

ROSEN & ASSOCIATES, P.C.
Proposed Attorneys for the Debtors
and Debtors in Possession
747 Third Avenue
New York, NY 10017-2803
(212) 223-1100
Sanford P. Rosen, Esq.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----x

In re

Chapter 11

10-16 MANHATTAN AVENUE LLC, *et al.*,

Case No. 12-12261 (ALG)

Debtors.

(Jointly Administered)

-----x

**AMENDED DISCLOSURE STATEMENT WITH RESPECT
TO THE AMENDED JOINT PLAN OF REORGANIZATION OF
10-16 MANHATTAN AVENUE LLC AND ITS AFFILIATES¹**

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

¹ The affiliated Debtors are: 106 West 105th Street LLC; 109 West 105th Street LLC; 120 West 105th Street LLC; 123 West 106th Street LLC; 125 West 106th Street LLC; 127 West 106th Street LLC; 15 West 107th Street LLC; 165-171 Manhattan Avenue LLC; 203 West 108th Street LLC; 21 West 106th Street LLC; 216 West 108th Street LLC; 25-29 St. Nicholas Terrace LLC; 287 Edgecombe Avenue LLC; 291 Edgecombe Avenue LLC; 302 West 114th Street LLC; 312 West 114th Street LLC; 35 St. Nicholas Terrace LLC; 3-5 West 108th Street LLC; 350 Manhattan Avenue LLC; 400-408 West 128th Street LLC; 4-6 West 108th Street LLC; 5 West 101st Street LLC; 520 West 139th Street LLC; 605 West 156th Street LLC; 61-63 West 104th Street LLC; 625 West 156th Street LLC; 627 West 113th Street LLC; 634 West 135th Street LLC; 635 Riverside Drive NY LLC; 7-9 West 108th Street LLC; 8-10 West 108th Street LLC; and 894 Riverside Drive NY Associates LLC.

I. INTRODUCTION

10-16 Manhattan Avenue LLC, on behalf of itself and its affiliated debtors and debtors in possession (collectively, the “**Debtors**”), submits this Amended Disclosure Statement (the “**Disclosure Statement**”) pursuant to section 1125 of the Bankruptcy Code in connection with (a) the solicitation of votes to accept or reject the Debtors’ Amended Joint Plan of Reorganization, dated as of June 27, 2012 (the “**Plan**”) and (b) the Confirmation Hearing, which is scheduled for August 6, 2012 at 11:00 a.m. (prevailing Eastern Time). A copy of the Plan is annexed hereto as Exhibit “A.”

The Plan is the product of extensive negotiations with, and is supported fully by, the Debtors’ secured lender, DG UWS SUB LLC (“**DG**”). Prior to the commencement of their Chapter 11 Cases, the Debtors and DG entered into a settlement agreement dated May 22, 2012 (the “**Settlement Agreement**”) resolving a contested foreclosure proceeding pursuant to which the Debtors will transfer the Properties to DG and, in exchange, DG will provide the Debtors with sufficient funds to satisfy fully all allowed administrative, priority, and general unsecured Claims. The Debtors will assume the Settlement Agreement under the Plan. The Debtors anticipate that the Effective Date of the Plan will be on or about August 15, 2012.

On May 24, 2012 (the “**Petition Date**”), each of the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) with the United States Bankruptcy Court for the Southern District of New York (the “**Bankruptcy Court**”). The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in the Chapter 11 Cases. The Debtors’ respective bankruptcy cases are being jointly administered for procedural purposes only under Case No. 12-12261 (ALG).

On June 27, 2012, the Debtors filed their amended Plan which sets forth the manner in which Claims against and Equity Interests in the Debtors will be treated. The Debtors believe implementation of the Plan will accomplish the objectives of chapter 11 and is in their best interests and the interests of their creditors.

This Disclosure Statement sets forth certain information regarding the Debtors’ pre-Petition Date operations and financial history, their reasons for seeking protection under chapter 11, and significant events that have occurred during the Chapter 11 Cases.

This Disclosure Statement also describes the terms and provisions of the Plan, including distributions under the Plan, certain effects of confirmation of the Plan, certain alternatives to the Plan, and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement describes the confirmation process and the voting procedure that holders of Claims and Equity Interests entitled to vote under the Plan must follow for their votes to be counted under the Plan. All exhibits to this Disclosure Statement are incorporated into and are a part of this Disclosure Statement as if set forth in full herein. **Except as otherwise provided herein, capitalized terms not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Plan. The terms of the Plan shall govern in the event of any inconsistency with the summaries of the Plan set forth in this Disclosure Statement.**

EACH HOLDER OF A CLAIM ENTITLED TO VOTE ON THE PLAN SHOULD READ IN THEIR ENTIRETY THIS DISCLOSURE STATEMENT, AND THE PLAN, AND THE INSTRUCTIONS ACCOMPANYING THE BALLOTS BEFORE VOTING ON THE PLAN. THESE DOCUMENTS CONTAIN, AMONG OTHER THINGS, IMPORTANT INFORMATION CONCERNING THE CLASSIFICATION OF CLAIMS AND INTERESTS FOR VOTING PURPOSES AND THE TABULATION OF VOTES. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER SUCH DATE. **ALL CREDITORS SHOULD CAREFULLY READ THE “RISK FACTORS” SECTION OF THIS DISCLOSURE STATEMENT LOCATED IN SECTION XIII BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.** THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE OTHER APPLICABLE LAWS. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING CLAIMS OR EQUITY INTERESTS OF THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSES FOR WHICH THEY WERE PREPARED. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF VOTING TO ACCEPT OR REJECT THE PLAN. IT IS THE DEBTORS’ POSITION THAT NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY ENTITY FOR ANY OTHER PURPOSE. AS TO CONTESTED MATTERS, EXISTING LITIGATION INVOLVING, OR POSSIBLE ADDITIONAL LITIGATION TO BE BROUGHT BY, OR AGAINST, THE DEBTORS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT AND THE PLAN SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, A STIPULATION, OR A WAIVER, BUT RATHER AS STATEMENTS MADE WITHOUT PREJUDICE SOLELY FOR SETTLEMENT PURPOSES, WITH FULL RESERVATION OF RIGHTS, AND IS NOT TO BE USED FOR ANY LITIGATION PURPOSE WHATSOEVER BY ANY PERSON, PARTY, OR ENTITY. AS SUCH, NEITHER THIS DISCLOSURE STATEMENT NOR THE PLAN SHALL BE ADMISSIBLE IN ANY NONBANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY IN INTEREST, NOR SHALL EITHER BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, FINANCIAL, OR OTHER EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, THE DEBTORS.

THE LAST DAY TO VOTE TO ACCEPT OR REJECT THE PLAN IS JULY 30, 2012. TO BE COUNTED, YOUR BALLOT MUST ACTUALLY BE RECEIVED BY THE DEBTORS BY THE “VOTING DEADLINE”: JULY 30, 2012 AT 5:00 P.M. (PREVAILING EASTERN TIME). ANY BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED. HOLDERS MUST RETURN THEIR BALLOTS TO THE DEBTORS IN ACCORDANCE WITH THE VOTING INSTRUCTIONS THAT ACCOMPANY THE BALLOT.

II. OVERVIEW OF THE DEBTORS

A. The Debtors

1. The Debtors' Businesses

Each Debtor owns a residential apartment building² (each a “**Property**” and collectively, the “**Properties**”) that largely consists of rent-controlled and rent-stabilized apartments. The Properties primarily are located in the Manhattan Valley section of Manhattan in the low 100’s on Riverside Drive and near Central Park West. The Debtors purchased the Properties in 2005.

The name of each Debtor and the location of its respective Property are set forth below.

NAME OF DEBTOR	LOCATION OF PROPERTY
10-16 Manhattan Avenue LLC	10-16 Manhattan Avenue, New York, NY
120 W. 105 th Street LLC	120 West 105 th Street, New York, NY
165- 171 Manhattan Avenue LLC	165-171 Manhattan Avenue, New York, NY
15 West 107 th Street LLC	15 West 107 th Street, New York, NY
3-5 W. 108 th Street LLC	3-5 West 108 th Street, New York, NY
7-9 W. 108 th Street LLC	7-9 West 108 th Street, New York, NY
350 Manhattan Avenue NY LLC	350 Manhattan Avenue, New York, NY
634 W. 135 th Street LLC	634 West 135 th Street, New York, NY
605 W. 156 th Street LLC	605 West 156 th Street, New York, NY
625 W. 156 th Street LLC	625 West 156 th Street, New York, NY
635 Riverside Drive NY LLC	635 Riverside Drive, New York, NY
894 Riverside NY Associates LLC	894 Riverside Drive, New York, NY
25-29 St. Nicholas Terrace LLC	25-29 St. Nicholas Terrace, New York, NY
35 St. Nicholas Terrace LLC	35 St. Nicholas Terrace, New York, NY
520 W. 139 th Street LLC	520 West 139 th Street, New York, NY
287 Edgecombe Avenue LLC	287 Edgecombe Avenue, New York, NY
291 Edgecombe Avenue LLC	291 Edgecombe Avenue, New York, NY
5 West 101 th Street LLC	5 West 101 st Street, New York, NY
61-63 West 104 th Street LLC	61-63 West 104 th Street, New York, NY
106 W. 105 th Street LLC	106 West 105 th Street, New York, NY
109 West 105 th Street LLC	109 West 105 th Street, New York, NY
21 W. 106 th Street LLC	21 West 106 th Street, New York, NY
123 West 106 th Street LLC	123 West 106 th Street, New York, NY
125 West 106 th Street LLC	125 West 106 th Street, New York, NY
127 West 106 th Street LLC	127 West 106 th Street, New York, NY
4-6 West 108 th Street LLC	4-6 West 108 th Street, New York, NY
8-10 West 108 th Street LLC	8-10 West 108 th Street, New York, NY
203 W. 108 th Street LLC	203 West 108 th Street, New York, NY

² One Debtor, 165 – 171 Manhattan Avenue LLC, owns two (2) apartment buildings located on adjacent parcels (165-167 Manhattan Avenue, and 169-171 Manhattan Avenue).

216 W. 108 th Street LLC	216 West 108 th Street, New York, NY
627 W. 113 th Street LLC	627 West 113 th Street, New York, NY
302 W. 114 th Street LLC	302 West 114 th Street, New York, NY
312 W. 114 th Street LLC	312 West 114 th Street, New York, NY
400-408 West 128 th Street LLC	400-408 West 128 th Street, New York, NY

2. The Debtors' Organizational Structure

Each of the Debtors is a New York limited liability company that was formed on July 26, 2005 by The Praedium Fund VI, L.P. (“**Praedium**”), a Delaware limited partnership and Pinnacle Managing Co. LLC (“**Pinnacle**”), a Delaware limited liability company. As reflected on the organizational chart attached hereto as Exhibit “A,” the sole and Managing Member of each of the Debtors is PMM Associates D-FXD LLC (“**PMM**”), a Delaware limited liability company. Each of the Debtors is governed by an operating agreement that requires the consent of its independent directors to approve its bankruptcy filing. Such consent was obtained from the independent directors of each of the Debtors.

3. The Debtors' Capital Structure

Pursuant to a Loan and Security Agreement dated as of April 12, 2007 (the “**Loan Agreement**”) and an Amended, Restated and Consolidated Promissory Note (the “**Note**”) (collectively, the “**Loan Documents**”) by and among the Debtors and Deutsche Bank Mortgage Capital, L.L.C. (“**Deutsche Bank**”), the Debtors borrowed the principal amount of \$204 million (the “**Loan**”) in order to renovate and convert the Properties into condominium projects.

As security for the repayment of the Loan, the Debtors executed an Amended, Restated and Consolidated Mortgage, Security Agreement, Financing Statement, Fixture Filing and Assignment of Leases, Rent and Security Deposits (the “**Mortgage**”) pursuant to which the Debtors granted Deutsche Bank a first priority mortgage lien on the Properties. As further security for the Loan, Mr. Joel Wiener and Praedium (collectively, the “**Guarantors**”), executed a non-recourse carve-out guaranty.

Under the terms of the Loan Documents, the Debtors were obligated only to pay interest for the first five (5) years, with the principal due in May 2012. During this period, the Debtors began to prepare the Properties for conversion to condominiums and, accordingly, did not lease certain apartments. The Debtors, absent their plan to convert the Properties to condominiums, would have fully leased the Properties.

To prevent a debt service shortfall during the anticipated, lengthy condominium conversion process, the Loan provided for an interest reserve that was intended to cover any shortfall in interest payments during the conversion.

As part of their conversion plan, the Debtors intended to obtain new financing on a building-by-building basis and use those funds to obtain a release of each of the Properties from the Mortgage.

On or about May 12, 2007, Deutsche Bank assigned all of its right, title, and interest in and to the Loan Documents and the Mortgage to Wells Fargo Bank, N.A. (“**Wells Fargo**”). Subsequently on July 6, 2009, Wells Fargo Bank, N.A. assigned all of its right, title, and interest in and to the Loan Documents and the Mortgage to U.S. Bank National Association (“**U.S. Bank**”), as Trustee for the Registered Holder of GE Commercial Mortgage Corporation, Commercial Pass-Through Certificates, Series 2007C1. On or about November 2, 2011, U.S. Bank assigned all of its right, title, and interest in and to the Loan Documents and the Mortgage to DG.

As of April 20, 2012, DG asserted that the principal amount of \$192,132,000 and accrued but unpaid interest in the amount of \$37,672,388.40 was due. Pursuant to an appraisal commissioned by DG, the market value of the Properties is estimated by DG to be approximately \$119,000,000. The Debtors, based upon a valuation provided by a real estate broker, estimate the market value of the Properties to be \$140,000,000.³

III. THE CHAPTER 11 CASES

A. Events Leading to the Filing of the Chapter 11 Cases

The Debtors, in accordance with their conversion plan, did not re-let certain apartments as they became vacant. The Debtors, however, were unable to obtain the planned conversion financing because such financing was no longer commercially available. The Debtors, therefore, began discussions to restructure the Loan and workout discussions continued until early 2011.

For a number of reasons, including the increased vacancy rate, the Debtors exhausted the interest reserve established pursuant to the Loan Documents in or about June 2010.

On September 1, 2010, the Debtors received a Notice of Default.

On November 2, 2011, the Debtors were notified that the Loan Documents and the Mortgage had been sold to DG. On November 3, 2011, counsel for DG advised the Debtors that DG was accelerating the entire principal amount of the Loan.

The Debtors have not paid what DG contends is due and owing under the Loan Documents.

On November 9, 2011, an affiliate of DG commenced an action in the Supreme Court of the State of New York, County of New York (the “**State Court**”), Index No. 850079/2011, to foreclose the Mortgage (the “**Foreclosure Action**”) and moved to appoint a receiver. On November 30, 2011, Bruce N. Lederman, Esq. was appointed Temporary Receiver (the “**Receiver**”). On or about January 24, 2012, the Debtors filed an answer in which they asserted certain counterclaims and defenses to the Foreclosure Action. On January 9, 2012, the

³ Each Debtor’s chapter 11 petition and corresponding Schedules and Statement of Financial Affairs reflects an estimated fair market value of the Properties of \$119,000,000; however, the value of the Properties may be as high as \$140,000,000.

State Court authorized the Receiver to retain Bluestar Properties, Inc. (“**Bluestar**”) as managing agent of the Properties and Wenig, Saltiel & Johnson LLP as his counsel.

On January 24, 2012, Bluestar obtained the requisite insurance and delivered attornment notices to the approximately 1,000 tenants of the Properties⁴ (collectively, the “**Residential Tenants**”) informing them that the Receiver had assumed all management functions and that all rents (the “**Rents**”) should be paid to him. Turnover of management duties occurred as of February 1, 2012 and, until the Petition Date, the Receiver and Bluestar solely have been responsible for the operation and maintenance of the Properties, including collecting rent, paying expenses, including the salaries and benefits of the Properties’ superintendents (the “**Superintendents**”), hiring vendors, and addressing tenant requests.

In accordance with the terms of the Settlement Agreement, as of the Petition Date, the Debtors have appointed Jeffrey Pikus, principal of Bluestar, to serve as property manager (the “**Property Manager**”) of the Properties. As Property Manager, Mr. Pikus is empowered to manage and operate the business of each of the Properties, as more fully explained on page 10, below.

IV. SIGNIFICANT EVENTS DURING THE CASE

A. Motion for Authorization to Use Cash Collateral and Enter into Debtor in Possession Financing

As part of the preparation for the commencement of the Chapter 11 Cases, the Debtors and DG negotiated the terms of a consensual post-Petition Date cash collateral and debtor in possession financing order (the “**Cash Collateral Order**”). Pursuant to the terms of the Cash Collateral Order, which was entered on an interim basis by the Bankruptcy Court on May 30, 2012, and on a final basis on June 15, 2012, the Debtors were authorized to use DG’s cash collateral, mainly in the form of tenant rents, to operate and maintain the Properties and pay their ordinary operational costs during the Chapter 11 Cases.

The Cash Collateral Order also authorized the Debtors to borrow funds on a debtor in possession basis from DG. Prior to the Petition Date, the Debtors and DG negotiated the terms of such borrowing, the proceeds of which may be utilized by the Property Manager to pay unpaid pre-Petition Date real estate taxes, for capital improvements and repairs to the Properties and to fund operations of the Properties to the extent that Cash Collateral is not sufficient to pay these costs.

B. Motion for Joint Administration

To facilitate a smooth and efficient administration of the Debtors’ thirty-three (33) cases, the Bankruptcy Court entered an order directing joint administration of the Chapter 11 Cases solely for procedural purposes.

⁴107 apartments are rent-controlled, 852 are rent-stabilized, and 87 are market rate.

C. Tenant Notice Motion

Under the Plan, Residential tenants and their leases are not affected by the Chapter 11 Cases. Accordingly, the Bankruptcy Court entered an order granting the Debtors' motion (a) waiving the requirement for each of them to schedule on their respective Schedule F's ("Creditors Holding Unsecured Nonpriority Claims") the claims of the Residential Tenants on account of any claim arising or related to their leases including, without limitation, with respect to security deposits that were transferred to and are being held by the Receiver, (b) waiving the requirement to schedule the leases on their respective Schedule G's ("Executory Contracts and Unexpired Leases"), (c) waiving the requirement to give notice to the Residential Tenants of the commencement of the Chapter 11 Cases and the date of the meeting convened pursuant to section 341 of the Bankruptcy Code and (d) excusing the Residential Tenants from filing a proof of claim and the Debtors from providing them with notice of the last day by which proofs of claim must be filed.

D. Motion to Compel Turnover and Authorize the Receiver to Pay Pre-Petition Date Invoices and Superintendents' Wages

Contemporaneous with the execution of the Settlement Agreement, the Debtors, appointed Jeffrey Pikus, principal of Bluestar, to serve as property manager (the "**Property Manager**") of the Properties. As Property Manager, Mr. Pikus is empowered to manage and operate the business of each of the Properties, including but not limited to, leasing, renovations, and supervising and settling tenant and property related litigations, but only consistent with directives of DG and in all respects in the capacity of a fiduciary to each Debtor and its estate. The Debtors intend to have Mr. Pikus serve as Property Manager through confirmation of the Plan and Bluestar will continue to serve as managing agent of the Properties during Mr. Pikus' tenure.

Accordingly, on May 29, 2012, the Bankruptcy Court entered an interim order pursuant to section 543 of the Bankruptcy Code, directing the Receiver to turnover property of the Debtors' chapter 11 estates to the Debtors in care of the Property Manager. The order was entered on a final basis on June 15, 2012.

The order also contains provisions that ensured that the turnover did not interfere with the Debtors' day-to-day operations. Thus, the order (1) directed TD Bank to honor and process any and all checks or electronic transfers issued by the Receiver drawn on the accounts maintained by the Receiver as of the Petition Date, (2) authorized and directed the Receiver to pay immediately those invoices, aggregating not more than \$100,000, for obligations incurred by him in his capacity as Receiver, (3) directed the Receiver to turnover immediately to the Debtors in care of the Property Manager all monies in the Receiver's Accounts in excess of \$100,000, (4) authorized and directed the Receiver to deposit all rent payments received by him after the Petition Date in a segregated bank account maintained for the benefit of the Debtors, (5) directed the Receiver to turnover to the Debtors the post-Petition Date rents, and (6) authorized and directed the Receiver to give notice to Residential Tenants to remit rental payments to the Debtors and approved the form of such notice.

Lastly, the order authorized and directed the Property Manager to issue checks to the Superintendents who maintain the Properties in payment of their pre-Petition Date unpaid wages.

E. Bar Date

On May 30, 2012, the Bankruptcy Court established July 16, 2012 as the last date for persons or entities, including governmental units, to file a proof of Claim against the Debtors that arose or is deemed to have arisen prior to the Petition Date.

F. Motion to Retain Special Landlord-Tenant Counsel

On June 4, 2012, the Bankruptcy Court entered an order authorizing the Debtors to retain Fischman & Fischman and Green & Cohen, P.C. as special landlord-tenant counsel. The Debtors' sought the immediate retention of these firms because they are the plaintiff in several landlord-tenant actions that require prompt attention. In addition, approximately twenty percent (20%) of Residential Tenants are in rent arrears significantly reducing their rent collections. The Debtors, in order to maintain normal cash flow, must initiate non-payment proceedings immediately.

G. Other Motions and Professional Retention Applications

Contemporaneous with the filing of the Disclosure Statement, the Debtors are seeking the entry of an order scheduling a combined hearing to approve the adequacy of the disclosure in the Disclosure Statement, to approve the solicitation procedures used in soliciting votes to accept or reject the Plan, and seeking confirmation of the Plan pursuant to sections 1125, 1128, and 1129 of the Bankruptcy Code.

In recognition of the severe impact that even a brief disruption of utility services would have on the Debtors' operations, the Debtors have filed a motion for an order, pursuant to section 366 of the Bankruptcy Code, establishing procedures for determining adequate assurance of payment for future utility services. The Bankruptcy Code entered an order granting the motion on June 26, 2012.

The Debtors intend to file an application for an order authorizing them to retain Rosen & Associate, P.C. as their bankruptcy attorneys.

V. SUMMARY OF THE PLAN OF REORGANIZATION

A. The Plan

Subsequent to filing the Foreclosure Action, DG and the Debtors engaged in extensive negotiations and have entered into a settlement agreement (the "Settlement Agreement") dated as of May 22, 2012 that will resolve the contentious Foreclosure Action and be implemented through and effectuated by the Plan in an expedited chapter 11 process. A copy of the Settlement Agreement (without exhibits) is attached hereto as Exhibit "C." Accordingly,

the Debtors filed the Plan shortly after filing their chapter 11 petitions. Under the Plan the Debtors will assume the Settlement Agreement.

Under the terms of the Settlement Agreement, the Debtors will transfer, subject to the Mortgage and all of the Properties' residential leases (collectively, the "**Residential Leases**"), all of their title to and interest in each of the Properties to an entity designated by DG and release DG, Bluestar, and each of DG's designees from all claims that the Debtors have or could have asserted against them (the "**DG Release**").

In exchange for the Debtors' transfer of the Properties under the Plan, DG will provide the Debtors with sufficient funds with which to satisfy fully all allowed administrative, priority, and general unsecured claims.

In accordance with the terms of the Settlement Agreement, the Debtors have appointed Jeffrey Pikus, principal of Bluestar, to serve as property manager (the "**Property Manager**") of the Properties. As Property Manager, Mr. Pikus is empowered to manage and operate the business of each of the Properties, including but not limited to leasing, renovations, and supervising and settling tenant and property related litigations, but only consistent with directives of DG and in all respects in the capacity of a fiduciary to each Debtor and its estate. The Debtors intend to have Mr. Pikus serve as Property Manager through confirmation of the Plan and Bluestar will continue to serve as managing agent of the Properties during Mr. Pikus' tenure.

The Settlement Agreement also provides that if the Debtors' Properties are conveyed to DG's designees pursuant to the Plan, then in consideration of Pinnacle's, PMM's, and the Guarantors' waiver of all claims against the Debtors and the execution of the DG Release by Mr. Wiener, Pinnacle, PMM, and Praedium, DG shall pay the an entity identified by Pinnacle, PMM, Mr. Wiener, and Praedium (the "**Fee Recipient**") the sum of \$4,200,000.

If, however, the Properties are conveyed to DG's designees through an Alternative Acquisition (as that term is defined in the Settlement Agreement) pursuant to which DG acquires them through foreclosure because the Plan is not confirmed, then DG shall pay the Fee Recipient the sum of \$3,400,000. Unless the Chapter 11 Cases are dismissed, no Alternative Acquisition will occur without the approval of the Bankruptcy Court.

B. Classification Under the Plan

The Plan classifies Claims and Equity Interests into six (6) classes. Administrative Claims, Priority Tax Claims, and Claims of Professionals are unclassified. The six (6) classes consist of: Class 1 (Remaining Priority Claims), Class 2 (Governmental Authority Lien Claims), Class 3 (DG Secured Claim), Class 4 (Receivership Claims), Class 5 (General Unsecured Claims), and Class 6 (Equity Interests). Classes 1, 2, 4, and 5 are unimpaired and not entitled to vote to accept or reject the Plan (the "**Non-Voting Classes**"). Class 3 (the DG Secured Claim) and Class 6 (Equity Interests) are impaired and entitled to vote to accept or reject the Plan (the "**Voting Classes**"). Pursuant to the Settlement Agreement, Class 3 and Class 6 have agreed to vote to accept the Plan.

Class	Claim or Equity Interest	Status	Voting Rights	Estimated Percentage of Recovery of Allowed Claims and Membership Interests
N/A	Administrative Claims, Priority Tax Claims, and Professional Fee Claims.	Not classified	Deemed to Accept	100%
1	Remaining Priority Claims	Unimpaired	Deemed to Accept	100%
2	Governmental Authority Lien Claims	Unimpaired	Deemed to Accept	100%
3	The DG Claim	Impaired	Entitled to Vote	
4	Receivership Claims	Unimpaired	Deemed to Accept	100%
5	General Unsecured Claims	Unimpaired	Deemed to Accept	100%
6	Equity Interests	Impaired	Entitled to Vote	

C. Treatment of Claims and Equity Interests

1. **Unclassified Claims** Unclassified Claims consist of Administrative Claims, Priority Tax Claims, Professional Fee Claims, and other Unclassified Claims. These Claims are unclassified and include (i) Claims for certain accrued employee compensation; (ii) Claims for contributions to employee benefit plans; and, (iii) Claims for certain deposits made in connection with the purchase, lease, or rental of certain property or the purchase of certain services.
 - a. **Treatment of Administrative Claims** Each holder of an allowed Administrative Claim (which does not include claims for fees and expenses incurred by bankruptcy counsel for the Debtors) shall be paid in respect of such allowed Administrative Claim (i) the full amount thereof in Cash, as soon as practicable after the later of (a) the Effective Date and (b) the date on which such Claim becomes an allowed Administrative Claim, or upon such other terms as may be agreed upon by the holder of such allowed Administrative Claim, or (ii) such lesser amount as the holder of such allowed Administrative Claim, the Debtors, and DG might otherwise agree.
 - b. **Treatment of Priority Tax Claims** Each holder of an allowed Priority Tax Claim shall be paid in respect of such Allowed Claim (i) the full

b. **Voting** Holders of Governmental Authority Lien Claims are unimpaired under the Plan and are not entitled to vote and are deemed to have accepted the Plan.

4. **Class 3: DG Claim**

a. **Treatment** On the Effective Date, on account of the DG Allowed Secured Claim and the DG Allowed Administrative Claim, (i) the Debtors shall transfer and convey (the “**Property Transfer**”) to the Buyer Designees, in accordance with the instructions of DG, (a) title to each of the Properties, free and clear of all Claims, Liens, charges, interests and encumbrances other than the Permitted Exceptions without recourse to the Debtors, and (b) any Cash of the Debtors’ remaining after payment or reserving for payment of Claims as provided herein; (ii) the Debtors shall execute transfer, conveyance and assignment documents in favor of DG as provided for in the Settlement Agreement, including an assumption of the Debtors’ right, title and interest in any pending or future tax certiorari proceeding; and (iii) DG shall fund the Plan Funding Account. DG shall waive its right to a distribution under the Plan on account of the DG Allowed Unsecured Claim.

b. **Voting** DG is impaired and is entitled to vote. Pursuant to the Settlement Agreement, DG has agreed to accept the Plan.

5. **Class 4: Receivership Claims** Class 4 consists of the Receivership Claims.

a. **Treatment** Except as provided in Section 5.10 of the Plan with respect to commissions owed to the Receiver, allowed Receivership Claims shall be paid (a) the full amount thereof, plus interest to the extent required by law, in Cash remaining from the operation of the Debtors’ Properties (and if such remaining Cash is insufficient to pay allowed Receivership Claims in full, then from the Plan Funding Account), as soon as practicable after the later of (i) the Effective Date or (ii) the date on which such Claim becomes an allowed Receivership Claim, or upon such other terms as may be agreed upon by the holder of an allowed Receivership Claim, the Property Manager and DG, or (b) such amount as the holder of the Claim, the Property Manager, and DG might otherwise agree.

b. **Voting** Holders of a Receivership Claim are unimpaired under the Plan and are not entitled to vote and are deemed to have accepted the Plan.

6. **Class 5: General Unsecured Claims** Class 5 consists of General Unsecured Claims other than the DG Allowed Unsecured Claim.

a. **Treatment** Each holder of an allowed General Unsecured Claim shall be paid in full in Cash, as soon as practicable after the later of (i) the Effective Date or (ii) the date on which such Claim becomes an Allowed Claim.

b. **Voting** Each holder of General Unsecured Claims are unimpaired under the Plan and are not entitled to vote and are deemed to have accepted the Plan.

7. **Class 6: Equity Interests** Equity Interests consist of the interest of any holder of an equity security of any of the Debtors represented by any issued and outstanding shares of common or preferred stock or other instrument evidencing a present ownership or membership interest in any of the Debtors, whether or not transferable, or any option, warrant, or right, contractual or otherwise, to acquire any such interest.
- a. **Treatment** The Fee Recipient shall receive on account of all allowed Equity Interests the Fee Recipient Payment. Class 6 Equity Interests will be deemed cancelled, null and void and of no force and effect.
- b. **Voting** Class 6 Equity Interests are impaired under the Plan and entitled to vote. Pursuant to the Settlement Agreement, the holders of Equity Interests have agreed to accept the Plan.

D. Limited Substantive Consolidation

The Plan provides for the limited substantive consolidation of the Debtors' Estates, but solely for purposes of voting on the Plan by holders of Claims, making distributions to holders of Allowed Claims under the Plan, and confirmation of the Plan. In the event that the Effective Date does not occur, the Debtors reserve all rights with respect to the limited substantive consolidation of the Debtors. On the Effective Date, (i) all assets and liabilities of the Debtors will, solely for voting and distribution purposes, be treated as if they were merged, (ii) each claim against the Debtors will be deemed a single Claim against and a single obligation of the Debtors, (iii) any claims filed or to be filed in the Chapter 11 Cases will be deemed single Claims against all of the Debtors, (iv) all transfers, disbursements, and distributions to holders of Claims made by any Debtor hereunder will be deemed to be made by all of the Debtors, and (v) any obligation of the Debtors as to Claims will be deemed to be one obligation of all of the Debtors. Holders of Allowed Claims shall be entitled to their share of assets available for distribution to such Class without regard to which Debtor originally was liable for such Claim.

Except as set forth in the Plan, such limited consolidation shall not, other than for purposes related to the Plan, (w) affect the legal and corporate structures of the Debtors or the Reorganized Debtors, (x) cause any Debtor to be liable for any Claim or Equity Interest under the Plan for which it otherwise is not liable, and the liability of any Debtor for any such Claim or Equity Interest shall not be affected by such limited consolidation, and (y) affect Equity Interests in the Debtors.

Unless the Bankruptcy Court has approved by a prior order the limited substantive consolidation of the Debtors solely for purposes of the Plan, the Plan shall serve as, and shall be deemed to be, a request for entry of an order substantively consolidating the Debtors' Estates, but solely for purposes of the Plan, including voting on the Plan, making distributions to holders of Claims under the Plan, and confirmation of the Plan. If no objection to the limited substantive consolidation of the Debtors' Estates is timely filed and served by any holder of an impaired Claim affected by this Plan as provided herein on or before the voting deadline or such other date as may be established by the Bankruptcy Court, the confirmation order shall serve as the order approving the limited substantive consolidation of the Debtors' Estates, but solely for purposes

of the Plan, including voting on the Plan, making distributions to holders of Allowed Claims under the Plan, and confirmation of the Plan. Any objections with respect to the limited substantive consolidation of the Debtors' Estates, solely for purposes of the Plan, that are timely filed and served shall be heard at the confirmation hearing.

E. Distributions Under the Plan

1. Distributions for Claims Allowed as of the Effective Date Distributions to be made on account of Claims that are Allowed Claims as of the Effective Date shall be made on the Effective Date or as soon thereafter as is practicable. Any distribution to be made on the Effective Date pursuant to the Plan shall be deemed as having been made on the Effective Date if such distribution is made on the Effective Date or as soon thereafter as is practicable. Any payment or distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day. Rosen & Associates, P.C. shall make all distributions required to be made under the Plan.

2. Delivery of Distributions Subject to Bankruptcy Rule 9010, all distributions to any holder of an Allowed Claim shall be made at the address set forth on the Schedules filed with the Bankruptcy Court or on the books and records of the Debtors or their agents, unless the Debtors have been notified in writing of a change of address, including by the filing of a proof of claim or Administrative Claim request that contains an address for a holder of a Claim different from the address for such holder reflected on any Schedule.

3. Reserves for Administrative, Priority Tax and Other Priority Claims On the Effective Date, or as soon as practicable thereafter, Rosen & Associates, P.C. shall establish and maintain a reserve from Cash on hand remaining from operations of the Debtors' Properties, or to the extent the foregoing is insufficient, Cash in the Plan Funding Account in an amount equal to the sum of (a) all Disputed Administrative Claims, Disputed Cure Amounts, Disputed Priority Tax Claims and Disputed Other Priority Claims, if any, in an amount equal to what would be distributed to holders of Disputed Administrative Claims, Disputed Priority Tax Claims, Disputed Other Priority Claims, and Disputed Cure Amounts if their Disputed Claims had been deemed Allowed Claims on the Effective Date or on the Administrative Claims Bar Date or such other amount as may be approved by the Bankruptcy Court upon motion of the Debtors and/or DG, (b) an estimated amount for unpaid Professional Fee Claims and any other Administrative Claims that have not been filed as of the Effective Date, such amount to be agreed upon by the Debtors and DG or such other amount as may be fixed by the Bankruptcy Court, and (c) commissions of the Receiver that may be approved by the Bankruptcy Court after the Effective Date (together, the "**Administrative Claims Reserve**"). With respect to such Disputed Claims, if, when, and to the extent any such Disputed Claim becomes an Allowed Claim by Final Order, the relevant portion of the Cash held in reserve therefor shall be distributed by the Debtors to the Claimant in a manner consistent with distributions to similarly situated Allowed Claims. The balance of such Cash, if any, remaining after all Professional Fee Claims, Disputed Administrative Claims, Disputed Cure Amounts, Disputed Priority Tax Claims, Disputed Other Priority Claims, and Receiver commissions have been resolved and distributions made in accordance with the Plan, shall be released and distributed promptly to DG. No payments or distributions shall be made with respect to a Claim that is a Disputed Claim pending the resolution of the dispute by Final Order or agreement of the parties (including DG).

4. Reserves for Disputed Claims On the Effective Date, or as soon as practicable thereafter, Rosen & Associates, P.C. shall establish and maintain a reserve (“**Class 5 Disputed Claims Reserve**”) from Cash in the Plan Funding Account for all Class 5 Disputed Claims, including any Disputed Rejection Damage Claims. For purposes of establishing a reserve for Class 5 Disputed Claims, Cash will be set aside in an amount equal to the amount that would have been distributed to the holders of Class 5 Disputed Claims had their Class 5 Disputed Claims been deemed Allowed Claims on the Effective Date or in such other amount as may be approved by the Bankruptcy Court upon motion of the Debtors and/or DG. With respect to such Class 5 Disputed Claims, if, when, and to the extent any such Class 5 Disputed Claim becomes an Allowed Claim by Final Order, the relevant portion of the Cash held in reserve therefor shall be distributed by the Debtors to the Claimant on the first business day following the end of the calendar month in which the Class 5 Disputed Claim becomes an Allowed Claim (or earlier in the discretion of the Debtors) and in a manner thereafter consistent with distributions to similarly situated Allowed Claims. The balance of such Cash, if any, remaining in the Class 5 Disputed Claim Reserve after all Class 5 Disputed Claims have been resolved and distributions made in accordance with the Plan, shall be released and distributed promptly to DG. No payments or distributions shall be made with respect to a Claim that is a Disputed Claim pending the resolution of the dispute by Final Order or agreement of the parties (including DG). The Debtors or DG shall have the right to seek an Order of the Bankruptcy Court, after notice and a hearing, estimating or limiting the amount of Cash or property that must be so deposited on account of any Disputed Claim. Any creditor whose Claim is so estimated shall have no recourse to any assets theretofore distributed on account of any Allowed Claim.

5. Holdback From Fee Recipient Payment DG shall hold back \$400,000 (the “**Post Effective Date Holdback**”) from the Fee Recipient Payment to pay or reimburse DG in respect of any (a) Pre 12/1/11 Claims asserted after the Effective Date and (b) claims, whenever asserted, and associated reasonable legal costs and disbursements of defense, asserted against DG or the Properties, arising from rent overcharges or claimed rent overcharges accrued during the period August 29, 2005 through November 30, 2011. Praedium, Pinnacle, and Wiener shall have the right (but not the obligation) to manage the legal defense against any such rent overcharge claims that accrued during such period. On the date which shall be twelve (12) months after the Effective Date, DG will pay to the Fee Recipient or its designee(s) (a) any sums remaining in the Post Effective Date Holdback less (b) an amount reasonably determined by DG to be necessary (i) to pay or settle outstanding Pre 12/1/11 Claims, (ii) to pay or settle outstanding rent overcharges that accrued during the overcharge period specified herein and that have been asserted against DG but have not yet been finally paid or settled, and (iii) to pay reasonable costs associated with such Pre 12/1/11 Claims or rent overcharges, including reasonable legal costs of defense.

6. Claims Objection Deadline The Claims’ objection deadline shall be the later of thirty (30) days after the later of (i) the Confirmation Date (“**Objection Deadline**”) or (ii) the date the Claim is timely filed, provided, however, that the Objection Deadline may be extended by the Bankruptcy Court upon the submission of a stipulation by and between the Debtors and DG, without notice or hearing, for up to an additional sixty (60) days thereafter. Objections to Pre 12/1/11 Claims shall be filed and served upon each affected Creditor by the Debtors and Objections to Post 12/1/11 Claims shall be filed and served upon each affected Creditor by DG.

7. **Settlement of Disputed Claims** Objections to Claims may be litigated to judgment or withdrawn, and may be settled with the approval of the Bankruptcy Court, except to the extent such approval is not necessary as provided in this section. After the Effective Date, and subject to the terms of this Plan, (a) any Disputed Claim in an amount less than \$75,000 may be settled without providing any notice or obtaining an order from the Bankruptcy Court; provided, however, that DG consents in writing to such settlement; (b) any Disputed Pre 12/1/11 Claim may be settled by the Debtors without notice or obtaining an order from the Bankruptcy Court; provided, however, that DG receives notice of such settlement; and (c) any Disputed Post 12/1/11 Claim may be settled by DG without providing any notice or obtaining an order from the Bankruptcy Court.

8. **Unclaimed Property** If any distribution on account of Pre 12/1/11 Claims remains unclaimed for a period of 180 days after it has been delivered (or attempted to be delivered) in accordance with the Plan to the holder of such Allowed Claim, such unclaimed property shall be forfeited by such holder, whereupon all right, title, and interest in and to the unclaimed property shall be held in reserve by Rosen & Associates, P.C. to be distributed to the Fee Recipient. If any distribution on account of any Administrative Claims, Post 12/1/11 Claims, Receivership Claims, and Governmental Authority Lien Claims that accrued on or after December 1, 2011 remains unclaimed for a period of 180 days after it has been delivered (or attempted to be delivered) in accordance with the Plan to the holder of an Allowed Claim, such unclaimed property shall be forfeited by such holder, whereupon all right, title and interest in and to the unclaimed property shall be held in reserve by Rosen & Associates, P.C. to be distributed to DG.

9. **Set-Offs** The Debtors may, but shall not be required to, set-off against the distributions to be made pursuant to the Plan the claims, obligations, rights, causes of action, and liabilities of any nature that the Debtors may hold against the holder of an Allowed Claim, other than DG.

10. **Release of Liens** On the Effective Date and except as expressly set forth in this Plan, all mortgages, deeds of trust, Liens or other security interests or encumbrances against the Properties other than Permitted Exceptions shall be released and forever discharged, and all the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, or other security interests and encumbrances shall revert to the Buyer Designees and their successors and assigns.

11. **Fractional Cents** No payment of fractions of cents will be made. Whenever any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding down of such fraction to the nearest whole cent.

12. **Payments of Less than Twenty-Five Dollars** If a cash payment otherwise provided for by this Plan with respect to an Allowed Claim is less than twenty-five dollars (\$25.00) (whether in the aggregate or on any payment date provided in the Plan), notwithstanding any contrary provision of the Plan, the Debtors shall not be required to make such payment.

F. Means for Implementation of the Plan

1. Assumption of Settlement Agreement Confirmation of the Plan will constitute the Bankruptcy Court's approval of the Debtors' assumption of the Settlement Agreement pursuant to section 365 of the Bankruptcy Code. The Debtors shall implement the provisions of the Settlement Agreement relating to the transfer and conveyance of the Properties consistent therewith.

2. Funding of Plan Funding Account On the Effective Date, DG or a party acting on its behalf shall fund the Plan Funding Account.

3. Reduction of and Holdback from Fee Recipient Payment On the Effective Date, (a) the Fee Recipient Payment shall be reduced by the amount necessary to pay Pre 12/1/11 Claims and Allowed Governmental Authority Lien Claims relating to water and sewer charges prior to December 1, 2011, and (b) DG shall be entitled to hold back from the Fee Recipient Payment the Post Effective Date Holdback in accordance with Section 7.5 of this Plan.

4. Payment of Professional Fee Claims of Debtors' Counsel Praedium, Pinnacle, and Wiener shall be responsible for payment of Professional Fee Claims of Rosen & Associates, P.C., the Debtors' bankruptcy attorneys.

5. Transfer of Title to Properties On the Effective Date, the Debtors shall irrevocably transfer, assign, and convey the Properties to the Buyer Designees, in accordance with the instructions of DG, pursuant to the terms of the Settlement Agreement and the Plan. The transfer, assignment, and conveyance of the Properties to the Buyer Designees shall be approved by the Confirmation Order as an absolute, unavoidable, and irrevocable sale of the Properties that the Debtors have made to the Buyer Designees for fair consideration and reasonably equivalent value.

6. Deliveries at Closing The Debtors shall deliver to the Buyer Designees on the Effective Date those documents, instruments and certificates set forth in Schedule E of the Settlement Agreement. The Property Manager (and if he still has them in his possession, the Receiver) shall deliver to the Buyer Designees all (a) original leases, (b) certificates by architects and/or engineers, plans and specifications, tests and surveys for the Properties, (c) rent arrearage schedules, (d) tenant files, (e) licenses, permits authorizations, and approvals, including, without limitation, certificates of occupancy, issued for or with respect to the Properties, (f) files concerning any litigation (including pleadings) concerning the Properties, including landlord/tenant proceedings, together with substitutions of counsel executed by the Debtors or the Receiver (as the case may be), in connection with such proceedings or actions, (g) affidavits of compliance with smoke detector/fire alarm installation, and (h) records or agreements concerning the construction, management or operation of the Properties.

7. Execution of Documents On the Effective Date, the Debtors, and any necessary party thereto, shall execute, release, and deliver all documents reasonably necessary to consummate the transactions contemplated by the terms and conditions of the Plan.

8. Filing of Documents Pursuant to sections 105 and 1142(b) of the Bankruptcy Code, each and every federal, state, and local governmental agency or department, shall be directed to accept and record any and all documents and instruments necessary, useful, or appropriate to effectuate, implement, and consummate the transactions contemplated by the Plan, and any and all notices of satisfaction, release, or discharge or assignment of any Lien, Claim, or encumbrance not expressly preserved by the Plan.

9. Corporate Action Upon the entry of the Confirmation Order, all matters provided under the Plan involving the corporate structure of the Debtors shall be deemed authorized and approved without any requirement of further action by the Debtors, the Debtors' shareholders and/or members, or the Debtors' boards of directors, managers, and/or managing members. As soon as practicable following the Effective Date and the transfer of all of the Properties to the Buyer Designees, each of the Debtors shall dissolve or otherwise terminate its existence, by filing a certificate of dissolution and a copy of the Confirmation Order and any other necessary documents with applicable state authority.

10. Receiver's Final Accounting, Discontinuance of Foreclosure Action, and Discharge of Receiver No later than thirty (30) days after the Effective Date, the Receiver shall file with the Bankruptcy Court and serve upon the Debtors and DG a motion pursuant to section 543(b) of the Bankruptcy Code and Rule 6002 of the Federal Rules of Bankruptcy Procedure, for an order approving his final accounting of his receivership which he would otherwise file in the Foreclosure Action, his request for final approval of any commissions due to the Receiver under applicable law, and discharging the Receiver and his professionals from any further obligations with respect to the Properties or his receivership. Notice of such motion shall be given to all Persons identified in section 12.15 of the Plan, and in accordance with the provisions of such section. Any party in interest may object to the final accounting or request for payment of commissions by filing and serving its objection within thirty days after it has been filed by the Receiver. If no objection is timely filed, or after the final accounting and commissions are approved by the Bankruptcy Court, the final accounting shall be binding on all parties for the purposes of the Foreclosure Action. Within thirty (30) days after the Effective Date, DG shall cause to be filed in the Foreclosure Action a motion seeking discontinuance of the Foreclosure Action with prejudice. Confirmation of the Plan shall constitute consent by the Debtors and their creditors to discontinuance of the Foreclosure Action with prejudice.

VI. TREATMENT OF UNEXPIRED LEASES AND EXECUTORY CONTRACTS

A. Assumption and Rejection of Agreements All unexpired leases of residential property with tenants of the Debtors ("**Tenant Leases**") shall be neither assumed nor rejected.

1. Except with respect to Tenant Leases, any and all pre-Petition Date leases or executory contracts (a) not previously assumed or the subject of a motion to assume pending on the Confirmation Date, (b) not designated prior to the Confirmation Date by the Buyer Designees or DG as pre-Petition Date leases or executory contracts to be assumed by the Debtors ("**Designated Agreements**"), and (c) not set forth on Exhibit B to the Plan, shall be deemed rejected by the Debtors.

2. The pre-Petition Date leases and executory contracts set forth on Exhibit B to the Plan shall be deemed assumed by the Debtors (the “**Exhibit B Agreements**”); subject, however to the payment of amounts necessary to cure the monetary defaults under such leases or executory contracts (as to each agreement, the “**Cure Amount**”).

3. All counterparties to Exhibit B Agreements shall file with the Bankruptcy Court, and serve on the Debtors and DG, objections, if any, to the Debtors’ assumption of their respective leases or executory contracts, and include in such objection any dispute as to the amount asserted by the Debtors in Exhibit B to the Plan as the Cure Amount. Such objection shall be filed not later than seven (7) days prior to the Confirmation Hearing. Any undisputed Cure Amounts (“**Undisputed Cure Amounts**”) shall be paid as soon as practicable following the Effective Date of the Plan, and any disputed Cure Amounts (“**Disputed Cure Amounts**”) shall be paid upon the agreement of the parties or further order of the Bankruptcy Court.

4. No later than fourteen (14) days prior to the Confirmation Hearing, the Debtors shall file a motion to assume the Designated Agreements. The motion shall require all counterparties to such leases and executory contracts to file with the Bankruptcy Court, and serve on the Debtors and DG, objections, if any, to the Debtors’ assumption of their respective leases or executory contracts, and include in such objection any dispute as to the amount asserted by the Debtors as the Cure Amount. Such objection shall be filed not later than seven (7) days prior to the Confirmation Hearing. Any Undisputed Cure Amounts shall be paid as soon as practicable following on the Effective Date of the Plan, and any Disputed Cure Amounts shall be paid upon the agreement of the parties or further order of the Bankruptcy Court.

VII. CONFIRMATION AND EFFECTIVENESS OF THE PLAN

A. Conditions to Confirmation of the Plan The Plan shall not be confirmed unless and until the following conditions have been satisfied in full or waived by DG:

1. the Bankruptcy Court shall have entered the Confirmation Order within 100 days after the Petition Date (or such other date as agreed to by Debtors and DG);

2. the Confirmation Order is in form and substance satisfactory to DG, and such order shall approve all provisions, terms and conditions of the Plan, including but not limited to, the Property Transfer by each Debtor free and clear of all Claims, Liens, charges, interests, and encumbrances other than the Permitted Exceptions, and shall provide that the Property Transfer shall be exempt from transfer taxes; and

3. no material amendments, modifications, supplements, or alterations shall have been made to the Plan or any document delivered in connection therewith, without the express written consent of DG, which consent may be granted, withheld, or conditioned in its sole discretion.

B. Conditions to Effectiveness of the Plan The Plan shall not become effective unless the Confirmation Order is not subject to any stay or injunction and the Property Transfer shall have occurred.

C. Effect of Failure of Condition In the event that the Property Transfer shall not have occurred on or before twenty (20) days after the Confirmation Date, the Confirmation Order shall be vacated upon order of the Bankruptcy Court upon motion made by DG.

D. Notice of the Effective Date; Actions Taken on Effective Date The Debtors shall file and serve a notice of the occurrence of the Effective Date within two (2) Business Days thereafter. Unless otherwise specifically provided in the Plan, any action required to be taken by a Debtor on the Effective Date may be taken by such Debtor on the Effective Date or as soon as reasonably practicable thereafter.

E. Effect of Plan Confirmation

1. Releases by the Debtors Pursuant to section 1123(b) of the Bankruptcy Code, and except for such liabilities and obligations otherwise assumed or provided in the Plan, for good and valuable consideration provided by each of the Released Parties and the Released Debtor Parties, on the Effective Date and effective as of the Effective Date, the Released Parties and the Released Debtor Parties are deemed released and discharged by the Debtors and their Estates from any and all direct, indirect or derivative claims, obligations, rights, suits, judgments, Liens, damages, causes of action, remedies, liabilities, claims or rights of contribution and indemnification, and all other claims, causes of action, controversies of every type, kind, nature, description, or character whatsoever, including any derivative claims asserted on behalf of the Estates, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, contingent or fixed, currently existing or hereafter arising, in law, at equity, whether for tort, fraud, contract, or otherwise, that any Debtor would have been legally entitled to assert, including, but not limited to, any claim or cause of action arising from or relating to the Debtors, the Chapter 11 Cases, the Plan, the subject matter of, or the transactions or events giving rise to, any Claim or Interest of the Released Parties and the Released Debtor Parties that is treated in the Plan, the business or contractual arrangements between any Debtor, on the one hand, and any Released Party or Released Debtor Party, on the other hand, the negotiation, formulation, or preparation of the Plan and the Disclosure Statement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place, in each case to the extent incurred on or prior to the Effective Date, other than in each case claims or liabilities arising out of or relating to any act or omission of a Released Party or Released Debtor Party that constitutes willful misconduct or gross negligence.

a. Identity of Released Parties The Released Parties are (i) DG (ii) Gemstone Property Management LLC, (iii) Gemstone Realty Partners LLC, and (iv) Berkadia Commercial Mortgage LLC, (v) the Buyer Designees, (vi) Bluestar, and (vii) Jeffrey Pikus and in the case of each of (i) - (vi), each such entities' respective direct and indirect parents, subsidiaries and affiliates, together with each of their respective shareholders, members, managers, general partners, limited partners, officers, directors, employees, agents, representatives, attorneys and advisors or consultants.

The Released Parties are non-debtor third parties. As discussed above, DG is the sole beneficial owner of the Loan. Gemstone Realty Partners LLC is the Managing Member of DG UWS LLC, a Member of DG. DG anticipates that, subsequent to the Effective Date, Gemstone Property Management LLC will manage the Properties on its behalf. Gemstone

Realty Partners LLC and Gemstone Property Management LLC are affiliates of DG and each are a signatory to the Settlement Agreement. Berkadia Commercial Mortgage LLC loaned DG a portion of the funds with which DG purchased the Mortgage that encumbers the Properties. The Buyer Designees are those entities that DG shall designate and to whom the Properties will be transferred on the Effective date. DG shall disclose the identity of the Buyer Designees in a supplement to the Plan to be filed not later than ten (10) days prior to the Confirmation Hearing. As discussed above, Bluestar was retained by the Receiver as managing agent of the Properties. In accordance with the terms of the Settlement Agreement, the Debtors appointed Jeffrey Pikus, principal of Bluestar, to serve as Property Manager of the Properties.

b. Identity of Released Debtor Parties. The Released Debtor Parties are (i) Pinnacle, (ii) Joel Wiener, and (iii) Praedium and in the case of each of (i) and (iii), their respective direct and indirect parents, subsidiaries and affiliates, together with each of their respective shareholders, members, managers, general partners, limited partners, officers, directors, employees, agents, representatives, attorneys and advisors or consultants, and, in the case of (ii), his heirs, executors, successors and assigns. Praedium is the sole and Managing Member of TPF VI SUB LLC, which is the sole and Managing Member of P VI-B Manhattan Equity LLC. P VI-B Manhattan Equity LLC together with Manhattan Valley Fund, L.P. and Pinnacle Singer Holding Company own 45%, 45%, and 10% of 58 Manhattan Associates LLC, respectively. 58 Manhattan Associates LLC is the sole and Managing Member of PMM Associates LLC and PMM Associates LLC is the sole and Managing Member of PMM. As discussed above, PMM is the sole and Managing Member of each of the Debtors. Joel Weiner, who is the Managing Member of Pinnacle, and Praedium each executed a non-recourse carve-out guaranty as further security for the Loan.

2. Basis for Releases of Released Parties The releases of the Released Parties are critical and necessary to the Debtors' reorganization and are an integral part of, and, with the exception of Bluestar and Jeffrey Pikus, parties to the Settlement Agreement. The releases of the Released Parties are the result of comprehensive and good faith negotiations among the key parties in interest that resulted in the proposed resolution of the highly contentious Foreclosure Action as embodied in the Plan, without impacting the rights of the Tenants. DG, one of the Released Parties, also has made substantial contributions to the Plan as consideration for the releases, including, but not limited to, consenting to the use of cash collateral, providing the Debtors with debtor in possession financing, and waiving the unsecured portion of its Claim. Equally important, DG is providing the Debtors with all funds with which to satisfy fully all allowed Administrative Claims, Priority Tax Claims, and Unsecured Claims. Without these funds, the Debtors' creditors would receive 0% recovery on account of their Claims. This funding contribution is essential to the implementation of the Plan and the releases proposed under it are necessary to secure such funding. The releases are a condition to DG's providing the Plan funding. Accordingly, the releases of the Released Parties provided under the Plan are essential to its implementation and are warranted by the unique circumstances of the Chapter 11 Cases and should be approved.

3. Basis for Releases of Released Debtor Parties The releases of the Released Debtor Parties are critical and necessary to the Debtors' reorganization and are an integral part of the Settlement Agreement. The releases of the Released Debtor Parties are the result of comprehensive and good faith negotiations among the key parties in interest. The Released

Debtor Parties, as consideration for the releases, have made substantial contributions to the Plan including, but not limited to, waiving significant pre-Petition Date and post-rejection claims, waiving counterclaims in the Foreclosure Action, and expending considerable time and incurring significant expense in settling the Foreclosure Action without impacting the rights of the Tenants. In addition, Manhattan Valley Fund, LLC and Pinnacle Group NY LLC, an affiliate of Pinnacle, have agreed to pay all fees and expenses of Rosen & Associates, P.C. The releases are a condition precedent to the execution of the Settlement Agreement by the Released Debtor Parties. Without the releases, the Debtors' creditors would receive 0% recovery on account of their Claims. Accordingly, the releases of the Released Debtor Parties provided under the Plan are essential to its implementation and are warranted by the unique circumstances of the Chapter 11 Cases and should be approved.

4. Injunction On the Effective Date, each Debtor shall be enjoined permanently from commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind, including asserting any setoff, right of subrogation, contribution, indemnification or recoupment of any kind, directly or indirectly, or proceeding in any manner in any place inconsistent with the releases granted by the Debtors and their Estates to the Released Parties and the Released Debtor Parties pursuant to the Plan. The Confirmation Order shall specifically provide for such injunction. The releases and injunctions granted in favor of the Released Parties and the Released Debtor Parties are integral parts of the Plan and are necessary to confirm the Plan.

5. Waiver of Claims Any and all Claims held by Wiener, Pinnacle, PMM, Praedium or any of their respective relatives, affiliates, principals, members or partners, as the case may be, including Claims arising from rejection of any executory contracts, are deemed waived, and no distribution will be made under the Plan on account of any such Claim, except as provided in section 4.6 of the Plan.

6. Exculpation On the Effective Date, other than such liabilities and obligations otherwise assumed or provided hereunder or under the Settlement Agreement, (a) the Debtors, and their direct and indirect parents, subsidiaries and affiliates, together with each of its present and former shareholders, members, managers, general partners, limited partners, officers, directors, employees, agents, representatives, attorneys and advisors or consultants (solely in their capacities as such) and (b) the Released Parties, and all of their respective direct and indirect parents, subsidiaries and affiliates, together with each of their respective present and former shareholders, members, managers, general partners, limited partners, officers, directors, employees, agents, representatives, attorneys and advisors or consultants (solely in their capacities as such) shall be deemed to release each of the other, and the Released Parties shall be deemed released by all holders of Claims of and from any claims, obligations, rights, causes of action and liabilities for any act or omission occurring through the date immediately preceding the Effective Date that arise from or are related to the Properties and the ownership thereof, including, without limitation, any act or omission occurring during or relating to the Chapter 11 Cases, commencement of the Chapter 11 Cases, the solicitation of acceptances of the Plan, the Disclosure Statement, the pursuit of approval of the Disclosure Statement, the pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan, except for acts or omissions which constitute fraud, willful misconduct or gross negligence, *ultra vires* acts, criminal conduct, disclosure of

confidential information that causes damages, or willful violation of the securities laws or the Internal Revenue Code, or, in the case of an attorney professional and as required under Rule 1.8(h)(1) of the New York State Rules of Professional Conduct, malpractice, and all such Persons, in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan and under the Bankruptcy Code; provided, however, that nothing contained herein shall be construed to affect the claims and rights of any tenants under Tenant Leases, or any applicable laws and regulations of the United States, the state of New York, and the City of New York, or of any applicable agency or department thereof.

7. Confirmation Injunction Other than such liabilities and obligations otherwise assumed or provided hereunder, and as set forth in the Confirmation Order, (a) the rights afforded herein and the treatment of all Claims and Equity Interests herein, shall be in exchange for and in complete satisfaction and release of, all Claims and Equity Interests of any nature whatsoever, including any interest accrued on Claims from and after the Petition Date, against the Debtors or any of their assets and properties, (b) on the Effective Date, all such Claims against the Debtors shall be satisfied and released in full, and (c) all Persons shall be precluded from asserting and shall be permanently enjoined from commencing or continuing in any manner any action or proceeding (whether directly, indirectly, derivatively, or otherwise) against the Debtors, their assets or properties, based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date; provided, however, that nothing contained in the Plan shall be construed to affect the claims and rights of any tenants under Tenant Leases. or any applicable laws and regulations of the United States, the state of New York, and the City of New York, or of any applicable agency or department thereof.

8. Comprehensive Settlement of Claims and Controversies It is the Debtors' position that, pursuant to section 1123(b)(3)(A) of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all claims or controversies relating to the rights that a holder of a Claim or Equity Interest may have with respect to any Allowed Claim or Allowed Equity Interest or any distribution to be made pursuant to the Plan on account of any Allowed Claim or Allowed Equity Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or causes of action of (a) the Debtors and their Estates, including, without limitation, any Person or Entity seeking to exercise a right in a derivative capacity on behalf of the Estates, and (b) the Released Parties, and the Bankruptcy Court's finding that such compromise or settlement is in the best interests of the Debtors, their Estates, their properties and Claim holders and Equity Interest holders, and is fair, equitable and reasonable. For the avoidance of doubt, the compromise and settlement of all claims and causes of action of the Debtors and their Estates as set forth herein shall include any potential avoidance actions accruing to the Debtors or their Estates, which shall not be pursued.

VIII. OTHER SIGNIFICANT PLAN PROVISIONS

A. Modification

1. Pre-Confirmation Modification On notice to and opportunity to be heard by the United States Trustee, the Plan may be altered, amended, or modified by the Debtors before the Confirmation Date as provided in section 1127 of the Bankruptcy Code; provided, however, that any such amendment or modification of the Plan must be approved in writing by DG

2. Post-Confirmation Immaterial Modification With the approval of the Bankruptcy Court and on notice to and an opportunity to be heard by the United States Trustee and without notice to holders of Claims and Equity Interests, the Debtors may, insofar as it does not materially and adversely affect the interests of holders of Claims, correct any defect, omission or inconsistency in the Plan in such manner and to such extent as may be necessary to expedite consummation of this Plan; provided, however, that any such amendment or modification of the Plan must be approved in writing by DG

3. Post-Confirmation Material Modification The Plan may be altered or amended after the Confirmation Date by the Debtors in a manner which, in the opinion of the Bankruptcy Court, materially and adversely affects holders of Claims, provided that such alteration or modification is made after notice and a hearing and otherwise meets the requirements of section 1127 of the Bankruptcy Code; provided, however, that any such amendment or modification of the Plan must be approved in writing by DG.

B. Withdrawal or Revocation of the Plan If the Debtors revoke or withdraw the Plan (as to all Debtors) or if confirmation or consummation of the Plan (as to all Debtors) does not occur, then (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan (including the allowance, fixing or limiting to an amount certain any Claim or Equity Interest or Class of Claims or Equity Interests) and any assumption or rejection of executory contracts or leases affected by the Plan shall terminate and be of no further force or effect, and any document or agreement executed pursuant to the Plan shall be deemed null and void, and (c) nothing contained in the Plan shall constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtors or any other Person, or prejudice in any manner the rights of any other Person.

C. Payment of Statutory Fees Rosen & Associates, P.C. shall pay from the Plan Funding Account all fees payable due as of the Effective Date pursuant to section 1930 of Title 28 of the United States Code. Thereafter, Rosen & Associates, P.C. shall pay from the Plan Funding Account all United States Trustee quarterly fees under 28 U.S.C. § 1930(a)(6), plus interest due under 31 U.S.C. § 3717, on all disbursements, including plan payments and disbursements in and outside of the ordinary course of business, until the earliest of the entry of a final decree closing the Chapter 11 Cases, dismissal of the Chapter 11 Cases, or conversion of the Chapter 11 Cases to cases under chapter 7.

D. Termination of Property Manager On the Effective Date, (i) the Property Manager's management of the Properties shall be terminated, without the need for any further or other action or order by the Bankruptcy Court; (ii) DG may appoint a managing agent with full power

to collect rents from and manage the Properties; (iii) the Property Manager shall deliver to the Buyer Designees all security deposits held pursuant to the leases affecting the Properties which have not been returned to any tenant as of the Effective Date; and (iv) the Property Manager shall turn over all property of the Debtors to the Buyer Designees.

E. Exemption From Transfer Taxes Modification

1. The principal purpose of the Plan is to effectuate a consensual resolution of all disputes between the parties and to facilitate distribution to all creditors who would otherwise remain unpaid. As discussed above, under the Plan, the Debtors will assume the Settlement Agreement and, on the Effective Date, pursuant to its terms, irrevocably transfer, assign, and convey the Properties (the “**Property Transfer**”) to the Buyer Designees, in accordance with the instructions of DG. The assumption of the Settlement Agreement, and the Property Transfer, will result in the (a) settlement of the highly contentious Foreclosure Action, (b) the full payment of all Claims of creditors, including the significant Claims of the City of New York for unpaid real estate and water and sewer taxes in an amount in excess of \$1,000,000, and (c) the seamless transfer of the Properties without affecting or impacting negatively the rights of the Tenants.

Accordingly, the principal purpose of the Plan is not the avoidance of taxes. It is appropriate, therefore, that section 12.17 of the Plan provides that, pursuant to section 1146(a) of the Bankruptcy Code, the Property Transfer and any other payments and transfers made pursuant to the Plan by any Debtor(s) to the Buyer Designees, including, but not limited to, the delivery of deeds, bills of sale, or other transfers of tangible property, are exempt from and will not be subject to any transfer tax, or other similar tax.

2. Pursuant to the Plan, all filing officers (including without limitation, the Register of the City of New York) shall be, and hereby are directed to: (a) accept for recording and record, any and all deeds and other documents evidencing and/or relating to the Property Transfer which are presented to them for recording, immediately upon presentation thereof, with regard to the transactions effectuated pursuant to the Plan, without the payment of any New York State Real Estate Transfer Tax imposed under Article 31 of the New York State Tax Law, any New York City Real Property Transfer Taxes under section 11-2102 of the New York City Administrative Code, any mortgage recording tax or any other tax within the purview of section 1146(c) of the Bankruptcy Code, and without the requirement of presentation of any affidavit or form with respect to any tax imposed under Article 31 of the New York State Tax Law, any New York City Real Property Transfer Taxes under section 11-2102 of the New York City Administrative Code with respect to the transactions effectuated pursuant to the Plan; and (ii) cancel and discharge of record all liens, encumbrances, claims and other adverse interests in or against the Properties, except for the Permitted Exceptions, which shall not be canceled and shall continue and remain in full force and effect.

3. Pursuant to the Plan, all governmental authorities and any other taxing authorities shall be permanently enjoined from the commencement or continuation of any action to collect from the Properties, the Debtors, DG, and the Buyer Designees, any taxes from which the transactions effectuated pursuant to this Plan are exempt, pursuant to and in furtherance of section 1146(c) of the Bankruptcy Code, including but not limited to, New York State Real

Estate Transfer Taxes, New York City Real Property Transfer Taxes, and applicable mortgage recording tax, and any penalties, interest, or additions to any tax related thereto.

4. Pursuant to the Plan, the New York County Register's office shall record the deed of each Property, and other similar conveyance documents required to be delivered under the Plan without the payment of any stamp tax, transfer tax, or similar tax, and without the presentation of affidavits, instruments, or returns otherwise required for recording or filing.

F. Severability If any term or provision of the Plan is held by the Bankruptcy Court prior to or at the time of Confirmation to be invalid, void or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as so altered or interpreted. In the event of any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan may, at the option of DG, remain in full force and effect and not be deemed affected. However, DG reserves the right not to proceed to Confirmation or consummation of the Plan if any such ruling occurs. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

G. Bar Date for Administrative Claims Unless otherwise ordered by the Bankruptcy Court, requests for payment of Administrative Claims (except for Professional Fee Claims) must be filed and served on the Debtors and DG, and their respective counsel, no later than thirty (30) days after the Effective Date. Any Person that is required to file and serve a request for payment of an Administrative Claim and fails to timely file and serve such request, shall be forever barred, estopped and enjoined from asserting such Claim or participating in distributions under the Plan on account thereof. Objections to requests for payment of Administrative Claims (except for Professional Fee Claims) must be filed and served on the Debtors and their counsel, DG and its counsel, and the party requesting payment of an Administrative Claim within thirty (30) days after the filing of such request for payment.

H. Bar Date for Professional Fee Claims Unless otherwise ordered by the Bankruptcy Court, requests for payment of Professional Fee Claims incurred through the Effective Date must be filed and served on the Debtors and their counsel, and DG and its counsel, no later than twenty (20) days after the Effective Date. The day prior to the Confirmation Date, each Professional shall provide the Debtors and DG with a written estimate of the total amount of compensation and expenses for which such Professional expects to seek final compensation and reimbursement pursuant to section 330 of the Bankruptcy Code. Such estimates shall include estimated sums for the preparation and prosecution of any application for final compensation.

I. Notices Any notice required or permitted to be provided under the Plan shall be in writing and served by either (a) certified mail, return receipt requested, postage prepaid, (b) hand delivery or (c) reputable overnight courier service, freight prepaid, to be addressed as follows:

If to the Debtors: Pinnacle Group
1 Penn Plaza
New York, NY 10001
Attention: Joel Wiener
Adam Kaplan, Esq.

with a copy to: Rosen & Associates, P.C.
747 Third Avenue
New York, NY 10017
Attention: Sanford P. Rosen, Esq.

If to DG or the Buyer Designees: DG UWS SUB LLC
c/o Dune Real Estate Partners LP
623 Fifth Avenue, 30th Floor
New York, NY 10022
Attention: General Counsel
David Oliner
Russell Gimmelstob

with a copy to: Herrick, Feinstein LLP
2 Park Avenue
New York, NY 10016
Attention: Jeffrey H. Kaufman, Esq.

If to Praedium: The Praedium Group, LLC
825 Third Avenue, 36th Floor
New York, NY 10022
Attention: Mason Sleeper
Peter A. Calatozzo, Esq.

with a copy to: Morrison Cohen LLP
909 Third Avenue
New York, NY 10022-4784
Attention: Joseph T. Moldovan, Esq.
Danielle C. Lesser, Esq.

If to Pinnacle: Pinnacle Group
1 Penn Plaza
New York, NY 10001
Attention: Joel Wiener
Adam Kaplan, Esq.

with a copy to: Morrison Cohen LLP
909 Third Avenue
New York, NY 10022-4784
Attention: Joseph T. Moldovan, Esq.
Danielle C. Lesser, Esq.\

IX. CERTAIN FEDERAL TAX CONSEQUENCES

Confirmation of the Plan may have federal income tax consequences for the Debtors and holders of Claims and Equity Interests. The Debtors have not obtained and do not intend to request a ruling from the Internal Revenue Service, nor have the Debtors obtained an opinion of counsel with respect to any tax matters. Any federal income tax matters raised by confirmation of the Plan are governed by the Internal Revenue Code and the regulations promulgated thereunder. Holders of Claims and Equity Interests are urged to consult their own counsel and tax advisors as to consequences to them, under federal and applicable state, local, and foreign tax laws, of the Plan. The following is intended to be a summary only and not a substitute for careful tax planning with a tax professional. The federal, state, and local tax consequences of the Plan may be complex in some circumstances and, in some cases, uncertain. Accordingly, each holder of a Claim or Equity Interest is strongly urged to consult with his or her own tax advisor regarding the federal, state, and local tax consequences of the Plan, including, but not limited to the receipt of Cash under the Plan. The Debtors may not recognize income as a result of the discharge of debt pursuant to the Plan because section 108 of the Internal Revenue Code provides that taxpayers in bankruptcy proceedings do not recognize income from discharge of indebtedness. However, a taxpayer is required to reduce its "tax attributes" by the amount of the debt discharged. Tax attributes are reduced in the following order: (i) net operating losses for the taxable year of the discharge, and any net operating loss carryover to such taxable year; (ii) general business credits; (iii) minimum tax credits, (iv) capital loss carryovers; (v) the basis of the property of the taxpayer; (vi) passive activity loss and credit carryovers; and (vii) foreign tax credit carryovers. An unsecured creditor that receives Cash in satisfaction of its Claim may recognize gain or loss, with respect to the principal amount of its Claim, equal to the difference between (y) the creditor's basis in the Claim (other than the portion of the Claim, if any, attributable to accrued interest), and (z) the balance of the Cash received after any allocation to accrued interest. The character of the gain or loss as capital gain or loss, or ordinary income or loss, will generally be determined by whether the Claim is a capital asset in the creditor's hands. A creditor may also recognize income or loss in respect of consideration received for accrued interest on the Claim. The income or loss generally will be ordinary, regardless of whether the creditor's Claim is a capital asset in its hands

DUE TO A LACK OF DEFINITIVE JUDICIAL OR ADMINISTRATIVE AUTHORITY AND INTERPRETATION, SUBSTANTIAL UNCERTAINTIES EXIST WITH RESPECT TO VARIOUS TAX CONSEQUENCES OF THE PLAN CREDITORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS AS TO SPECIFIC TAX CONSEQUENCES (FEDERAL, STATE, AND LOCAL) OF THE PLAN.

X. VOTING INSTRUCTIONS AND PROCEDURES

A. Notice to Holders of Claims This Disclosure Statement is being transmitted to holders of Claims in Classes 3 and Equity Interests in Class 6. Pursuant to section 1126(f) of the Bankruptcy Code, Claims in Classes 1, 2, and 5 are unimpaired under the Plan, and holders of such Claims are not entitled to vote on the Plan. Accordingly, holders of Claims in Classes 3 and 6 will be the only holders of Claims or Equity Interests that will vote on the Plan. The purpose of this Disclosure Statement is to provide adequate information to enable such holders of Claims

and Equity Interests to make an informed decision with respect to the Plan prior to exercising their right to vote to accept or reject the Plan.

ALL HOLDERS OF CLAIMS IN CLASSES 3 AND EQUITY INTERESTS IN CLASS 6 ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS EXHIBITS CAREFULLY IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR REJECT THE PLAN. THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION ABOUT THE PLAN AND CONSIDERATIONS PERTINENT TO ACCEPTANCE OR REJECTION OF THE PLAN.

THIS DISCLOSURE STATEMENT IS THE ONLY DOCUMENT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE 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 DEBTORS OTHER THAN THE INFORMATION CONTAINED HEREIN.

B. Solicitation Package The following materials, among others, constitute the Solicitation Package:

1. this Disclosure Statement with all exhibits, including the Plan, and any other supplements or amendments to these documents.
2. the appropriate Ballot and applicable Voting Instructions;
3. a pre-addressed, pre-paid return envelope;
4. a letter from the Debtors with a recommendation urging claimants to vote to accept the Plan; and
5. a cover letter describing the contents of the solicitation package

The Debtors shall serve a copy of this Disclosure Statement with all exhibits, including the Plan on holders of Claims in Class 3 and Equity Interest in Class 6. All parties entitled to vote to accept or reject the Plan shall receive an appropriate Ballot.

C. Procedures and Ballots and Voting Deadline After carefully reviewing the Plan, this Disclosure Statement and the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot. Please complete and sign your original Ballot and return it (i) in the envelope provided; by the voting deadline to Rosen & Associates, P.C. at the address listed below.

THE VOTING DEADLINE IS July 30, 2012 AT 5:00 P.M. (PREVAILING EASTERN TIME).

In voting to accept or reject the Plan, you must use only the Ballot sent to you with this Disclosure Statement. Detailed instructions for voting are located in the Ballot(s) sent to holders of Claims in Classes 3 and Equity Interests in Class 6.

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 BY THE ATTORNEYS FOR THE DEBTORS AT THE FOLLOWING ADDRESS:

ROSEN & ASSOCIATES, P.C.
747 Third Avenue
New York, NY 10017-2803
(212) 223-1100
Nancy L. Kourland, Esq.
nkourland@rosenpc.com

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) the amount of your Claim, or if you wish to obtain an additional copy of the Plan, this Disclosure Statement, or any appendices or exhibits to such documents, please contact:

ROSEN & ASSOCIATES, P.C.
747 Third Avenue
New York, NY 10017-2803
(212) 223-1100
Nancy L. Kourland, Esq.
nkourland@rosenpc.com

D. Confirmation Hearing and Deadline for Objections to Confirmation Section 1128(a) of the Bankruptcy Code requires that 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 Plan. Objections to confirmation must be filed with the Bankruptcy Court by July 20, 2012 and are governed by Bankruptcy Rules 3020(b) and 9014 and local rules of the Bankruptcy Court.

UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY FILED AND SERVED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

XI. CONFIRMATION OF THE PLAN

A. Section 1129 of the Bankruptcy Code Before confirming the Plan, the Bankruptcy Court must determine that the Debtor has complied with the requirements of section 1129 of the Bankruptcy Code regarding the Plan, including, but not limited to, the following: (1) the Plan and its contents comply with the technical requirements of chapter 11 of the Bankruptcy Code; (2) holders of Claims and Equity Interests are grouped into classes in a permissible fashion; (3)

confirmation of the Plan is in the “best interests” of all holders of Claims and Equity Interests; (4) the Plan is feasible; and (5) the Plan has been proposed in good faith.

THE DEBTORS BELIEVE STRONGLY THAT ALL SUCH REQUIREMENTS HAVE BEEN SATISFIED AND THEY WILL SEEK RULINGS TO THAT EFFECT FROM THE BANKRUPTCY COURT AT THE CONFIRMATION HEARING. THE DEBTORS RESERVE THE RIGHT TO MODIFY THE PLAN PRIOR TO ITS CONFIRMATION.

B. Acceptance of the Plan As a condition to confirmation, the Bankruptcy Code requires that each Impaired Class votes to accept the 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 ($\frac{2}{3}$) in dollar amount and more than one half ($\frac{1}{2}$) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Plan. Thus, Classes 3 and 6 will be deemed to have voted to accept the Plan only if two thirds ($\frac{2}{3}$) in amount and one half ($\frac{1}{2}$) 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 debtor were liquidated under chapter 7 of the Bankruptcy Code.

To calculate the probable distribution to holders of each impaired class of claims and interests if the Debtor was liquidated under chapter 7, a bankruptcy court must determine first the aggregate dollar amount that would be generated from a debtor’s assets if its chapter 11 case was converted to a chapter 7 case under the Bankruptcy Code. This “liquidation value” would consist primarily of the proceeds from a forced sale of the debtor’s assets by a chapter 7 trustee. If liquidation were to occur in these cases, the costs and expenses associated with a liquidation and the claims of DG, who is undersecured, would erode any liquidation value available to unsecured creditors or other interests in the Debtors. More specifically, costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid expenses incurred by the Debtors in the Chapter 11 Cases (such as compensation of attorneys, financial advisors and accountants) that are allowed in the chapter 7 case, litigation costs, and claims arising from the operations of the Debtors during the pendency of the Chapter 11 Cases. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general claims or to make any distribution in respect of equity interests. The liquidation would also prompt the rejection of a number of executory contracts and unexpired leases and thereby significantly enlarge the total pool of unsecured claims by reason of resulting rejection claims. Once the Bankruptcy Court ascertains the recoveries in liquidation of secured creditors and priority

claimants, it must determine the probable distribution to general unsecured creditors and equity security-holders from the remaining available proceeds in liquidation. If such probable distribution has a value greater than the distributions to be received by such creditors and equity security holders under the plan, then the plan is not in the best interests of creditors and equity security holders.

D. Valuation An appraisal of the Properties was performed by the Leitner Group, Inc. which, as of October 17, 2011, values them on an aggregate basis at \$119,000,000, a value lower than the amounts described under the DG Loan Documents. The appraisal was based on various assumptions including, among others, that the Properties will be sold on an “as-is” basis and will continue to operate as residential apartment buildings. The appraisal was prepared using customary valuation methodologies. The appraiser employed the methods and techniques most likely to be used in typical practice and result in a reliable indication of value. If the Properties were sold on a more expedited basis, the appraisal values likely would be lower than the amount due under the DG Loan Documents.

E. Liquidation Analysis If the Debtors’ Chapter 11 Cases are converted to cases under chapter 7 of the Bankruptcy Code, the remaining assets of the Debtors will be liquidated and distributed in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that, based upon the valuation of the Properties, liquidation under chapter 7 would result in no distributions being made to unsecured creditors and equity holders because, among other reasons, (1) additional administrative expenses would be incurred in a chapter 7 liquidation, specifically those of a chapter 7 trustee charging statutory fees of up to three percent (3%) of disbursements and any costs of counsel to the chapter 7 trustee to become familiar with the facts and circumstances of these cases, (2) DG is undersecured, and (3) the additional delay in distributions that would occur if the Debtors’ Chapter 11 Cases were converted to cases under chapter 7.

XII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe that the Plan affords the holders of Claims and Equity Interests the potential for the greatest recovery and, therefore, is in their best interests. The Plan, as presented, is the result of considerable negotiations among the Debtors, DG, and other parties in interest.

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

A. Alternatives to the Plan If the requisite acceptances are not received or if the Plan is not confirmed, then DG, pursuant to the Settlement Agreement, may pursue an Alternative Acquisition. An Alternative Acquisition is defined in the Settlement Agreement as the acquisition of the Properties either (i) by deed in lieu of foreclosure or (ii) through a stipulated judgment of foreclosure.

The Debtors believe that the Plan, which is the result of extensive negotiations

between the Debtors and DG, and enables creditors to realize the greatest possible value under the circumstances, is in the best interests of all creditors and other interested parties and should be confirmed.

XIII. RISK FACTORS TO BE CONSIDERED

Holders of Claims and Equity Interests 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 (and the documents delivered together herewith and/or incorporated by reference), prior to voting to accept or reject the Plan. This information, however, should not be regarded as the only risks involved in connection with the Plan and/or its implementation.

A. Certain Bankruptcy Considerations

1. Non-Confirmation or Delay of Confirmation of the 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 confirmation of the Plan not be followed by a need for further financial reorganization and 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 believe that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court would reach the same conclusion.

2. Risk of Non-Occurrence of the Effective Date

Although the Debtors 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.

3. General Effect

The filing of a bankruptcy petition by the Debtors, and the publicity attendant thereto, may adversely affect the Debtors' business. The Debtors believe that any such adverse effects may worsen during the pendency of a protracted bankruptcy case if the Plan is not confirmed as expected.

4. Methods of Solicitation

The Debtors believe that the use of the Disclosure Statement and Ballots for obtaining acceptances of the Plan and the Debtors' solicitation of the Plan complies with the Bankruptcy Code. However, there can be no assurance that the Bankruptcy Court will decide that the Debtors' solicitation of the Plan meets the requirements of section 1126(b) of the Bankruptcy Code. If the Bankruptcy Court determines that the solicitation does not comply with the requirements of section 1126(b) of the Bankruptcy Code, the Debtors may seek to

resolicit acceptances, and, in such event, Confirmation of the Plan could be delayed and possibly jeopardized.

5. Classification and Treatment of Claims and Equity Interests

Section 1122 of the Bankruptcy Code requires that the Plan classify Claims against, and Equity Interests in, the Debtors. The Bankruptcy Code also provides that the 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 Membership Interests of such Class. The Debtors believe that all Claims and Membership Interests have been appropriately classified in the Plan.

To the extent that the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, the Debtors presently anticipate that they would seek (a) to modify the Plan to provide for whatever classification might be required for confirmation and (b) to use the acceptances received from any creditor pursuant to this solicitation for the purpose of obtaining the approval of the Class or Classes of which such creditor ultimately is deemed to be a member. Any such reclassification of creditors, although subject to the notice and hearing requirements of the Bankruptcy Code, could adversely affect the Class in which such creditor was initially a member, or any other Class under the Plan, by changing the composition of such Class and the vote required for approval of the Plan. There can be no assurance that the Bankruptcy Court, after finding that a classification was inappropriate and requiring a reclassification, would approve the Plan based upon such reclassification. Except to the extent that modification of classification in the Plan requires resolicitation, the Debtors will, in accordance with the Bankruptcy Code and the Bankruptcy Rules, seek a determination by the Bankruptcy Court that acceptance of the Plan of any holder of Claims pursuant to this solicitation will constitute a consent to the Plan's treatment of such holder regardless of the Class as to which such holder is ultimately deemed to be a member. The Debtors believe that under the Federal Rules of Bankruptcy Procedure the Debtors would be required to resolicit votes for or against the Plan only when a modification adversely affects the treatment of the claim of any creditor or equity holder.

The Bankruptcy Code also requires that the Plan provide the same treatment for each Claim or Interest of a particular Class unless the holder of a particular Claim or Interest agrees to a less favorable treatment of its Claim or Interest. The Debtors believe that they have complied with the requirement of equal treatment. To the extent that the Bankruptcy Court finds that the Plan does not satisfy such requirement, the Bankruptcy Court could deny confirmation of the Plan.

Issues or disputes relating to classification and/or treatment could result in a delay in the Confirmation and Effective Date of the Plan and could increase the risk that the Plan will not be consummated.

B. Certain Business Considerations While the United States and global economies have shown signs of improvement, the real estate industry may still face significant headwinds going forward. There can be no assurances that the current economy and increase financial climate will improve significantly over the coming months.

Dated: New York, New York
June 27, 2012

ROSEN & ASSOCIATES, P.C.
Proposed Attorneys for the Debtors and
Debtors in Possession

By: /s/ Sanford P. Rosen
Sanford Rosen

747 Third Avenue
New York, New York 10017-2803
(212) 223-1100