**UNITED STATES BANKRUPTCY COURT**
**NORTHERN DISTRICT OF OHIO**
**EASTERN DIVISION**

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| In re: | ) Chapter 11 |
| | ) |
| Wings of Medina Liquidation, Inc., *et al.*[1] | ) Case Nos. 15-52722; 15-52724; 15-52726 through 15-52732; 15-52734 through 15-52735; 15-52737 through 15-52738; 15-52740 through 15-52749; 15-52751 through 15-52754 |
| | ) |
| Debtors. | ) (Jointly Administered under Case No. 15-52722) |
| | ) |
| | ) Hon. Judge Alan M. Koschik |

# SECOND AMENDED DISCLOSURE STATEMENT WITH RESPECT TO THE SECOND AMENDED JOINT PLAN OF LIQUIDATION OF THE DEBTORS AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

November 7, 2016


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[1] The Debtors and the last four digits of the Debtors' United States Tax Identification Number following in parentheses are: Wings of Medina Liquidation, Inc. (8260); Wings Operations Liquidation, Inc. (2667); Wings Management Liquidation, Inc. (1988); Wings Franchising Liquidation Corporation (1589); Steak & Wings Liquidation, Inc. (7669); Wings Sauces Liquidation, Inc. (8951); Wings Intellectual Properties Liquidation Corporation (9985); Wings of Buffalo Liquidation, Inc. (6439); Wings of Sheffield Liquidation, Inc. (5326); Wings of Plano Liquidation, Inc. (6701); Wings of Warren Liquidation, Inc. (3865); Wings of Independence Liquidation, Inc. (0166); Wings of Newport News Liquidation, Inc. (3858); Wings of Lakewood Liquidation, Inc. (1575); Wings of Harrisonburg Liquidation, Inc. (4832); Wings of Concord Liquidation, Inc. (9262); Wings of Carrollton Liquidation, Inc. (7632); Wings of Fort Wayne Liquidation, Inc. (3079); Wings Holdings Liquidation, Inc. (6457); Best Wings Liquidation, Inc. (1339); Wings of Wheeling Liquidation, Inc. (2220); Wings of Vermillion Liquidation, Inc. (5207); Wings of Springfield Liquidation, Inc. (9745); Wings of Springfield Realty Liquidation, Inc. (9589); Wings of Fredericksburg Liquidation, Inc. (4887); Wings of Medina Realty Liquidation, Inc. (8418); and Wings Aggregator, Inc. (1263).

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## I. INTRODUCTION AND NARRATIVE DESCRIPTION OF THE JOINT PLAN

This disclosure statement, as amended (the "Disclosure Statement") is being submitted pursuant to section 1125 of the Bankruptcy Code, for use in the solicitation of votes on the Second Amended Joint Plan of Liquidation of the Debtors and the Official Committee of Unsecured Creditors, dated November 7, 2016 (the "Joint Plan"). The Plan is being jointly proposed by the Debtors, QSL of Medina, Inc. n/k/a Wings of Medina Liquidation, Inc.; QSL Operations, Inc. n/k/a Wings Operations Liquidation, Inc.; QSL Management, Inc. n/k/a Wings Management Liquidation, Inc.; Quaker Steak & Lube Franchising Corporation n/k/a Wings Franchising Liquidation Corporation; Quaker Steak & Wings, Inc. n/k/a Steak & Wings Liquidation, Inc.; QSL Sauces, Inc. n/k/a Wings Sauces Liquidation, Inc.; QSL Intellectual Properties Corporation n/k/a Wings Intellectual Properties Liquidation Corporation; QSL of Buffalo, Inc. n/k/a Wings of Buffalo Liquidation, Inc.; QSL of Sheffield, Inc. n/k/a Wings of Sheffield Liquidation, Inc.; QSL of Plano, Inc. n/k/a Wings of Plano Liquidation, Inc.; QSL of Warren, Inc. n/k/a Wings of Warren Liquidation, Inc.; QSL of Independence, Ohio, Inc. n/k/a Wings of Independence Liquidation, Inc.; QSL of Newport News, Inc. n/k/a Wings of Newport News Liquidation, Inc.; QSL of Lakewood, Inc. n/k/a Wings of Lakewood Liquidation, Inc.; QSL of Harrisonburg, Inc. n/k/a Wings of Harrisonburg Liquidation, Inc.; QSL of Concord, Inc. n/k/a Wings of Concord Liquidation, Inc.; QSL of Carrollton, Inc. n/k/a Wings of Carrollton Liquidation, Inc.; QSL of Fort Wayne, Inc. n/k/a Wings of Fort Wayne Liquidation, Inc.; Lube Holdings, Inc. n/k/a Wings Holdings Liquidation, Inc.; Best Wings USA, Inc. n/k/a Best Wings Liquidation, Inc.; QSL of Wheeling, Inc. n/k/a Wings of Wheeling Liquidation, Inc.; QSL of Vermillion, Inc. n/k/a Wings of Vermillion Liquidation, Inc.; QSL of Springfield, Inc. n/k/a Wings of Springfield Liquidation, Inc.; QSL of Springfield Realty, Inc. n/k/a Wings of Springfield Realty Liquidation, Inc.; QSL of Fredericksburg, Inc. n/k/a Wings of Fredericksburg Liquidation, Inc.; QSL of Medina Reality, Inc. n/k/a Wings of Medina Realty Liquidation, Inc.; and Lube Aggregator Inc. n/k/a Wings Aggregator, Inc. (collectively, the "Debtors" and each a "Debtor"), and the Official Committee of Unsecured Creditors (the "Committee"), and was filed with the United States Bankruptcy Court for the Northern District of Ohio, Eastern Division (the "Bankruptcy Court"). A copy of the Joint Plan is attached as Appendix A to this Disclosure Statement.

This Disclosure Statement sets forth certain information regarding the Debtors' prepetition operating and financial history, the need to seek chapter 11 protection, significant events that have occurred during the Chapter 11 Cases, and the anticipated process for liquidation of the Debtors' remaining assets and distribution of the Debtors' assets to the Debtors' creditors using a liquidating trust. This Disclosure Statement also describes terms and provisions of the Joint Plan, including certain alternatives to the Joint Plan, certain effects of confirmation of the Joint Plan, certain risk factors associated with the Joint Plan, and the manner in which distributions will be made under the Joint Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that Holders of Claims entitled to vote under the Joint Plan must follow for their votes to be counted.

Under the Joint Plan, certain Cash generated during the Chapter 11 Cases and the liquidation of any remaining assets will be distributed to creditors in accordance with the priority scheme of the Bankruptcy Code by a liquidating trustee. **THE DEBTORS AND COMMITTEE SUPPORT THIS JOINT PLAN, RECOMMEND ACCEPTANCE OF THE**

**JOINT PLAN, AND URGE CREDITORS ENTITLED TO VOTE ON THE JOINT PLAN TO VOTE TO ACCEPT IT.**

Except as otherwise provided herein, capitalized terms used but not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Joint Plan. Unless otherwise noted herein, all dollar amounts provided in this Disclosure Statement and in the Joint Plan are given in United States dollars.

## A. General Structure of the Joint Plan

*The following overview is a general summary only, which is qualified in its entirety by, and should be read in conjunction with, the Joint Plan itself and the more detailed discussions and information appearing elsewhere in this Disclosure Statement.*

The Joint Plan provides for the Debtors' Assets, consisting of the Debtors' Cash, Causes of Action, and miscellaneous other Assets to be distributed to the Liquidating Trust and managed by the Liquidating Trustee, who will be appointed by the Committee. The Liquidating Trustee will take actions to liquidate and administer the remaining non-Cash Assets, including, among other things, investigating and, if determined to be needed, pursue Causes of Action. The Liquidating Trustee will make distributions to creditors pursuant to the terms of the Joint Plan and prior orders of the Bankruptcy Court. Allowed Administrative Claims, Priority Tax Claims, Other Secured Claims, and Other Priority Claims will be paid in full. Holders of Allowed General Unsecured Claims will receive a Pro Rata portion of remaining Cash. To the extent holders of Allowed General Unsecured Claims receive 100% payment on their Claims, funds may be available for equity interests.

## B. Summary of Treatment of Claims and Interests under the Joint Plan

### 1. Overview of Treatment

As contemplated by the Bankruptcy Code, Administrative Claims and Priority Tax Claims are not classified under the Joint Plan. Administrative Claims and Priority Tax Claims will be paid in full on the later of the Effective Date of the Joint Plan or when such Claims become Allowed Claims. The range of estimated Administrative Claims is $450,000-$650,000 and the range of estimated Priority Tax Claims is $680,000-$990,000.

Based on current levels of Cash and the Debtors' financial projections, the Debtors anticipate having approximately $13 million of Cash as of November 1, 2016. This amount of Cash is more than sufficient to satisfy all of the Debtors' Allowed Administrative Claims and Allowed Priority Tax Claims, in addition to Allowed Class 1 Other Secured Claims and Allowed Class 2 Other Priority Claims. Furthermore, the Debtors believe that this amount of Cash will also be sufficient to: (a) create a reserve for the alleged Disputed Claims, in case they are Allowed Claims; and (b) make an initial distribution to Holders of Allowed Class 3 General Unsecured Claims.

The Joint Plan provides that no later than sixty (60) days after the Effective Date, the Liquidating Trustee will make an initial distribution to Holders of Allowed General Unsecured Claims in an amount to be determined by the Liquidating Trustee.

The table below summarizes the classification and treatment of the prepetition Claims and Interests under the Plan. For certain classes of Claims and Interests, estimated percentage recoveries are also set forth below. Estimated percentage recoveries have been calculated based upon a number of assumptions, including the amount of Claims in a particular Class.

### 2. Classification and Treatment of Claims Against and Interests in the Debtors

| Description and Amount of Claims or Interests | Summary of Treatment |
|---|---|
| **Class 1 Other Secured Claims**<br><br>Class 1 consists of all Claims, other than Administrative Claims or Priority Tax Claims that are secured by a lien on property in which any of the Debtors' Estates has an interest, to the extent of the value of the Claim Holder's interest in the applicable Estate's interest in such property, as determined pursuant to section 506(a) of the Bankruptcy Code.<br><br>Estimated Claims Pool: $0.00[2]<br><br>Expected Recovery: 100% | **Class 1 is Unimpaired by the Joint Plan.**<br><br>Each Holder of an Allowed Class 1 Claim is conclusively presumed to have accepted the Joint Plan and is not entitled to vote to accept or reject the Joint Plan.<br><br>Each Holder of an Allowed Other Secured Claim will receive Cash equal to the amount of such Other Secured Claim on the later of the Effective Date or when such Claim becomes Allowed. |
| **Class 2 Other Priority Claims**<br><br>Class 2 consists of all Claims, other than Administrative Claims or Priority Tax Claims that are entitled to priority in payment pursuant to sections 507(a) and 507(b) of the Bankruptcy Code. | **Class 2 is Unimpaired by the Joint Plan.**<br><br>Each Holder of an Allowed Class 2 Claim is conclusively presumed to have accepted the Joint Plan and is not entitled to vote to accept or reject the Joint Plan.<br><br>Each Holder of an Allowed Other Priority Claim will receive Cash equal to the amount |

[2] This amount reflects the Debtors and the Committee's best estimate of the total amount of Other Secured Claims which remain after prior Orders of the Bankruptcy Court and after the claims objection process to eliminate duplicate claims, late filed claims, superseded claims, disputed claims, and other claims deemed not applicable. The remaining other secured claims filed to date include: (i) Claim No. 19 filed by the Pennsylvania Department of Revenue in the amount of $10,873.72; (ii) Claim No. 185 filed by the Collin County Tax Assessor/Collector in the amount of $62,608.32; and (iii) Claims No. 328-331 filed by QSL Realty Plano, LLC (the landlord for the Plano, Texas location), each in the amount of $486,862.00 (duplicate claims). The Debtors and the Committee do not believe that the foregoing claims are allowable Other Secured Claims.

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| Estimated Claims Pool: $0.00<br><br>Expected Recovery: 100% | of such Other Priority Claim on the later of the Effective Date or when such Claim becomes Allowed. |
| **Class 3 General Unsecured Claims**<br><br>Class 3 consists of any Claim that is not an Administrative Claim, Fee Claim, Priority Tax Claim, Other Secured Claim, or Other Priority Claim, other than an Intercompany Claim.<br><br>Estimated Claims Pool: $8,400,000[3]<br><br>Expected Recovery: 60%-80% | **Class 3 is Impaired by the Joint Plan.**<br><br>Each Holder of an Allowed Class 3 Claim is entitled to vote to accept or reject the Joint Plan.<br><br>On one or more Distribution Dates (the first of which is anticipated to be approximately 60 days after the Effective Date), each Holder of an Allowed General Unsecured Claim shall receive a Pro Rata share of the net proceeds of the Liquidating Trust Assets after the payment of all Allowed Fee Claims, Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Other Secured Claims, Allowed Other Priority Claims, and the payment of all costs and expenses of the Liquidating Trust. The obligations to Holders of Allowed General Unsecured Claims shall be governed by the Liquidating Trust Agreement. Holders of General Unsecured Claims are impaired and entitled to vote to accept or reject the Joint Plan. |

[3] This amount reflects the Debtors and the Committee's best estimate of the total amount of general unsecured claims remaining after the claims objection process to eliminate duplicate claims, late filed claims, superseded claims, and other claims deemed not applicable.

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| **Class 4 Intercompany Claims**<br><br>Class 4 consists of all Intercompany Claims, which means any Claim held by one Debtor against another Debtor.<br><br>Expected Recovery: 0% | **Class 4 is Impaired by the Joint Plan.**<br><br>Each Holder of a Class 4 Intercompany Claim is deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.<br><br>Intercompany Claims will be cancelled on the Effective Date and no distributions shall be made on account of such Intercompany Claims. |
| **Class 5 Interests**<br><br>Class 5(a) consists of all Preferred Interests in Wings Aggregator.<br><br>Class 5(b) consists of all Common Interests in the Wings Aggregator.<br><br>Expected Recovery: 0% | **Class 5 is Impaired by the Joint Plan.**<br><br>Each Holder of a Class 5 Interest is deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.<br><br>On the Effective Date, all Interests will be deemed cancelled, null, and void; provided, however, that to the extent residual funds may ultimately be available after payment in full of all Allowed Class 3 Claims, Holders of Interests shall be entitled to payment on a pro rata basis first to Class 5(a) and, once satisfied in full, to Class 5(b). |

## II. DISCLAIMER

On November __, 2016, after notice and a hearing, the Bankruptcy Court entered an order approving this Disclosure Statement (the "Disclosure Statement Order") as containing adequate information of a kind and in sufficient detail to enable a hypothetical, reasonable investor typical of the Debtors' creditors and Interest Holders to make an informed judgment whether to accept or reject the Joint Plan. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE JOINT PLAN. THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE, RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, AND RULE 3018-2 OF THE LOCAL RULES FOR THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF OHIO.

The Disclosure Statement Order sets forth deadlines for voting to accept or reject the Joint Plan and procedures to be followed to object to confirmation of the Joint Plan. A Ballot for the acceptance or rejection of the Joint Plan is enclosed with each Disclosure Statement submitted to a Holder of a Claim that is entitled to vote to accept or reject the Joint Plan. The

Ballot includes certain instructions for voting and the record date for voting purposes. **THE BANKRUPTCY COURT HAS SCHEDULED A HEARING ON DECEMBER 13, 2016, AT 2:00 P.M. (PREVAILING EASTERN TIME) TO CONSIDER WHETHER TO CONFIRM THE JOINT PLAN.**

This Disclosure Statement describes certain aspects of the Joint Plan, the Debtors' operations, pending litigation, the proposed formation of a liquidating trust and other related matters. FOR A COMPLETE UNDERSTANDING OF THE JOINT PLAN, YOU SHOULD READ THIS DISCLOSURE STATEMENT, THE JOINT PLAN, THE LIQUIDATING TRUST AGREEMENT, AND THE EXHIBITS, APPENDICES, AND SCHEDULES THERETO IN THEIR ENTIRETY. IF ANY INCONSISTENCY EXISTS BETWEEN THE JOINT PLAN, THE LIQUIDATING TRUST AGREEMENT AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE JOINT PLAN SHALL CONTROL, WITH THE TERMS OF THE LIQUIDATING TRUST AGREEMENT CONTROLLING DISPUTES, IF ANY, BETWEEN THE LIQUIDATING TRUST AND THIS DISCLOSURE STATEMENT.

This Disclosure Statement does not constitute an offer to exchange or sell, or the solicitation of an offer to exchange or buy, any securities that may be deemed to be offered hereby with respect to any creditor that is not an "accredited investor" as defined in Regulation D under the Securities Act. In any state or other jurisdiction (domestic or foreign) in which any securities that may be deemed to be offered hereby are required to be qualified for offering in such jurisdiction, no offer is hereby being made to, and the receipt of Ballots will not be accepted from, residents of such jurisdiction unless and until such requirements, in the sole and final determination of the Debtors (after consultation with the Committee), have been fully satisfied. Until such time, any Ballot submitted with respect to any such creditor will be deemed null and void and will not constitute a rejection or acceptance for purposes of determining whether requisite votes for acceptance of the Joint Plan have been received.

NO PERSON IS AUTHORIZED BY THE DEBTORS AND/OR THE COMMITTEE, IN CONNECTION WITH THE JOINT PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE JOINT PLAN, TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION REGARDING THIS DISCLOSURE STATEMENT OR THE JOINT PLAN OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS, APPENDICES, AND/OR SCHEDULES ATTACHED HERETO OR INCORPORATED BY REFERENCE OR REFERRED TO HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTORS AND/OR THE COMMITTEE.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. ANY CREDITOR DESIRING ANY SUCH ADVICE OR ANY OTHER ADVICE SHOULD CONSULT WITH ITS OWN ADVISORS.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE INFORMATION STATED SINCE THE DATE HEREOF.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING THE INFORMATION REGARDING THE HISTORY, BUSINESS, AND OPERATIONS OF THE DEBTORS IS INCLUDED FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE JOINT PLAN BUT, AS TO CONTESTED MATTERS AND ADVERSARY PROCEEDINGS, IS NOT TO BE CONSTRUED AS AN ADMISSION OR A STIPULATION BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR TO REJECT THE JOINT PLAN, AND NOTHING STATED HEREIN WILL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS, THE COMMITTEE, THE LIQUIDATING TRUSTEE OR ANY OTHER PARTY, OR BE DEEMED A REPRESENTATION OF THE TAX OR OTHER LEGAL EFFECTS OF THE JOINT PLAN ON THE DEBTORS OR HOLDERS OF CLAIMS OR INTERESTS. CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, BY NATURE, ARE FORWARD LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. ALL HOLDERS OF CLAIMS SHOULD CAREFULLY READ AND CONSIDER THIS DISCLOSURE STATEMENT AND THE JOINT PLAN IN THEIR ENTIRETY, INCLUDING ARTICLE VIII, "RISK FACTORS TO BE CONSIDERED," OF THIS DISCLOSURE STATEMENT, BEFORE VOTING TO ACCEPT OR REJECT THE JOINT PLAN.

## SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Disclosure Statement contains forward looking statements. You should understand that the factors described below, in addition to those discussed elsewhere in this Disclosure Statement, could materially affect the amount of assets available for distributions to creditors. Results could differ materially from those expressed in such forward looking statements.

## III. HISTORY AND STRUCTURE OF THE DEBTORS AND OVERVIEW OF THE DEBTORS AND THE JOINT PLAN

### A. Historical Overview[4]

Quaker Steak & Lube® was a highly differentiated motorsports themed casual dining restaurant concept developed and refined over the past 41 years. Quaker Steak & Lube® was founded by Gary "Moe" Meszaros and George "Jig" Warren in March of 1974 when the co-founders purchased a vacant automobile service station in Sharon, Pennsylvania and converted it into a restaurant and bar named "Quaker Steak & Lube." The company's signature menu item

[4] In describing the Debtors' history and business, the descriptions contained in this Disclosure Statement may use the Debtors' prior names for relevance to operations.

was its award-winning chicken wings, known as "Best Wings USA", prepared using the company's assortment of 29 signature sauces and rubs.

As of the Petition Date, Quaker Steak & Lube® had 12 corporate-owned or controlled operating locations, one joint venture, and 43 franchised locations operating in 16 states and Canada. In the fifteen months prior to the Petition Date, Lube Holdings closed 7 corporate owned locations in: (a) Springfield, Illinois; (b) Carrollton, Texas; (c) Concord, North Carolina; (d) Fredericksburg, Virginia; (e) Fort Wayne, Indiana; (f) Plano, Texas; and (g) Buffalo, New York. Subsequent to the Petition Date, Lube Holdings closed two additional owned locations in Lakewood, Ohio and Harrisonburg, Virginia.

**B. Existing Organizational Structure**

Debtor Lube Aggregator, Inc. n/k/a Wings Aggregator, Inc. is a privately-held Delaware corporation. Wings Aggregator, Inc. in turn owns all of the interests of Lube Holdings, Inc. n/k/a Wings Holdings Liquidation, Inc. ("Holdings") is the direct or indirect parent of each of the remaining Debtors. A corporate organizational chart showing the Debtors' corporate structure is attached hereto as **Exhibit A**, which is incorporated herein by reference.[5]

As of the Petition Date, the directors of Lube Aggregator, Inc. were Debra Koenig (Chairperson), Michael Stack, Lee Cohn, David Strang, and Gregory Lippert. Currently the directors of Wings Aggregator, Inc. are Debra Koenig (Chairperson), David Strang, and Gregory Lippert. The Debtors' current Board of Directors is represented herein in Section V.C.

Debtor QSL of Medina, Inc. n/k/a Wings of Medina Liquidation, Inc. is an Ohio corporation and wholly-owned subsidiary of Holdings ("Medina"). Medina operated a Quaker Steak & Lube® restaurant located at 4094 Pearl Road, Medina Township, Ohio 44256.

Debtor QSL of Medina Realty, Inc. n/k/a Wings of Medina Realty Liquidation, Inc. is an Ohio corporation and wholly-owned subsidiary of Holdings ("Medina Realty"). Medina Realty owned the real property on which the Medina restaurant is located.

Debtor Quaker Steak & Lube Franchising Corporation n/k/a Wings Franchising Liquidation Corporation is a Pennsylvania corporation and wholly-owned subsidiary of Lube Holdings ("Franchising"). As of the Petition Date, Franchising was a party to approximately 42 franchise agreements (collectively, the "Franchise Agreements") with approximately 21 different franchisees (collectively, the "Franchisees").

Debtor QSL Sauces, Inc. n/k/a Wings Sauces Liquidation, Inc. is a Pennsylvania corporation and wholly-owned subsidiary of Lube Holdings ("Sauces"). Sauces generated

[5] On the Petition Date, Holdings also owned 75% of non-debtor QSL of Austintown Ohio, LLC, an Ohio limited liability company ("Austintown"), and 25% of non-debtor QSL of Austintown Ohio Realty LLC, an Ohio limited liability company ("Austintown Realty"). Austintown Realty owns the real property on which the Austintown restaurant is located. The membership interests of Holdings in Austintown and Austintown Realty were sold to TravelCenters of America, LLC ("TravelCenters") as part of the sale of substantially all of the Debtors' assets.

revenue by selling Quaker Steak & Lube® sauces to retailers such as Walmart and other grocery chains.

Debtor QSL Intellectual Properties Inc. n/k/a Wings Intellectual Properties Liquidation Corporation is a Pennsylvania corporation and wholly-owned subsidiary of Lube Holdings ("Intellectual Properties"). Intellectual Properties owned intellectual property and the sauce recipes.

Debtor Quaker Steak & Wings, Inc. n/k/a Steak & Wings Liquidation, Inc. is a Pennsylvania corporation and wholly-owned subsidiary of Lube Holdings ("Steak & Wings"). Steak & Wings operated a Quaker Steak & Lube® restaurant located at 435 Boardman-Poland Road, Boardman, Ohio 44512.

Debtor QSL of Sheffield, Inc. n/k/a Wings of Sheffield Liquidation, Inc. is an Ohio corporation and wholly-owned subsidiary of Lube Holdings ("Sheffield"). Sheffield operated a Quaker Steak & Lube® restaurant located at 4900 Transportation Drive, Sheffield Village, Ohio 44054.

Debtor QSL of Warren, Inc. n/k/a Wings of Warren Liquidation, Inc. is an Ohio corporation and wholly-owned subsidiary of Lube Holdings ("Warren"). Warren operated a Quaker Steak & Lube® restaurant located at 2191 Millennium Blvd., Cortland, Ohio 44410.

Debtor QSL of Independence, Ohio, Inc. n/k/a Wings of Independence Liquidation, Inc. is an Ohio corporation and wholly-owned subsidiary of Lube Holdings ("Independence"). Independence operated a Quaker Steak & Lube® restaurant located at 5935 Canal Road, Valley View, Ohio 44125.

Debtor QSL of Lakewood, Inc. n/k/a Wings of Lakewood Liquidation, Inc. is an Ohio corporation and wholly-owned subsidiary of Lube Holdings ("Lakewood"). Lakewood operated a Quaker Steak & Lube® restaurant located at 15312 Detroit Avenue, Lakewood, Ohio 44107. This restaurant closed on or about March 29, 2016.

Debtor QSL of Vermillion, Inc. n/k/a Wings of Vermillion Liquidation, Inc. is an Ohio corporation and wholly-owned subsidiary of Lube Holdings ("Vermillion"). Vermillion operated a Quaker Steak & Lube® restaurant located at 5150 Liberty Avenue, Vermillion, Ohio 44089.

Debtor Best Wings USA, Inc. n/k/a Best Wings Liquidation, Inc. is a Pennsylvania corporation and wholly-owned subsidiary of Lube Holdings ("Best Wings"). Best Wings operated a Quaker Steak & Lube® restaurant located at 101 Chestnut Street, Sharon, Pennsylvania 16146. Best Wings also owns real property located at: (a) 101 Chestnut Street, Sharon, Pennsylvania 16146; (b) 110 Connelly Blvd., Sharon Pennsylvania 16146; and (c) 130 S. Dock Street, Sharon, Pennsylvania 16146.

Debtor QSL of Buffalo, Inc. n/k/a Wings of Buffalo Liquidation, Inc. is a New York corporation and wholly-owned subsidiary of Lube Holdings ("Buffalo"). Buffalo operated a Quaker Steak & Lube® restaurant located at 6727 Transit Road, Lancaster, NY 14221. This restaurant closed on or about September 9, 2015.

Debtor QSL of Springfield, Inc. n/k/a Wings of Springfield Liquidation, Inc. is an Illinois corporation and wholly-owned subsidiary of Lube Holdings ("Springfield"). Springfield operated a Quaker Steak & Lube® restaurant located at 1121 W. Lincolnshire Blvd., Springfield, Illinois 62704. This restaurant closed on or about August 11, 2014.

Debtor QSL of Springfield Realty, Inc. n/k/a Wings of Springfield Realty Liquidation, Inc. is an Illinois corporation and wholly-owned subsidiary of Lube Holdings ("Springfield Realty"). Springfield Realty owns the real property on which Springfield's restaurant is located.

Debtor QSL of Newport News, Inc. n/k/a Wings of Newport News Liquidation, Inc. is a Virginia corporation and wholly-owned subsidiary of Lube Holdings ("Newport News"). Newport News operated a Quaker Steak & Lube® restaurant located at 12832 Jefferson Avenue, Newport News, Virginia 23608.

Debtor QSL of Harrisonburg, Inc. n/k/a Wings of Harrisonburg Liquidation, Inc. is a Virginia corporation and wholly-owned subsidiary of Lube Holdings ("Harrisonburg"). Harrisonburg operated a Quaker Steak & Lube® restaurant located at 350 University Blvd., Harrisonburg, Virginia 22801. This restaurant closed on or about March 28, 2016.

Debtor QSL of Fredericksburg, Inc. n/k/a Wings of Fredericksburg Liquidation, Inc. is a Virginia corporation and wholly-owned subsidiary of Lube Holdings ("Fredericksburg"). Fredericksburg operated a Quaker Steak & Lube® restaurant located at 1300 Central Park Blvd., Fredericksburg, Virginia 22401. This restaurant closed on or about January 27, 2015.

Debtor QSL of Fort Wayne, Inc. n/k/a Wings of Fort Wayne Liquidation, Inc. is an Indiana corporation and wholly-owned subsidiary of Lube Holdings ("Fort Wayne"). Fort Wayne operated a Quaker Steak & Lube® restaurant located at 407 W. Coliseum Blvd., Fort Wayne, Indiana 46805. This restaurant closed on or about June 16, 2015.

Debtor QSL of Wheeling, Inc. n/k/a Wings of Wheeling Liquidation, Inc. is a West Virginia corporation and wholly-owned subsidiary of Lube Holdings ("Wheeling"). Wheeling operated a Quaker Steak & Lube® restaurant located at 45 Satterfield Road, Triadelphia, West Virginia 26059.

Debtor QSL of Concord, Inc. n/k/a Wings of Concord Liquidation, Inc. is a North Carolina corporation and wholly-owned subsidiary of Lube Holdings ("Concord"). Concord operated a Quaker Steak & Lube® restaurant located at 7731 Gateway Lane NW, Concord, North Carolina 28027. This restaurant closed on or about October 12, 2014.

Debtor QSL Operations, Inc. n/k/a Wings Operations Liquidation, Inc. is a Texas corporation and wholly-owned subsidiary of Lube Holdings ("QSL Operations").

Debtor QSL Management, Inc. n/k/a Wings Management Liquidation, Inc. is a Texas corporation and wholly-owned subsidiary of QSL Operations ("QSL Management").

Debtor QSL of Plano, Inc. n/k/a Wings of Plano Liquidation, Inc. is a Texas corporation and wholly-owned subsidiary of QSL Management ("Plano"). Plano operated a Quaker Steak &

Lube® restaurant located at 5584 Texas Highway 121, Plano, Texas 75024. This restaurant closed on or about July 31, 2015.

Debtor QSL of Carrollton, Inc. n/k/a Wings of Carrollton Liquidation, Inc. is a Texas corporation and wholly-owned subsidiary of QSL Management ("Carrollton"). Carrollton's corporate charter was forfeited by the Texas Secretary of State on August 1, 2014. Carrollton operated a Quaker Steak & Lube® restaurant located at 54109 Highway 121, Carrollton, Texas 75010. This restaurant closed on or about August 11, 2014.

### C. Events Leading to Chapter 11

Like other casual dining restaurant chains, the Debtors' financial performance was sensitive to volatility in consumer discretionary spending. Prior to filing chapter 11 bankruptcy, the Debtors closed certain underperforming corporate-owned restaurants and implemented a restructuring plan to address the reality that the Debtors did not have sufficient liquidity to make debt service payments to their secured lenders.

Prior to the Petition Date, the Debtors engaged in extensive discussions and negotiations with their secured lenders in an attempt to restructure their existing capital structure. Ultimately, those negotiations were not successful. Simultaneously, the Debtors attempted for several months to find a replacement lender or bridge loan lender to provide the Debtors with sufficient liquidity to implement their operational restructuring strategy. However, the efforts to find a financial partner that could provide sufficient liquidity in the form of debt or equity were ultimately not successful. As a result, the Debtors refocused their efforts on marketing the business for a sale to potential buyers.

In the year before the Petition Date, several of the landlords for the Debtors' closed locations and certain of the Debtors' secured lenders commenced lawsuits against certain of the Debtors in multiple jurisdictions across the country. These pre-Petition Date litigation matters, one of the Debtors' secured lender's decision to obtain a confessions of judgment, and the lack of a financial partner willing to provide liquidity outside of a bankruptcy filing all contributed to the Debtors' need to commence the Chapter 11 Cases.

**THE DEBTORS AND THE COMMITTEE BELIEVE THAT THE JOINT PLAN PROVIDES THE BEST RECOVERY POSSIBLE FOR HOLDERS OF CLAIMS AGAINST THE DEBTORS AND THUS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE JOINT PLAN.**

## IV. VOTING INSTRUCTIONS AND PROCEDURES AND CONFIRMATION HEARING

### A. Notice to Holders of Claims

This Disclosure Statement will be transmitted to Holders of Claims and Interests entitled to vote on the Joint Plan. Pursuant to section 1126(f) of the Bankruptcy Code, Holders of Claims in Class 1 and Class 2, who are unimpaired under the Joint Plan, are conclusively deemed to have accepted the Joint Plan and are not entitled to vote on the Joint Plan. Pursuant to section 1126(g) of the Bankruptcy Code, Holders of Intercompany Claims in Class 4 and Holders of Interests in

Class 5, who will receive no distribution on account of their Intercompany Claims or Interests under the Joint Plan, are conclusively deemed to have rejected the Joint Plan and are not entitled to vote on the Joint Plan. Holders of Claims in Class 3 will be the only Holders of Claims or Interests that will vote on the Joint Plan. The purpose of this Disclosure Statement is to provide adequate information to enable such Claim Holders to make a reasonably informed decision with respect to the Joint Plan prior to exercising their right to vote to accept or reject the Joint Plan.

ALL HOLDERS OF CLAIMS ENTITLED TO VOTE ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS APPENDICES CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR TO REJECT THE JOINT PLAN. This Disclosure Statement contains important information about the Joint Plan and considerations pertinent to acceptance or rejection of the Joint Plan.

THIS DISCLOSURE STATEMENT (INCLUDING ATTACHMENTS AND EXHIBITS) IS THE ONLY DOCUMENT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE JOINT PLAN. No solicitation of votes may be made except after distribution of this Disclosure Statement, and no person has been authorized to distribute any information concerning the Debtor other than the information contained herein.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES AND ASSUMPTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS. This Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Disclosure Statement. The Debtors and the Committee do not intend to update the estimated recoveries on Allowed Claims set forth in this Disclosure Statement; thus, they will not reflect the impact of any subsequent events not already accounted for in the assumptions underlying the estimates, nor do they reflect expected reserves or enhancements resulting from Disputed Claims. Further, the Debtors and the Committee do not anticipate that any amendments or supplements to this Disclosure Statement will be distributed to reflect such occurrences. Accordingly, the delivery of this Disclosure Statement will not under any circumstance imply that the information herein is correct or complete as of any time subsequent to the date hereof.

### B. Solicitation Package

In soliciting votes for the Joint Plan pursuant to this Disclosure Statement from the Holders of Claims entitled to vote, the Debtors and the Committee will also send a copy of the Joint Plan; a Ballot to be used by such Holders in voting to accept or to reject the Joint Plan; and a letter from the chairperson of the Committee the Plan.

### C. Voting Procedures and Ballots and Voting Deadline

After carefully reviewing the Joint Plan, this Disclosure Statement, and the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Joint Plan by voting in favor of or against the Joint Plan on the enclosed Ballot. Please complete and sign your original Ballot and return it in the envelope provided to **KURTZMAN CARSON**

**CONSULTANTS, LLC 2335 Alaska Avenue, El Segundo, CA 90245. THE VOTING DEADLINE IS DECEMBER 8, 2016, AT 5:00 P.M. (PREVAILING PACIFIC TIME).**

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED NO LATER THAN THE VOTING DEADLINE AT THE ADDRESS ABOVE.

If you have any questions about (i) the procedure for voting your Claim or with respect to the packet of materials that you have received or (ii) or if you wish to obtain an additional copy of the Joint Plan, this Disclosure Statement or any appendices or exhibits to such documents, please contact:

McDonald Hopkins LLC
600 Superior Avenue, East
Suite 2100
Cleveland, Ohio 44114
Attn.: Scott N. Opincar
Telephone: 216-348-5400
Facsimile: 216-348-5474
Email: sopincar@mcdonaldhopkins.com

### D. Confirmation Hearing and Deadline for Objections to Confirmation

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a Confirmation Hearing. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Joint Plan.

The Court has scheduled a Confirmation Hearing for December 13, 2016. Notice of the Confirmation Hearing will be provided to Holders of Claims and Interests or their representatives (the "Confirmation Notice") as set forth in the Disclosure Statement Order. Objections to Confirmation must be Filed with the Bankruptcy Court by the date designated in the Confirmation Notice and are governed by Bankruptcy Rules 3020(b) and 9014 and local rules of the Bankruptcy Court. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

## V. THE DEBTORS' CURRENT OPERATIONS AND MANAGEMENT

### A. Overview of Current Business Operations and Corporate Structure

The Joint Plan contemplates the liquidation of the Debtors. All of the Debtors' operations and substantially all of the Debtors' physical Assets have already been liquidated and converted to Cash. Upon Confirmation of the Joint Plan and transfer of the Liquidating Trust Assets to the Liquidating Trust, the Debtors' only remaining Assets will be Cash, Causes of Action, proceeds from the sale of miscellaneous assets, and any rights to refunds or other contingent assets.

## B. Capital Structure of the Debtors

The current capital structure of the Debtors is simple. Based on settlements negotiated by the Committee, and supported by the Debtors, with their Prepetition Secured Lenders under the Sale Order (Docket No. 280), the Debtors do not have any remaining secured debt obligations as of the filing of this Joint Plan.

## C. Board of Directors and Executive Officers of the Debtors

The following is a list of the current directors and executive officers of the Debtors:

| Name | Title |
|---|---|
| Debra Koenig | Chairperson of the Board of Wings Aggregator, Inc. and Officer of the Debtors (as Chairperson) |
| Gregory Lippert | Director of Wings Aggregator, Inc. |
| David Strang | Director of Wings Aggregator, Inc. |
| John Lane | Chief Financial Officer of the Debtors |

# VI. THE ACTIVITIES IN THE CHAPTER 11 CASES

## A. The Chapter 11 Cases

On November 16, 2015, each of the Debtors filed a voluntary petition for relief under the Bankruptcy Code in the Bankruptcy Court. At that time, all actions and proceedings against the Debtors and all acts to obtain property from the Debtors were stayed pursuant to section 362 of the Bankruptcy Code. The Debtors continued to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

As part of the Chapter 11 Cases, the Debtors sought and received various forms of relief from the Bankruptcy Court. A summary of such relief sought and granted in the Chapter 11 Cases, along with other material activities in the Chapter 11 Cases, is set forth below.

## B. Postpetition Operations

The Debtors continued to operate their businesses during the Chapter 11 Cases until the Sale of substantially all of their Assets to TravelCenters (defined below), which closed on April 20, 2016.

## C. Chapter 11 Relief

### 1. First Day and Similar Relief

On the Petition Date, the Debtors filed "first day" motions with the Bankruptcy Court seeking certain relief to continue uninterrupted operations. The requested relief included

authority to obtain debtor in possession financing from TravelCenters of America, LLC ("TravelCenters"), the stalking horse purchaser of the Debtors' Assets and to use cash collateral of the Debtors' alleged secured lenders on an interim basis, authority to continue payment of wages and ordinary course employee benefits (including prepetition amounts), and authority to continue to use the Debtors' bank accounts and centralized cash management system. This relief was granted, although approval of the debtor in possession financing facility and use of cash collateral on a final basis was deferred to a later hearing, as is typical. Shortly after the filing of the Chapter 11 Cases, the Debtors also requested authority to provide adequate assurance of performance to utilities and to pay interim compensation to professionals. This relief was also granted.

**2. The Debtors' Professional Advisors**

The Debtors have been advised by the following: McDonald Hopkins LLC, as the Debtors' chapter 11 counsel; Fisher Zucker LLC, as ordinary course franchise counsel; and Mastodon Ventures, Inc. as investment banker. John Lane of Inglewood Associates LLC was retained as the Debtors' Chief Financial Officer.

**3. Appointment of the Committee**

The Office of the United States Trustee initially appointed a three-member Committee on December 4, 2015. Since that time, two members of the Committee had their cure claims paid in full in connection with the assumption and assignment of certain unexpired leases to which they were a party with one or more of the Debtors and are no longer members of the Committee. On April 26, 2016, the Office of the United States Trustee filed an Amended Appointment of Committee of Unsecured Creditors, Docket No. 316, pursuant to which Campana Properties, Inc. and Sandusky Bay Co., Ltd. were removed from the Committee and Farmers National Bank of Canfield and Plur, Inc. were added to the Committee. On December 30, 2015, the Bankruptcy Court entered an order approving the retention of Wickens Herzer Panza Cook & Batista Co. as counsel to the Committee and a separate order approving the retention of BDO USA, LLP, as financial advisor to the Committee.

**4. Debtor in Possession Financing**

As described above, the Debtors obtained interim approval of a $2,000,000 debtor in possession financing facility from TravelCenters and use of cash collateral of their Prepetition Secured Lenders shortly after the Petition Date (Docket No. 32). The Debtors' request for final approval of the $2,000,000 debtor in possession financing facility and use of cash collateral on a final basis was approved on December 15, 2015, Docket No. 110 (the "DIP Loan"). The proceeds borrowed under the DIP Loan were ultimately credited toward the purchase of the Debtors Assets by TravelCenters.

**5. Bar Dates**

The Bankruptcy Court established certain bar dates for filing proofs of Claim. Generally, proofs of Claim were required to be filed no later than March 7, 2016, except that proofs of

Claim for any governmental units were required to be filed no later than May 20, 2016. See, Docket No. 138.

**6. Sale of Substantially all of the Debtors' Assets**

The Debtors entered the Chapter 11 Cases with a plan to sell substantially all of their Assets as going concerns. On the Petition Date, the Debtors filed a motion seeking relief in two parts: (a) authority to establish a timeline and procedures for the sale, including bidding protections for a "stalking horse" buyer; and (b) after an opportunity for bids to be submitted and an auction, authority to sell the Sale Assets, Docket No. 9.

The proposed stalking horse buyer was TravelCenters. While the Debtors and Committee ran a full marketing and sale process, no other qualified bids were received by the bidding deadline. As a result, the Debtors moved forward to approve the sale to TravelCenters for $25 million plus certain other obligations under the asset purchase agreement. On March 25, 2016, the Court entered the Order (A) Authorizing the Sale of Substantially All of the Debtors' Assets Free and Clear of All Liens, Claims, Encumbrances and Interests; (B) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (C) Granting Related Relief, Docket No. 280 (the "Sale Order"), which approved the sale of substantially all of the Debtors' assets to TravelCenters. Entry of the Sale Order was supported by the Committee.

On April 20, 2016, the Debtors and TravelCenters closed the sale in accordance with the provisions of the Sale Order (the "Closing Date"). The Debtors are in the process of winding down their affairs and administering their remaining assets through the Chapter 11 Cases.

**7. Exclusivity**

During the Chapter 11 Cases, the Debtors filed two motions seeking to extend their exclusive period to file a plan. After a hearing and the second motion, the Court entered an order (i) extending the Debtors exclusive period to file a chapter 11 plan to August 12, 2016, and (ii) extending the Debtor's exclusive period to solicit acceptances for such plan to October 11, 2016.

**8. Litigation Matters**

a. Travaglini Mediation

On October 1, 2005, Lube Holdings, Inc. and the Raymond D. Travaglini 1989 Revocable Trust (as predecessor in interest to Travaglini Investment Group, LLC ("TIG")) executed that certain Operating Agreement of QSL of Austintown Realty LLC (the "Austintown Realty Agreement") relating to the formation of QSL of Austintown Realty LLC ("Austintown RE"). Also on October 1, 2005, Lube Holdings and the Raymond D. Travaglini 1989 Revocable Trust (as predecessor in interest to TIG) executed that certain Operating Agreement of QSL of Austintown Ohio LLC (the "Austintown Ohio Agreement") relating to the formation of QSL of Austintown Ohio LLC ("Austintown JV"). TIG held a 25% interest and Lube Holdings held a

75% interest in Austintown JV. TIG held a 75% interest and Lube Holdings held a 25% interest in Austintown RE.

On March 4, 2016, TIG filed the Objection of Travaglini Investment Group to Debtors' Sale Motion and Proposed Cure Amount (Docket No. 203) whereby TIG objected: (i) to the Debtors' proposed cure amounts arising under the Austintown Realty Agreement and Austintown Ohio Agreement relating to the Debtors' proposed assumption of such agreements to TravelCenters; and (ii) to the ability of TravelCenters to demonstrate adequate assurance of future performance under the Austintown Realty Agreement and the Austintown Ohio Agreement. TIG also asserted that the Debtors owed cure costs in the amount of $1,068,363.216, plus an additional amount equal to the mandatory distribution that should be paid pursuant to § 6.1(a) of the Austintown Ohio Agreement which became due on April 10, 2016.

TIG also filed two proofs of claim in the Debtors' cases: one on March 4, 2016 and the other on March 7, 2016, each in the amount of $1,068,363.21 (collectively, the "TIG Proofs of Claim").[7] The Debtors and TIG entered into the Stipulation Resolving Objection of Travaglini Investment Group to Debtors' Sale Motion and Proposed Cure Amount, Docket No. 262 (the "Stipulation"). The Stipulation, among other things, evidenced the parties' agreement that the Austintown Ohio Agreement and the Austintown Realty Agreement constituted executory contracts pursuant to section 365 of the Bankruptcy Code and that TravelCenters satisfied the adequate assurance of future performance requirements. As a result, the interests held by Lube Holdings in Austintown RE and Austintown JV were assumed and assigned to TravelCenters pursuant to the Sale Order. At the Closing Date, the Debtors segregated $1,068,363.21 from the sale proceeds into a separate bank account to be held pending a final resolution of TIG's claims.

The Debtors and TIG agreed to attempt to fast-track a resolution of issues after the Closing Date. To that end, the Debtors, TIG and the Committee opted to try to resolve TIG's claims through mediation. The parties agreed to have Jeffrey Baddeley, an attorney with the law firm Buckley King, serve as the mediator (the "Mediator"). The Debtors and TIG agreed to a 50/50 split of the costs of the Mediator. On June 16, 2016, representatives of the Debtors, TIG and the Committee attended an all-day mediation session at the Mediator's offices. The result of the mediation was successful in that the Debtors and TIG (and with the consent of the Committee) agreed to settle TIG's claims for $790,000 in full and final satisfaction of all of TIG's claims against the Debtors, subject to Court approval. On August 8, 2016, the Court approved the settlement with TIG, (Docket No. 407).

b. Bosselman Adversary Proceeding

Franchising is currently involved in litigation with Bosselman Food Services, Inc., a former franchisee, and Bosselman Holding, Inc. On September 12, 2014, Bosselman Food

[6] TIG later amended this amount to $1,324,970.96.

[7] One claim was filed on the electronic claims register via PACER and the other was filed with the Debtors' claims and noticing agent.

Services, Inc. ("Bosselman Food Services") and Franchising executed that certain Quaker Steak & Lube Restaurant Franchise Agreement and Addendum to Franchise Agreement (together, the "Bosselman Franchise Agreement") to operate a Quaker Steak & Lube franchise in Grand Island, Nebraska. Bosselman Holding, Inc. and Franchising also executed that certain Guaranty and Assumption of Obligations (the "Guaranty"), whereby Bosselman Holding, Inc. agreed to be jointly and severally liable for any and all obligations of Bosselman Food Services under the Bosselman Franchise Agreement.

On March 4, 2016, Bosselman Food Services filed an objection to the Debtors' Sale Motion, Docket No. 220 (the "Bosselman Sale Objection"), alleging claims for common law fraud, fraudulent inducement, and for violations of the Nebraska Seller Assisted Marketing Act. Bosselman Food Services primarily asserted that the Debtors provided insufficient or out of date financial information at the time Bosselman Food Services signed the Bosselman Franchise Agreement. Bosselman Food Services also filed a proof of claim in the Debtors' cases, alleging identical claims as those raised in the Bosselman Sale Objection (Claim No. 294). To resolve the Bosselman Sale Objection, the parties agreed to exclude the Bosselman Franchise Agreement from the Debtors' sale to TravelCenters, and to reserve all rights relating to the claims Bosselman Food Services had asserted in the Sale Objection for further resolution by the Bankruptcy Court. At the Closing Date of the sale, the Debtors segregated approximately $1,880,000 from the sale proceeds into a separate bank account to be held pending a final resolution of Bosselman Food Services' claims.

On April 15, 2016, Franchising terminated the Bosselman Franchise Agreement, based on Bosselman Food Services' alleged failure to make any payment to the Debtors' marketing fund each week from November 3, 2015 to mid-April 2016, as was required in the Bosselman Franchise Agreement; non-payment of this amount is a material breach of the Bosselman Franchise Agreement. Because of this early termination, the Debtors assert that Franchising is entitled to damages. Pursuant to the formula outlined in the Bosselman Franchise Agreement, the Debtors assert that Bosselman Food Services owes Franchising $479,059.86. Bosselman Food Services and Bosselman Holding, Inc. dispute these allegations.

The Debtors commenced an adversary proceeding against Bosselman Food Services and Bosselman Holding, Inc. on May 12, 2016 (Case No. 16-05034), seeking (a) a declaratory judgment that Franchising validly terminated the Bosselman Franchise Agreement; (b) damages for Bosselman Food Service's alleged breach of the Bosselman Franchise Agreement and the resulting early termination; (c) joint and several liability of Bosselman Holding, Inc. pursuant to the Guaranty; and (d) resolution of Bosselman's Claim No. 294. Bosselman Food Services and Bosselman Holding filed an answer and counterclaim on June 13, 2016, asserting claims for fraudulent inducement, negligent omission, violation of the Nebraska Seller-Assisted Marketing Act, and resolution of Bosselman Food Services' Claim No. 294. Like the Bosselman Sale Objection and Claim No. 294, the Counterclaim primarily alleges that Bosselman Food Services would not have signed the Bosselman Franchise Agreement if it had received certain updated disclosure documents and financial information from the Debtors. The Debtors dispute the allegations in the Bosselman Counterclaim. The Debtors are defending and investigating these claims, and the parties are in the midst of discovery at this time. A trial date is set for January 2017. The outcome of the Bosselman Adversary Proceeding is uncertain.

c. Franchisee Claims Objections

The Debtors are disputing certain proofs of claim filed by certain franchisees of Franchising. These claims objections can be divided into two groups. One group involves certain franchisees connected to Ray Joll (Bullivar Associates, LLC, Joll Development Company, Inc., Joll Enterprises, Inc., and QSL Joll Johnston, Inc.). Each of these franchisees filed substantially similar proofs of claim (Claim Nos. 283 – 287), asserting claims for damages resulting from their alleged oral "opt out" of the Debtors' Blackhawk gift card program. These claimants also assert that the Debtors did not true-up and appropriately reimburse the claimants for amounts the Debtors allegedly owe in connection with the Debtors' Pepsi rebate program, regular intra-company gift card program, and Blackhawk gift card program. Joll Enterprises, Inc. made an additional claim, Claim No. 285, alleging that it overpaid royalties to the Debtors, In addition, Bullivar Associates, LLC filed Claim No. 282, asserting that it is owed money for certain equipment. The claims filed by the foregoing claimants range from approximately $21,000 to approximately $115,000.

In addition to Claims No. 283 – 287, certain other franchisees also filed claims asserting damages relating to the Debtors' Pepsi rebate program, intra-company gift card program, and Blackhawk gift card programs (Claim Nos. 295 – 298, 300, 305 – 307). These claimants assert that the Debtors inappropriately discounted and did not fully reimburse the claimants for the amounts owed pursuant to the Blackhawk gift card program. In addition, the claimants allege that as a result of the alleged discount and resulting lower reimbursement rate, the franchisees overpaid royalties to the Debtors. The claimants also assert claims for the alleged amounts the Debtors owe in connection with the Debtors' regular gift card program and Pepsi rebate program. The claims filed by the claimants range from approximately $5,000 to approximately $77,000.

The Debtors filed objections to all of these claims in two sets (Debtors' First Omnibus Objection to Certain Proofs of Claim (Giant Eagle Opt Out Claims, Royalty Claim, Equipment Claim), Docket No. 360 and Debtors' Second Omnibus Objection to Certain Proofs of Claim (Pepsi Rebate/Gift Card Claims), Docket No. 361).

The Debtors have settled the claims asserted by Joll Development Company, Inc., QSL/Joll Johnston, LLC, Bullivar Associates, LLC, and Joll Enterprises, Inc., for a total aggregate payment of $10,000.00 by the Debtors. The Court approved this settlement on November 4, 2016.

In addition, the Debtors have filed a motion (Docket No. 451) to settle the claims asserted by Canton QSL, LLC, Charleston Lube Partners, LLC, K Investments Limited, Mentor QSL, LLC, QSL Enterprise, Ltd., QSLPA Investments of Ohio Limited, QSL Portage, LLC, and QSL Restaurants Florida Limited, for a full walk-away by the respective parties. The motion and settlement will be considered by the Bankruptcy Court at a hearing on November 29, 2016.

These two settlements will provide a net savings to the Debtors' estates of over $600,000. Such funds that were escrowed from the sale proceeds pending resolution of these claims will be released to the estates as part of the pending settlements.

d. Fiduciary Duty Investigation

During the pendency of the Bankruptcy Cases, the Committee was contacted by numerous parties asserting that recovery to creditors in the Bankruptcy Cases is smaller than it otherwise would be but for the prior decisions and/or representations made by the Debtors' Board and/or Directors and Officers. Based on these allegations and commentary, the Committee is conducting an investigation to determine: (i) the validity and legitimacy of such claims; (ii) the materiality of any possible recovery resulting therefrom; and (iii) the benefit to the Debtors' estates and all parties should any action be pursued (the "Fiduciary Claims").

In conducting its investigation, the Committee, to date, has interviewed parties making such allegations, made specific requests to the Debtors for responsive information, and also filed the Motion for Order Directing Rule 2004 Examination of Ray Joll (Docket No. 382) (the "Joll Exam"). These actions have been taken to elicit additional information, thus allowing the Committee to make an informed and supported determination on whether or not to pursue claims that are in the best interests of the Debtors' estates. Should the Committee determine that the pursuit of such claims in proper, the Committee or the Liquidating Trustee, as applicable, may seek derivative standing from the Court in order to proceed.

e. Insider Avoidance Actions

Pursuant to the Sale Order, and effective upon the Closing Date, the Debtors forever waived the right to prosecute and released any avoidance or recovery actions under §§ 544, 545, 547, 548, 549, 550, 551, and 553 of the Bankruptcy Code ("Avoidance Actions"), other than those Avoidance Actions that may arise out of the actions or conduct of an Insider of the Debtors ("Insider Avoidance Actions"), as more fully described on Exhibit C attached to the Joint Plan.

## VII. SUMMARY OF THE JOINT PLAN OF LIQUIDATION

The primary objective of the Joint Plan is to maximize recovery to creditors by liquidating the Debtors' remaining assets in the most efficient way and distributing the proceeds of that liquidation to creditors.

This Disclosure Statement includes summaries of the material provisions contained in the Joint Plan and in documents referred to therein. The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions of the Joint Plan or documents referred to therein, and reference is made to the Joint Plan and to such documents for the full and complete statements of such terms and provisions.

The Joint Plan itself and the documents referred to therein control the actual treatment of Claims against and Interests in the Debtors under the Joint Plan and will, upon the Effective Date, be binding upon all Holders of Claims against and Interests in the Debtors and their Estates and other parties in interest. In the event of any conflict between this Disclosure Statement, on the one hand, and the Joint Plan or any other operative document, on the other hand, the terms of the Joint Plan or such other operative document are controlling.

## A. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business for the benefit of itself, its creditors and interest holders. Controlled and structured liquidations are also possible under chapter 11. A primary goal of chapter 11, whether in reorganization or liquidation, is to promote equality of treatment for similarly situated creditors and similarly situated interest holders with respect to the distribution of a debtor's assets.

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

The consummation of a plan is the principal objective of a chapter 11 case. A plan sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan by a bankruptcy court makes the plan binding upon the debtor, any issuer of securities under the plan, any person or entity acquiring property under the plan, and any creditor of or equity security holder in the debtor, whether or not such creditor or equity security holder (i) is impaired under or has accepted the plan or (ii) receives or retains any property under the plan.

## B. Overview of the Joint Plan

The Debtors and the Committee believe that the Joint Plan provides the best and most prompt possible recovery to Holders of Claims against the Debtors. The Joint Plan is divided into ten (10) Articles. It is important that Holders of Claims review the Joint Plan in its entirety.

### 1. Defined Terms and Rules of Interpretation

Article I and Exhibit A of the Joint Plan define various terms used in the Joint Plan, and Article I also provides rules for interpretation of the Joint Plan and computation of time, and makes clear that the exhibits to the Joint Plan, any schedules to the Joint Plan, and the Joint Plan Supplement are incorporated into and a part of the Joint Plan.

### 2. Classification of Claims and Interests and Treatment of Claims and Interests

Article II of the Joint Plan classifies Claims against and Interests in the Debtors. Administrative Claims and Priority Tax Claims are unclassified. There are two unimpaired Classes of Claims that are deemed to have accepted the Joint Plan: Class 1, Other Secured Claims and Class 2, Other Priority Claims. There is one Impaired Class of Claims, and the Holders of Claims in that Class are entitled to vote on the Joint Plan. That Class is Class 3, General Unsecured Claims. Finally, there are two Classes of Claims that are deemed to have rejected the Joint Plan, Class 4 Holders of Intercompany Claims and Holders of Class 5 Interests.

Article II of the Joint Plan also describes the treatment of Claims and Interests under the Joint Plan. In general, however, Holders of Allowed Administrative Claims, Priority Tax Claims, Allowed Other Secured Claims, and Allowed Other Priority Claims will be paid in full

on or shortly after the Effective Date. Holders of General Unsecured Claims will receive a Pro Rata share of remaining Liquidating Trust Assets after payment of Liquidating Trust Expenses and the Claims described above. Holders of Class 4 Intercompany Claims will have their Intercompany Claims cancelled. In addition, Holders of Class 5 Interests will have their equity interests cancelled. However, to the extent there are funds remaining in the Liquidating Trust after distributions in full to Holders of allowed Class 3 Claims, such residual funds will be distributed Pro Rata to Holders of Class 5(a) Preferred Interests. However, for the purposes of the Joint Plan, the Debtors and the Committee do not believe there will be sufficient funds remaining beyond Holders of Class 3 Claims.

**3. Acceptance or Rejection of the Joint Plan**

Article III of the Joint Plan describes the voting requirements for acceptance of the Joint Plan and states that only Holders of Allowed Class 3 Claims are entitled to vote on the Joint Plan.

**4. Means for Implementation of the Joint Plan**

Article IV of the Joint Plan describes the means for implementation of the Joint Plan. That Article includes discussion of: (a) the wind down of the Debtors; (b) the establishment and key terms of the Liquidating Trust, including the preservation of Causes of Action and their transfer to the Liquidating Trust; and (c) restructuring transactions.

a. Wind Down of the Debtors

On the Effective Date, the Liquidating Trust Assets will be delivered to and vest in the Liquidating Trust and will be managed by the Liquidating Trustee.

b. The Liquidating Trust

On or prior to the Effective Date, the Liquidating Trust shall be established pursuant to the Liquidating Trust Agreement for the purpose of liquidating the Estates and distributing the proceeds thereof to creditors. The Liquidating Trust (and the Liquidating Trustee) shall be empowered to: (a) effect all actions and execute all agreements, instruments and other documents necessary to implement the Liquidating Trust provisions of the Joint Plan; (b) accept, preserve, receive, collect, manage, invest, supervise, prosecute, settle, and protect the Liquidating Trust Assets (directly or through its professionals, in accordance with the Joint Plan); (c) sell, liquidate, transfer, distribute, abandon, or otherwise dispose of the Liquidating Trust Assets (directly or through its professionals) or any part thereof or any interest in the Joint Plan upon such terms as the Liquidating Trustee determines to be necessary, appropriate, or desirable; (d) calculate and make distributions to Holders of Allowed Claims; (e) comply with the Joint Plan and exercise the Liquidating Trustee's rights and fulfill his or her obligations thereunder; (f) review, reconcile, or object to Claims and resolve such objections as set forth in

the Joint Plan[8]; (g) investigate and pursue Causes of Action transferred to the Liquidating Trust; (h) retain and compensate professionals to represent the Liquidating Trustee without further authority from the Bankruptcy Court; (i) establish and maintain a Disputed Claims Reserve; (j) file appropriate Tax returns and other reports on behalf of the Liquidating Trust and pay Taxes or other obligations owed by the Liquidating Trust; (k) exercise such other powers as may be vested in the Liquidating Trustee under the Liquidating Trust Agreement or the Joint Plan, or as deemed by the Liquidating Trustee to be necessary and proper to implement the provisions of the Joint Plan and the Liquidating Trust Agreement; (l) object to the amount of any Claim on the Schedules if the Liquidating Trustee determines in good faith that the Claim is invalid, overstated, or has previously been paid or satisfied; (m) file any required reports and pay any and all residual statutory fees of the Debtors as provided in the Joint Plan; and (n) dissolve the Liquidating Trust in accordance with the terms of the Liquidating Trust Agreement and Joint Plan. The Liquidating Trust's primary purpose is liquidating the Liquidating Trust Assets transferred to it by the Debtors and making distributions from the Liquidating Trust to Holders of Allowed Claims.

On the Effective Date, the Liquidating Trust Assets shall be deemed transferred to the Liquidating Trust and the Trustee shall thereafter make a good faith determination of the fair market value of the Liquidating Trust Assets. The Liquidating Trust Assets, including the Causes of Action, will be transferred to, vest in, and be preserved for the Liquidating Trust on the Effective Date, free and clear of all liens, Claims, and other encumbrances. The Debtors will take such action as requested by the Liquidating Trustee to effectuate the transfer of the Liquidating Trust Assets.

The initial Liquidating Trustee shall be Mark Kozel. The powers, rights, and responsibilities of the Liquidating Trustee shall be specified in the Liquidating Trust Agreement and shall include the authority and responsibility to fulfill the rights and obligations identified in the Joint Plan. For the avoidance of doubt, the Liquidating Trustee shall have exclusive standing to pursue and compromise all Causes of Action. The Liquidating Trust Agreement will also provide for a trust advisory committee (the "Advisory Committee"), the initial composition of which shall be comprised of three members of the Committee, Debra Koenig (as independent director of the Debtors), and one holder of Class 4(a) Preferred Interests selected by Debra Koenig, which the Liquidating Trustee shall consult regarding certain material matters of the Liquidating Trust and for which the Liquidating Trustee shall report on a periodic basis, or as requested by the Advisory Committee.

The Liquidating Trustee, on behalf of the Liquidating Trust, shall File with the Bankruptcy Court (and provide to any other party entitled to receive any such report pursuant to the Liquidating Trust Agreement), as soon as practicable after June 30 and December 31 of each calendar year, a semi-annual report regarding the administration of property subject to its ownership and control pursuant to the Joint Plan and Liquidating Trust, distributions made by it, and other matters relating to the implementation of the Joint Plan; *provided*, *however*, that the

[8] To the extent that the Bankruptcy Court sustains any objection filed by the Debtors, the Committee, or the Liquidating Trustee to any filed Claim, the amount of such Allowed Claim, if any, may be less than the amount listed on the proof of claim form filed by the alleged Claim holder.

filing of any such report is solely to provide centralized access to information and there is no implication or suggestion that the Bankruptcy Court is supervising the Liquidating Trustee, and, provided further, that the Liquidating Trustee and the Liquidating Trust shall have access to the Bankruptcy Court to pursue any actions it deems necessary or for relief it deems required.

Except as otherwise ordered by the Bankruptcy Court, the reasonable and necessary fees and expenses of the Liquidating Trust (including the reasonable and necessary fees and expenses of any professionals assisting the Liquidating Trustee in carrying out its duties under the Joint Plan) will be funded by the Liquidating Trust Assets in accordance with the Liquidating Trust Agreement without further order from the Bankruptcy Court. The Liquidating Trustee has the right under the Liquidating Trust Agreement to retain and employ professionals that also served as professions on behalf of the Debtors and/or the Committee.

The Liquidating Trust Agreement may include reasonable and customary indemnification provisions for the benefit of the Liquidating Trustee and/or other parties. Any such indemnification shall be the sole responsibility of the Liquidating Trust and payable solely from the Liquidating Trust Assets.

Subject to the provisions of the Liquidating Trust Agreement, the Liquidating Trustee may, without further order of the Bankruptcy Court, conduct any sales or liquidations of non-Cash Liquidating Trust Assets from the Liquidating Trust on any terms he or she deems reasonable. Subject to the provisions of the Liquidating Trust Agreement, the Liquidating Trustee may settle, compromise, abandon, or withdraw any Cause of Action on any grounds or terms he or she deems reasonable, without further order of the Bankruptcy Court.

On the Effective Date, the Debtors and, to the extent necessary, the Committee will transfer to the Liquidating Trustee, and the Liquidating Trustee will have the standing to pursue, as the representative of the Estates under section 1123(b) of the Bankruptcy Code, all Causes of Action, and the Liquidating Trustee may enforce any Causes of Action that the Debtors or the Estates may hold against any entity to the extent not expressly released under the Joint Plan or by any Final Order of the Bankruptcy Court.

c. Restructuring Transactions

The Liquidating Trustee will be authorized to execute, deliver, file, or record such contracts, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Joint Plan.

**5. Treatment of Executory Contracts and Unexpired Leases**

Article V of the Joint Plan describes the treatment of Executory Contracts and Unexpired Leases. Except as otherwise set forth in the Joint Plan, all Executory Contracts and Unexpired Leases which have not been previously been rejected, or assumed and assigned, will be deemed automatically rejected under the Joint Plan as of the Effective Date.

### 6. Provisions Governing Distributions

Article VI of the Joint Plan discusses provisions governing distributions under the Joint Plan. The Liquidating Trustee will make distributions shortly after the Effective Date to Holders of Allowed Administrative Claims, Priority Tax Claims, Other Secured Claims, Other Priority Claims, and Fee Claims. Finally, the Liquidating Trust will make one or more distributions to Holders of Allowed General Unsecured Claims on a Pro Rata basis after payment of the other Classes of Claims described above. It is anticipated that the Liquidating Trustee will make an initial 40% distribution to Holders of Allowed Class 3 Claims. Such initial distribution shall take into account amounts previously paid to the Prepetition Secured Lenders under the Sale Order with respect to their deficiency claims.

Article VI of the Joint Plan also describes, among other things: (a) methods of delivery of distributions; (b) the treatment of undeliverable distributions; (c) the selection of distribution dates; (d) the estimation of Claims; (e) the treatment of *de minimis* distributions; (f) provisions governing Disputed Claims Reserves; and (g) provisions regarding setoffs. Holders of Claims should review Article VI in its entirety.

### 7. Procedures for Resolving Disputed Claims

Article VII of the Joint Plan discusses procedures for resolving Disputed Claims. The Joint Plan provides that objections to Claims must be made by the Claims Objection Bar Date. After the Effective Date, the Liquidating Trustee will have the sole authority to File, settle, compromise, withdraw, or litigate to judgment objections to Claims. The Liquidating Trustee will have the authority to amend the Schedules with respect to any Claim, and to make distributions based on such amended Schedules without necessarily seeking approval of the Bankruptcy Court, *provided*, *however*, that the Liquidating Trustee will seek prior approval from the Bankruptcy Court prior to increasing or decreasing by more than $50,000 the proposed Allowed amount of any Claim on the Schedules. In addition, if any such amendment to the Schedules reduces the amount of a Claim or changes the nature or priority of a Claim, the Liquidating Trustee will provide the Holder of such Claim with notice of such amendment and such Holder will have sixty (60) days to file an objection to such amendment with the Bankruptcy Court. The notice will contain the same specificity to affected creditors that would be required if the Schedules amendment was a Claim objection. If no such objection is filed, the Liquidating Trustee may proceed with distributions based on such amended Schedules without approval of the Bankruptcy Court. Notwithstanding anything contained in Joint Plan to the contrary, the Liquidating Trustee shall have the authority to object to the amount of any Claim indicated on the Schedules if the Liquidating Trustee determines in good faith that the Claim is fully or partially invalid, overstated, or has previously been paid or satisfied.

### 8. Confirmation and Consummation of the Joint Plan and Effect of Joint Plan Confirmation

Article VIII describes the conditions to Confirmation of the Joint Plan, the conditions to the Effective Date of the Joint Plan, and provisions for waivers thereof. Holders of Claims should review Article VIII of the Joint Plan in its entirety.

Article VIII also details the effect of Joint Plan Confirmation. Specifically, it provides for the following:

- Limitation of Rights of Holders of Claims. Pursuant to section 1141(d)(3) of the Bankruptcy Code, Confirmation will not discharge Claims against the Debtors; *provided*, *however*, that no Holder of a Claim against the Debtors may, on account of such Claim, seek or receive any payment or other distribution from, or seek recourse against, the Debtors, the Liquidating Trustee, or property of the Estates or the Liquidating Trust, except as expressly provided in the Joint Plan.

- Injunction. Except as provided in the Joint Plan or the Confirmation Order, as of the Confirmation Date, all entities that have held, currently hold, or may hold a Claim or other debt or liability against the Debtors or an Interest or other right of an equity security holder are permanently enjoined from taking any of the following actions on account of any such Claims, debts, Liabilities, Interests, or rights: (a) commencing or continuing in any manner any action or other proceeding against the Exculpated Parties, the Liquidating Trust, or the Liquidating Trustee, or their respective property; (b) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against the Exculpated Parties, the Liquidating Trust, or the Liquidating Trustee, or their respective property; (c) creating, perfecting, or enforcing any lien or encumbrance against the Exculpated Parties, the Liquidating Trust, or the Liquidating Trustee, or their respective property; (d) asserting a right of subordination of any kind against any debt, liability, or obligation due to the Exculpated Parties, the Liquidating Trust, or the Liquidating Trustee, or their respective property; or (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Joint Plan.

- Exculpation. Subject to the occurrence of the Effective Date, none of the Exculpated Parties shall have or incur any liability to any Holder of a Claim or Interest or any other party for any act or omission in connection with, related to, or arising out of, the Chapter 11 Cases or the Joint Plan, the pursuit of confirmation of the Joint Plan, the consummation of the Joint Plan, or the administration of the Joint Plan or the property to be distributed under the Joint Plan; provided that the Exculpated Parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Joint Plan; provided further that nothing in the Joint Plan shall, or shall be deemed to, release the Exculpated Parties, or exculpate the Exculpated Parties with respect to: (i) Insider Avoidance Actions; (ii) the Committee's Fiduciary Duty Investigation; (iii) any Fiduciary Duty Cause of Action commenced by the Committee or the Liquidating Trustee; and (iv) their respective obligations or covenants arising pursuant to the Joint Plan.

- Releases.

Each and every entity receiving a distribution pursuant to the Joint Plan on account of its Allowed Claim or Interest will be deemed to forever release and waive all claims, demands, debts, rights, causes of action, and liabilities in connection with or related to any of the Debtors, the Chapter 11 Cases, or the Joint Plan, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, that are based in whole or in part on any act, omission, or other occurrence taking place on or prior to the Effective Date, against the Released Parties to the fullest extent permitted under applicable law. In addition, the Debtors will be deemed to release any and all such claims, demands, debts, rights, causes of action, and liabilities against the Released Parties other than themselves. Notwithstanding anything in the Joint Plan or in the releases set forth above to the contrary, nothing herein shall be construed to release, and the Debtors do not hereby release, any rights of the respective Debtors: (a) to enforce the Joint Plan and the contracts, instruments, releases, indentures, and other agreements or documents delivered thereunder; (b) to litigate Disputed Claims, including without limitation to make any claim, or demand or allege and prosecute any cause of action against any holder of any Disputed Claims; and (c) to litigate claims and causes of action not specifically released herein, including claims and Causes of Action contained in any adversary complaint filed during the pendency of the Chapter 11 Cases that have not been withdrawn or dismissed prior to the Confirmation Date.

In addition, nothing in the Joint Plan shall, or shall be deemed to, release the Released Parties with respect to: (i) Insider Avoidance Actions; (ii) the Committee's Fiduciary Duty Investigation; (iii) any Fiduciary Duty Cause of Action commenced by the Committee or the Liquidating Trustee; and (iv) their respective obligations or covenants arising pursuant to the Joint Plan.

"Released Parties" means, collectively and individually, the Debtors, John Lane, individually and in his capacity as the Debtors' Chief Financial Officer, the Liquidating Trustee, the Committee, the current and former officers of the Debtors, and the current and former Directors of the Debtors.

- Preservation. Unless a Cause of Action against any party has been expressly waived, released, settled or compromised in the Joint Plan and/or any other Order of the Court, including the Confirmation Order, the Debtors and the Liquidating Trustee expressly reserve all Causes of Action. Such Causes of Action include all litigation that may presently be pending in other forums for later adjudication, as applicable, by the Debtors or the Liquidating Trustee, in addition to the following:

  Bosselman Adversary. On May 12, 2016, the Debtors commenced an adversary proceeding against Bosselman Food Services and Bosselman Holding, Inc. (Case No. 16-05034), seeking (a) a declaratory judgment that Franchising validly terminated the Bosselman Franchise Agreement; (b) damages for Bosselman Food Service's alleged breach of the Bosselman Franchise Agreement and the resulting early termination; (c) joint and several liability of Bosselman Holding,

Inc. pursuant to the Guaranty; and (d) resolution of Bosselman's Claim No. 294. Bosselman has filed an answer and counterclaim. A trial date is set for January 2017.

Fiduciary Claims. The Committee was been contacted by various parties asserting that the recovery to creditors in the Chapter 11 Cases is likely smaller than it otherwise would be but for the prior decisions and/or representations made by the Debtors' Board and/or Directors and Officers. The Debtors dispute these allegations. The Committee is investigating the validity and legitimacy of such claims, the materiality, if any, of a possible recovery resulting therefrom, and the global benefit to the Debtors' estates and all parties in interest if any action is pursued. The Committee has requested, and received, specific documents from the Debtors, in addition to seeking, and being granted, an order from the Court to conduct a Rule 2004 examination of Ray Joll, with such examination taking place on September 15, 2016. The Committee has taken these steps in order to make an informed and supported determination on whether it is proper to pursue claims against the Debtors' Board and/or Directors and Officers, and, if proper, whether pursuit of such claims that are in the best interests of the Debtors' estates and all parties in interest. Should the Committee determine that the pursuit of such claims is proper, the Committee, or the Liquidating Trustee, as applicable, will may seek derivative standing from the Court in order to proceed. Give the uncertainly of litigation, potential recovery for such claims, if such claims exist, is impossible to determine at this time.

Avoidance Actions. Pursuant to the Order (A) Authorizing the Sale of Substantially All of the Debtors' Assets Free and Clear of All Liens, Claims, Encumbrances and Interests; (B) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (C) Granting Related Relief, and effective upon the Closing (as such term is defined therein), the Debtors forever waived the right to prosecute and release any avoidance or recovery actions under §§ 544, 545, 547, 548, 549, 550, 551, and 553 of the Bankruptcy Code, other than those Avoidance Actions that may arise out of the actions or conduct of an Insider of the Debtors, as more fully described on **Exhibit B** attached hereto and incorporated herein.

Furthermore, such reserved claims and causes of action include, without limitation, Causes of Action not specifically identified or described in the Disclosure Statement, of which the Debtors or the Liquidating Trustee may presently be unaware or that may arise or exist by reason of additional facts or circumstances unknown to the Debtors or the Liquidating Trustee at this time or facts or circumstances which may change or be different from those that the Debtors or Liquidating Trustee now believe exist and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches shall apply to such Causes of Action upon or after entry of the Confirmation Order or the Effective Date based on the Disclosure Statement,

the Plan or Confirmation Order, except where such Causes of Action have been released in the Plan and/or any other Order of the Court, including the Confirmation Order.

**9. Retention of Jurisdiction**

Article IX calls for the retention of jurisdiction by the Bankruptcy Court, to the fullest extent permitted by law, to enforce the terms of the Joint Plan and take other actions related to the Chapter 11 Cases.

**10. Miscellaneous Provisions**

Article X of the Joint Plan contains various other provisions, including among other things amendment or modifications of the Joint Plan, events of default and governing law.

**11. Substantive Consolidation**

a. Consolidation for Certain Purposes

The Debtors and Committee are requesting that the Bankruptcy Court approve the Debtors' election to substantively consolidate the Estates. Accordingly, for purposes of implementing the Joint Plan, pursuant to such order: (a) all assets and liabilities of all the Debtors will be pooled; and (b) with respect to any guarantees by one Debtor of the obligations of any Debtor, and with respect to any joint or several liability of any Debtor, the Holder of any Claims for such obligations will receive a single recovery on account of any such joint obligations of the Debtors, in each case except to the extent otherwise provided in the Joint Plan.

Such election to treat the Estates as if they were consolidated will not affect the legal and corporate structures of the Debtors to the extent not dissolved. In addition, such election to treat the Estates as consolidated for the purpose of implementing the Joint Plan will not constitute a waiver of the mutuality requirement for setoff under section 553 of the Bankruptcy Code, except to the extent otherwise expressly waived by the Debtors.

b. Order Granting Consolidation

The Joint Plan serves as a motion seeking entry of an order consolidating the Debtors as described in Section 4.7 of the Joint Plan. Upon a proper evidentiary showing at the Confirmation Hearing by the Debtors, the consolidation order (which may be the Confirmation Order) will be entered by the Bankruptcy Court.

The Debtors and Committee submit that substantive consolidation of the estates is appropriate under applicable law given the facts and circumstances of the cases. The Debtors are so interrelated that substantive consolidation is the best and most efficient way to make distributions under the Joint Plan. Creditors will not be harmed by substantive consolidating and may actually be prejudiced by the estates not substantively consolidating.

c. Rationale for Consolidation

The preparation of multiple liquidation analyses would be an extremely burdensome task given the fact the Debtors have operated on a consolidated basis for accounting purposes since Fall of 2013. For example, the Debtors utilized divisional accounting for each of their respective legal entities. The task of recreating accounting records would be costly, burdensome and time-consuming to collect and analyze. Separate liquidation analyses for each of the 27 Debtor entities would require a balance sheet for each company be available, including allocation of debt. Since the Debtors operated as a consolidated company, balance sheets for each Debtor were not prepared and are not available. Therefore, an integrated balance sheet, cash flow and income statement would have to be prepared since acquisition of each Debtor in order to properly determine each company's respective cash balance available to creditors.

Approximately $13 million - $13.5 million of the estimated gross available proceeds available for liquidation expenses and creditors is cash on hand. This cash balance cannot simply be segregated by looking at historical sales levels and cash collections by entity, this cash balance would have to be segregated by entity based on historical operations, asset purchases, allocation of corporate debt and other liabilities based on past performance of the entity and sale proceeds, not simply on sales and collections

Any segregation of sale proceeds from the sale to TravelCenters would also be difficult to determine as there was no specific allocation of such value among the various Debtors. At this point, the Debtors and Committee believe that any allocation of proceeds among the various Debtors would be done on an arbitrary basis that would be speculative, at best.

The historical lack of separate accounting records by entity would require the Debtors to create hypothetical integrated financial statements in order to prepare separate liquidation analyses to estimate and determine the actual cash available to creditors of each company. As noted above, information was not prepared and tracked for the purpose of preparing segregated financial statements, therefore resulting in a speculative, burdensome and expensive process that would unduly harm creditors. Moreover, the work to perform this analysis would be an expense which would fail to result in benefit to the creditors, in total.

## VIII. RISK FACTORS TO BE CONSIDERED

Holders of Claims against the Debtors should read and consider carefully the information set forth below, as well as the other information set forth in this Disclosure Statement prior to voting to accept or reject the Joint Plan. This information, however, should not be regarded as the only risks involved in connection with the Joint Plan and/or its implementation.

### A. Failure to Satisfy Vote Requirement

If the Joint Plan does not receive the requisite votes in accordance with the requirements of the Bankruptcy Code, the Debtors and/or the Committee may be forced to pursue other alternatives in the Chapter 11 Cases that are not as attractive to creditor recoveries as the treatment under the Joint Plan.

## B. Non-Confirmation or Delay of Confirmation of the Joint Plan

The Bankruptcy Court, which sits as a court of equity, may exercise substantial discretion. Section 1129 of the Bankruptcy Code sets forth the requirements for Confirmation and requires, among other things, that the value of distributions to dissenting creditors and shareholders not be less than the value of distributions such creditors and shareholders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. Although the Debtors and the Committee believe that the Joint Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

## C. Non-Consensual Confirmation

In the event any impaired Class of Claims does not accept a plan, a bankruptcy court may nevertheless confirm such plan at the proponent's request if at least one impaired class of claims has accepted the plan (with such acceptances being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes. The Debtor and the Committee believes that the Joint Plan satisfies these requirements, but there can be no assurance that the Bankruptcy Court will reach the same conclusion.

## D. Risk of Non-Occurrence of the Effective Date

Although the Debtors and Committee believe that the Effective Date will occur reasonably soon after the Confirmation Date, there can be no assurance as to such timing or as to whether it will occur.

## E. Classification and Treatment of Claims and Equity Interests

Section 1122 of the Bankruptcy Code requires that the Joint Plan classify Claims against, and Interests in, the Debtors. The Bankruptcy Code also provides that the Joint Plan may place a Claim or Interest in a particular Class only if such Claim or Interest is substantially similar to the other Claims or Interests of such Class. The Debtors and the Committee believe that all Claims and Interests have been appropriately classified in the Joint Plan, but there can be no assurance that the Bankruptcy Court will reach the same conclusion.

## F. Claim Objections and Reconciliations

The potential recovery to Class 3 depends on, among other things, the outcome of the Claims reconciliation and objection process, conducted pre-confirmation by the Debtors and the Committee and post post-confirmation by the Liquidating Trustee. Therefore, the distribution to Holders of Class 3 General Unsecured Claims may increase or decrease depending on the resolution of outstanding Claims. There is a risk that a creditor's claim, as filed, could be valid and enforceable when the Joint Plan is confirmed, but could be objected to later even though such creditor voted in favor of the Joint Plan.

### G. Recoveries from Causes of Actions

Causes of Acton will be transferred to the Liquidating Trust as of the Effective Date of the Joint Plan. The Committee expects the Liquidating Trustee will conduct a thorough investigation of the Causes of Action and will make a determination whether filing any additional Causes of Action will yield a material economic benefit to General Unsecured Creditors. It is impossible at this time to determine whether new Causes of Actions will be commenced and to predict the recoveries, if any, from such actions.

Avoidance Actions, other than such actions against insiders of the Debtors, were waived as part of the Sale Order and sale of the Debtors' assets to TravelCenters and will not be pursued by the Liquidating Trustee.

### H. Other Unliquidated Assets

Depending on the timing of the Effective Date, it is possible that the Liquidating Trust will receive other unliquidated Assets, such as proceeds from the sale of miscellaneous assets. It is impossible at this time to determine the value of these unliquidated Assets, which will affect the ultimate recovery to General Unsecured Creditors.

### I. Litigation

As described above in Section VI-C hereof, the Debtors are engaged in substantial litigation with Bosselman. After the Effective Date, the Liquidating Trustee will take over that litigation on behalf of the Estates. Litigation is inherently unpredictable, and it is impossible at this time to determine the outcome of the Bosselman Adversary. These outcomes could have a material effect on the ultimate recovery to Holders of Allowed General Unsecured Claims. The attendant delay also could delay final distributions to Holders of Allowed General Unsecured Claims.

As further described in Section VI-C, the Committee is currently investigating the validity and legitimacy of potential claims against the Debtors' Board and/or Directors and Officers. In the event actionable claims exist, the Committee will then determine if the pursuit of same will result in a material recovery and benefit the Debtors' estates and all parties. If such determination is made after the Effective Date, the Liquidating Trustee will take over that litigation. Much like the Bosselman Adversary and Franchisee Claim Objections, litigation is unpredictable and, presuming claims exist against the Debtors' Board and/or Directors and Officers, it is impossible to determine an outcome with confidence.

## IX. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE JOINT PLAN

Substantial uncertainty exists with respect to many of the tax issues discussed below. Therefore, each Holder of a Claim is urged to consult its own tax advisor regarding the federal, state, and other tax consequences of the Joint Plan. No rulings have been requested from the Internal Revenue Service (the "IRS") with respect to any tax aspects of the Joint Plan.

A summary description of certain United States federal income tax consequences of the Joint Plan is provided below. The description of tax consequences below is for informational purposes only and, due to lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various U.S. federal income tax consequences of the Joint Plan as discussed herein. Only the potential material U.S. federal income tax consequences of the Joint Plan to the Debtors, the Liquidating Trust, and to a hypothetical Holders of Claims in Class 3 are described below. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Joint Plan, and no tax opinion is being given in this Disclosure Statement. No rulings or determinations of the IRS or any other tax authorities have been obtained or sought with respect to any tax consequences of the Joint Plan, and the discussion below is not binding upon the IRS or such other authorities. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Joint Plan to the Debtors, to the Liquidating Trust, or to any Holder of Claims. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

The discussion of the U.S. federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations promulgated and proposed thereunder, judicial decisions, and administrative rulings and pronouncements of the IRS, and other applicable authorities, all as in effect on the date hereof. Legislative, judicial or administrative changes or interpretations enacted or promulgated in the future could alter or modify the analyses and conclusions set forth below. It cannot be predicted at this time whether any tax legislation will be enacted or, if enacted, whether any tax law changes contained therein would affect the tax consequences to the Holders of Claims. Any such changes or interpretations may be retroactive and could significantly affect the U.S. federal income tax consequences discussed below.

**THIS DISCUSSION DOES NOT ADDRESS FOREIGN, STATE, OR LOCAL TAX CONSEQUENCES OF THE JOINT PLAN, NOR DOES IT PURPORT TO ADDRESS THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE JOINT PLAN TO SPECIAL CLASSES OF TAXPAYERS (SUCH AS FOREIGN ENTITIES, NONRESIDENT ALIEN INDIVIDUALS, PASS-THROUGH ENTITIES SUCH AS PARTNERSHIPS AND HOLDERS THROUGH SUCH PASS-THROUGH ENTITIES, S CORPORATIONS, MUTUAL FUNDS, INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, SMALL BUSINESS INVESTMENT COMPANIES, REGULATED INVESTMENT COMPANIES, CERTAIN SECURITIES TRADERS, BROKER-DEALERS AND TAX-EXEMPT ORGANIZATIONS). FURTHERMORE, ESTATE AND GIFT TAX ISSUES ARE NOT ADDRESSED HEREIN AND TAX CONSEQUENCES RELATING TO THE ALTERNATIVE MINIMUM TAX ARE GENERALLY NOT DISCUSSED HEREIN.**

**NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE JOINT PLAN TO ANY SPECIFIC HOLDER OF CLAIMS. EACH HOLDER OF CLAIMS IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE JOINT PLAN.**

## A. U.S. Federal Income Tax Consequences to the Debtors

Under the Tax Code, a taxpayer generally recognizes gross income to the extent that indebtedness of the taxpayer is cancelled for less than the amount owed by the taxpayer, subject to certain judicial or statutory exceptions. The most significant of these exceptions with respect to the Debtors is that taxpayers who are operating under the jurisdiction of a federal bankruptcy court are not required to recognize such income. In that case, however, the taxpayer must reduce its tax attributes, such as its net operating losses, general business credits, capital loss carryforwards, and tax basis in assets, by the amount of the cancellation of indebtedness income avoided.

## B. U.S. Federal Income Tax Consequences of the Liquidating Trust

### 1. Tax Characterization of the Liquidating Trust

The Liquidating Trust created pursuant to the Joint Plan (except for any Disputed Claims Reserve treated as either a discrete trust taxed pursuant to Section 641 of the Tax Code or as a disputed ownership fund described in Treasury Regulation Section 1.468B-9) is intended to qualify as a "liquidating trust" for U.S. federal income tax purposes with respect to the holders of Claims pursuant to sections 671 through 678 of the Tax Code. However, establishing a trust as a liquidating trust does not ensure that it will be treated as a grantor trust for U.S. federal income tax purposes. Pursuant to the Joint Plan and consistent with Revenue Procedure 94-45, all parties (including, without limitation, the Debtors, the Liquidating Trustee, and holders of the beneficial interests in the Liquidating Trust) will be required to treat, for U.S. federal income tax purposes, the Liquidating Trust as grantor trust of which the holders of the beneficial interests in the liquidating trust are the owners and grantors. The discussion that follows assumes that the Liquidating Trust will be so respected for U.S. federal income tax purposes. However, no assurance can be given that the IRS would not take a position that is contrary. To the extent that the IRS were to challenge successfully the Liquidating Trust's classification, the U.S. federal income tax consequences to the Liquidating Trust, the Debtors and the holders of the beneficial interests in the Liquidating Trust could differ from those contained in this discussion. **The holders of the beneficial interests in the Liquidating Trust should consult with their own tax advisors regarding the tax treatment of the Liquidating Trust for U.S. federal income tax purposes.**

### 2. Establishment of the Liquidating Trust

The transfer of the Liquidating Trust Assets to the Liquidating Trust, as of the Effective Date of the Joint Plan, shall be treated for U.S. federal income tax purposes as a deemed transfer of those assets to the holders of the Claims in exchange for their Claims, immediately followed by a deemed contribution of those assets to the Liquidating Trust by such Holders in exchange for a beneficial interest in the Liquidating Trust, all as of the Effective Date of the Joint Plan. As a result of this deemed exchange of the Claims for the consideration under the Joint Plan and the deemed contribution of the consideration to the Liquidating Trust, the holders of the Class 2 General Unsecured Claims will receive a beneficial interest in the Liquidating Trust and will be the beneficiaries of the Liquidating Trust. **The beneficiaries of the Liquidating Trust should**

**consult with their own tax advisors regarding the U.S. federal income tax consequences to them resulting from the establishment of the Liquidating Trust.**

### 3. Taxation of the Liquidating Trust

The beneficiaries of the Liquidating Trust will be treated as grantors and deemed to owners of the Liquidating Trust and each beneficiary will be required to report on its U.S. federal income tax return its allocable share of any income, loss, deduction, or credit recognized or incurred by the Liquidating Trust including, but not limited to, any interest or dividend income earned with respect to the assets of the Liquidating Trust. Each beneficiary's obligation to report its share of any such income is not dependent on the Liquidating Trust distributing any cash or other proceeds. Accordingly, a beneficiary may incur a tax liability as a result of owning a beneficial interest in the Liquidating Trust regardless of whether the Liquidating Trust makes a current distribution. **The beneficiaries of the Liquidating Trust should consult with their own tax advisors for information that may be relevant to their particular circumstances regarding the U.S. federal income tax consequences to them resulting from the Liquidating Trust.**

Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary, the Liquidating Trustee (a) may elect to treat any Disputed Claims Reserve as a "disputed ownership fund" governed by Treasury Regulation section 1.468B-9, and (b) to the extent permitted by applicable law, will report consistently for state and local income tax purposes. Accordingly, if a "disputed ownership fund" election is made, any amounts allocable to, or retained on account in a Disputed Claims Reserve will be subject to tax annually on a separate entity basis on any net income earned with respect to the Liquidating Trust Assets in such Disputed Claims Reserve, and all distributions from such reserve (which distributions will be net of the expenses relating to the retention of such assets) will be treated as received by holders in respect of their Claims as if distributed by the Debtors. All parties (including, without limitation, the Debtors, the Liquidating Trustee and the beneficiaries of the Liquidating Trust) will be required to report for tax purposes consistently with the foregoing.

### 4. Tax Reporting

As soon as reasonably practicable after the transfer of the Liquidating Trust Assets to the Liquidating Trust, the Liquidating Trustee shall make a good faith valuation of the Liquidating Trust Assets. All parties to the Liquidating Trust (including, without limitation, the Debtors and beneficiaries of the Liquidating Trust) must consistently use such valuations for all U.S. federal income tax purposes. The Liquidating Trust will file an annual information tax return with the IRS which will include information concerning the allocation of income, gain, loss, deductions and credits to the beneficiaries of the Liquidating Trust. Each beneficiary of the Liquidating Trust will receive a copy of such return and will be required to report on its own U.S. federal income tax return its allocable share of such items.

### C. U.S. Federal Income Tax Consequences to the Holders of Class 3 General Unsecured Claims

Pursuant to the Joint Plan, each holder of an Allowed General Unsecured Claim will receive in satisfaction of its Claim a Pro Rata beneficial interest in the Liquidating Trust after payment of certain other Claims and Liquidating Trust Expenses.

The Holders of General Unsecured Claims should be treated as exchanging such General Unsecured Claims for cash in a fully taxable exchange. Such a Holder should recognize gain or loss equal to the difference between (a) the Holder's share of the Liquidating Trust Assets, and (b) the Holder's tax basis in the surrendered General Unsecured Claim. To the extent that the Holder held its General Unsecured Claim as a capital asset, such gain or loss should generally be capital in nature and should be long-term capital gain or loss if the debts constituting the surrendered General Unsecured Claim were held for more than one year unless the Holder has previously claimed a bad debt or worthless securities deduction, or the Holder had accrued market discount with respect to the General Unsecured Claim. To the extent that a portion of the Liquidating Trust Assets received in exchange for the Allowed Claims is allocable to accrued but untaxed interest, the Holder may recognize ordinary income.

In the case of a Holder of a deferred compensation or other wage claim, the receipt of Liquidating Trust Assets in satisfaction of such claim will be includable by the Holder as compensation income (taxed at ordinary income rates) to the extent not previously included, and, if the Holder is an employee of the Debtors for federal tax purposes, may be subject to applicable withholding.

**HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE RECOGNITION OF GAIN OR LOSS, FOR FEDERAL INCOME TAX PURPOSES, ON THE SATISFACTION OF THEIR GENERAL UNSECURED CLAIMS.**

### D. Information Reporting and Backup Withholding

Certain payments, including payments in respect of accrued interest or market discount, are generally subject to information reporting by the payor to the IRS. Moreover, such reportable payments are subject to backup withholding under certain circumstances. Under the Tax Code's backup withholding rules, a U.S. Holder may be subject to backup withholding at the applicable rate with respect to certain distributions or payments pursuant to the Joint Plan, unless the Holder: (i) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (ii) provides a correct U.S. taxpayer identification number and certifies under penalty of perjury that the holder is a U.S. person, the taxpayer identification number is correct and that the Holder is not subject to backup withholding because of a failure to report all dividend and interest income.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a Holder's U.S. federal income tax liability, and a Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS.

### E. Importance of Obtaining Professional Tax Assistance

**THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE JOINT PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX JOINT PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE JOINT PLAN, INCLUDING WITH RESPECT TO TAX REPORTING AND RECORD KEEPING REQUIREMENTS.**

**IRS CIRCULAR 230 DISCLOSURE:**
**To assure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication (including any attachments), not intended or written to be used, and cannot be used, by any taxpayer for the purpose of (1) avoiding any penalties under the Internal Revenue Code or (2) promoting, marketing or recommending to another party any transaction matter.**

## X. FEASIBILITY AND ACCEPTANCE OF THE JOINT PLAN, BEST INTERESTS TEST, AND CRAMDOWN

### A. Feasibility of the Joint Plan

The Bankruptcy Code requires that the Bankruptcy Court determine that confirmation of a Joint Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtors. The Joint Plan already contemplates a liquidation so the goals of the Joint Plan are completely feasible and the risk of further financial reorganization is not relevant.

### B. Acceptance of the Joint Plan

As a condition to confirmation, the Bankruptcy Code requires that each Class of Impaired Claims vote to accept the Joint Plan, except under certain circumstances. Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two thirds (2/3) in dollar amount and more than one half (1/2) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Joint Plan. Thus, for example, Class 3 votes to accept the Joint Plan only if two thirds (2/3) in amount and a majority in number actually voting in such Class cast their Ballots in favor of acceptance. Holders of Claims who fail to vote are not counted as either accepting or rejecting a plan.

## C. Best Interests Test

Even if a plan is accepted by the holders of each class of claims and interests, the Bankruptcy Code requires a Bankruptcy Court to determine that the plan is in the best interests of all holders of claims or interests that are impaired by the plan and that have not accepted the plan. The "best interests" test, as set forth in section 1129(a)(7) of the Bankruptcy Code, requires a Bankruptcy Court to find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

## D. Chapter 7 Liquidation Analysis

In order to estimate the results to creditors in a chapter 7 liquidation, BDO with the assistance of the Debtor's Chief Financial Officer, John Lane, prepared a liquidation analysis that provides an estimate of the proceeds that may be generated as a result of a hypothetical chapter 7 liquidation for the Debtors as of November 1, 2016 (the "Liquidation Analysis"). While the Debtors and the Committee believe that the assumptions underlying the Liquidation Analysis are reasonable, it is possible that certain of those assumptions would not be realized in an actual liquidation. The Liquidation Analysis is set forth as Appendix B to this Disclosure Statement.

Notwithstanding the foregoing, the Debtors and the Committee believe that any liquidation analysis with respect to the Debtors is inherently speculative. The Liquidation Analysis necessarily contains estimates of the net proceeds that would be received from a forced sale of assets, as well as the amount of Claims that will ultimately become Allowed Claims. These estimates should not be relied on for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of Allowed Claims under the Plan.

## E. Application of the Best Interests of Creditors Test to the Liquidation Analysis

In this case, the Debtors have sold substantially all of their assets, with the remaining assets to be liquidated and distributed pursuant to the Joint Plan. A liquidation under chapter 7 would accomplish the same result but with the additional cost of chapter 7 trustee fees and the cost of administering and proceeding with a chapter 7 case. Additionally, the Debtors and the Committee believe that the Estates have a better chance to collect certain post-Petition Date receivables due to the structured process under the Joint Plan as opposed to the "fire sale" nature of a chapter 7 case. The recovery available in a chapter 7 liquidation to creditors in each Impaired Class in this Chapter 11 Cases would be substantially less because of the additional administrative costs associated with a chapter 7 trustee and professionals not familiar with the Debtors' cases and the complicated litigation involved, including the Bosselman Adversary and Fiduciary Claims. Accordingly, the "best interests" test of section 1129 of the Bankruptcy Code is satisfied because the members of each Impaired Class will receive greater or equal value under the Joint Plan than they would in a chapter 7 liquidation.

Specifically, the Joint Plan projects a recovery to Holders of Allowed Class 3 General Unsecured Claims in a range of 60% to 80%, while the chapter 7 Liquidation Analysis projects a recovery of 50% to 61%.[9] Recovery under the Joint Plan is better than it would be in a chapter 7 liquidation.

Accordingly, the Debtors and the Committee believe that the "best interests" test of section 1129 of the Bankruptcy Code is satisfied because the members of each Impaired Class will receive greater or equal value under the Joint Plan than they would in a liquidation. Although the Debtors and the Committee believes that the Joint Plan meets the "best interests test" of section 1129(a)(7) of the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will determine that the Joint Plan meets this test.

## F. Confirmation Without Acceptance of All Impaired Classes: The 'Cramdown' Alternative

In view of the deemed rejection by Holders of Class 4 and 5 Interests, the Debtors and the Committee will seek confirmation of the Joint Plan pursuant to the "cramdown" provisions of section 1129 of the Bankruptcy Code. Specifically, section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. The Bankruptcy Court may confirm the Joint Plan at the request of a Joint Plan Proponent if the Joint Plan "does not discriminate unfairly" and is "fair and equitable" as to each impaired class that has not accepted the Joint Plan. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank.

The Debtors and the Committee believe the Joint Plan does not discriminate unfairly with respect to Holders of Class 4 Intercompany Claims and Class 5 Interests. Holders of Interests in Class 4 and Class 5 are not receiving any distribution under the Joint Plan, and are not entitled to payment under the absolute priority rule until all Class 1, Class 2, and Class 3 creditors have been paid in full.

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides: (i) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest; or (ii) that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property at all.

The Debtors and the Committee believe that the Plan will meet the "fair and equitable" requirements of section 1129(b) of the Bankruptcy Code with respect to Holders of Class 5 Interests. No Claim or Interest Holder junior to Holders of Class 5 Interests is receiving any recovery pursuant to their Claim or Interest, thereby satisfying section 1129(b) with respect to Class 5.

[9] The wide ranges reflect, among other things, materially different potential outcomes in the Bosselman Adversary.

The Joint Plan reserves the right of the Debtors and the Committee to seek confirmation of the Joint Plan through cramdown with respect to any other Class that is determined to be impaired or any creditor that has not accepted or is deemed not to have accepted the Joint Plan pursuant to section 1126 of the Bankruptcy Code, including, to the extent necessary, Disputed Claims not entitled to vote under the Joint Plan.

## XI. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE JOINT PLAN

The Debtors and the Committee believe that the Joint Plan affords Holders of Claims the potential for the greatest recovery and, therefore, is in the best interests of such Holders.

If, however, the requisite acceptances are not received, or the Joint Plan is not confirmed and consummated, the theoretical alternatives include: (i) formulation of an alternative plan of liquidation; or (ii) liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

If no plan is confirmed, the Debtors may be forced to liquidate under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtors' assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. It is impossible to predict precisely how the proceeds of the liquidation would be distributed to the respective Holders of Claims against or Interests in the Debtors. As noted above and in the Liquidation Analysis, however, the Debtors and the Committee believe that in a liquidation under chapter 7, before creditors receive any distribution, additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants and other professionals to assist such trustees would cause a substantial diminution in the value of the Debtors' Estates. The assets available for distribution to creditors would be reduced by such additional expenses.

The Debtors could also be liquidated pursuant to the provisions of a different chapter 11 plan of liquidation. However, any distribution to the Holders of Claims under a chapter 11 liquidation plan probably would be delayed substantially.

Accordingly, the Debtors and the Committee believe that any alternative liquidation under chapter 7 or 11 is a much less attractive alternative to creditors than the Joint Plan because of the greater return the Committee believes is provided to creditors under the Joint Plan.

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## XII. CONCLUSION AND RECOMMENDATION

The Debtors and the Committee believe that confirmation and implementation of the Joint Plan is preferable to any other alternative and recommends that creditors entitled to vote in favor of the Joint Plan.

November 7, 2016

Respectfully Submitted,

By: /s/ Scott N. Opincar

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