to Chapter 7.

**T. MODIFICATION OR REVOCATION OF THE PLAN**

Subject to the restrictions on modifications set forth in Bankruptcy Code Section 1127, the Debtor and the Reorganized Debtor reserve the right to alter, amend, or modify the Plan before or after the Effective Date. No alterations, amendments, or modifications may be made by any party except the Debtor or the Reorganized Debtor. If the Plan is modified by the Debtor or the Reorganized Debtor such entity will give notice of the amendment or modification to the U.S. Trustee. A hearing on such issues and any resolicitation of ballots may significantly delay Confirmation and, consequently, significantly delay distributions under the Plan. The provisions of the Plan are not severable unless such severance is agreed to by the Debtor or the Reorganized Debtor and such severance would constitute a permissible modification of the Plan pursuant to Bankruptcy Code Section 1127.

**U. SUMMARY OF CERTAIN OTHER PROVISIONS OF THE PLAN**

**1. Setoffs**

Except as otherwise provided in the Plan, agreements entered into in connection therewith, the Confirmation Order, or in agreements previously approved by Final Order of the Bankruptcy Court, the Debtor or the Reorganized Debtor may, pursuant to Bankruptcy Code Section 553 or applicable non-bankruptcy law, setoff against any Allowed Claim (before any distribution is made on account of such Claim) any and all of the Claims, rights and causes of action of any

nature that the Debtor may hold against the holder of such Allowed Claim.

**V. MEANS OF IMPLEMENTING THE PLAN**

The funds required for confirmation and the payment of claims required to be paid on the Effective Date shall be provided by the Debtor and the Reorganized Debtor from funds generated by the business operations of the Debtor. Exhibits “C” and “E” establish that the Debtor can make the necessary payments under the Plan.

**W. EVENTS OF DEFAULT**

It shall be an event of default if the Reorganized Debtor fails to make any payment as provided in the Plan.

Upon written receipt from any creditor of notice of default, the Reorganized Debtor shall have a period of thirty (30) days from receipt of such notice to cure such default and during such thirty (30) day period, the creditors shall take no action to terminate this Plan. If such default is cured by the Reorganized Debtor within said thirty (30) day period, then the Plan shall continue in full force and effect. Notices of default shall be sent to the Reorganized Debtor at 206 Wind Watch Drive, Hauppauge, New York 11788, Attn: Stephen A. Siegel and the Debtor's attorneys, Pryor & Mandelup, LLP, 675 Old Country Road, Westbury New York 11590 Attn: Anthony F. Giuliano by overnight mail and also by electronic mail to Anthony F. Giuliano, Esq., attorney for the Debtor at [afg@pryormandelup.com](mailto:afg@pryormandelup.com).

**X. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

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

**A. Alternative Plan of Reorganization or Plan of Liquidation**

If the Plan is not confirmed, the Bankruptcy Court could confirm a different plan. The Plan is, in essence, a reorganization of the Debtor's business and a different plan might involve either a reorganization and continuation of the Debtor's business or an orderly liquidation of the Debtor's assets. The Debtor believes that the Plan, as described herein, enables creditors and interest holders to realize the highest and best value under the circumstances. The Debtor believes that any liquidation of the Debtor's assets or alternative form of Chapter 11 plan is a much less attractive alternative to creditors than the Plan because of the far greater returns and certainty provided by the Plan. Other alternatives could involve diminished recoveries, significant delay, uncertainty, and substantial additional administrative costs. The Debtor believes that its Plan provides the best recovery to its creditors which provides for a distribution of Cash, rather than no recovery or diminished recoveries following a liquidation of its assets or distribution of other property.

**B. Liquidation Under Chapter 7**

If no plan is confirmed, the Chapter 11 Case may be converted to cases under Chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate the Debtor's assets for distribution in accordance with the priorities established by Chapter 7 of the Bankruptcy Code. An analysis of the effects that a Chapter 7 liquidation would have on the recoveries of holders of Claims and Equity Interests is set forth in the Liquidation Analysis attached as Exhibit "D" to this Disclosure Statement. A review of the Liquidation Analysis reveals that there would be no recovery for holders of Priority and Unsecured Claims. For the reasons above, the Debtor believes that a liquidation under Chapter 7 of the Bankruptcy Code would result in there being no distribution except to Allowed Administrative Claims.



**CONCLUSION**

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

Accordingly, the Debtor urges all Creditors to accept the Plan.

Dated: Westbury, New York  
January \_\_, 2017

The Great American Vending Machine, Inc.

By: \_\_\_\_\_  
Stephen A. Siegel, President

PRYOR & MANDELUP, L.L.P.  
Counsel for the Debtor

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