

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

Caption in Compliance with D.N.J. LBR 9004-2(c)

NORRIS, McLAUGHLIN & MARCUS, PA
Counsel for the Debtor/Debtor-in-Possession
721 Route 202-206, Suite 200
PO Box 5933
Bridgewater, NJ 08807-5933
(908) 722-0700

In Re:

400 BLAIR REALTY HOLDINGS, LLC,

Debtor.

Chapter 11

Case No.: 11-37887 (MBK)

Judge: Honorable Michael B. Kaplan

**FIRST MODIFIED DISCLOSURE STATEMENT PURSUANT TO SECTION 1125
OF THE BANKRUPTCY CODE DESCRIBING PLAN
OF REORGANIZATION PROPOSED BY
400 BLAIR REALTY HOLDINGS, LLC**

Please read this disclosure statement carefully. This disclosure statement contains information that may bear upon your decision to accept or reject the First Modified Plan of Reorganization (the "Plan"). The Debtor believes that the Plan is in the best interest of the creditors and that the Plan is fair and equitable. The Debtor urges that the voter accept the Plan.

400 BLAIR REALTY HOLDINGS, LLC

By: _____

LAWRENCE S. BERGER, Manager

DATED: June 28, 2012

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ARTICLE I

INTRODUCTION

400 Blair Realty Holdings, LLC (“400 Blair” or the “Debtor”) is a debtor in a chapter 11 bankruptcy case. On September 23, 2011, 400 Blair commenced a bankruptcy case by filing a voluntary Chapter 11 petition under the United States Bankruptcy Code (“Code”), 11 U.S.C. § 101, et seq. Chapter 11 of the Code allows the Debtor, and under some circumstances, creditors and other parties in interest, to propose a plan of reorganization. The plan may provide for the debtor to reorganize by continuing to operate, to liquidate by selling assets of the estate, or a combination of both. 400 Blair is the party proposing the First Modified Plan of Reorganization (the “Plan”) sent to you in the same envelope as this document. In summary, the Plan provides for 400 Blair to continue to own and operate the Property, as defined below, including leasing, possibly selling or the combination of both. THE DOCUMENT YOU ARE READING IS THE DISCLOSURE STATEMENT FOR THE PLAN WHICH IS ANNEXED HERETO AS EXHIBIT “A.”¹

This is a reorganizing plan. In other words, the Debtor seeks to accomplish payments under the Plan by funding to be provided by an affiliate and/or by sale or rental proceeds that are derived from the real estate that it owns. The Effective Date of the proposed Plan is the date in which the order confirming the Plan becomes a final and non-appealable order.

A. Purpose of This Document

This Disclosure Statement summarizes the information contained in the Plan, and tells you certain information relating to the Plan and the process the Court follows in determining whether or not to confirm the Plan.

¹ Unless other defined herein, capitalized terms used in this Disclosure Statement shall have the meanings ascribed to such terms in the Plan.

**READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO
KNOW ABOUT:**

- (1) WHO CAN VOTE OR OBJECT,**
- (2) THE PROPOSED TREATMENT OF YOUR CLAIM (i.e., what your claim will receive if the Plan is confirmed), AND HOW THIS TREATMENT COMPARES TO WHAT YOU WOULD RECEIVE IN LIQUIDATION,**
- (3) THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING THE BANKRUPTCY,**
- (4) WHAT THE COURT WILL CONSIDER WHEN DECIDING WHETHER TO CONFIRM THE PLAN,**
- (5) THE EFFECT OF CONFIRMATION, AND**
- (6) THE FEASIBILITY OF THE PLAN.**

This Disclosure Statement cannot tell you everything about your rights. You should consider consulting your own lawyer to obtain more specific advice on how this Plan will affect you and what is the best course of action for you.

Be sure to read the Plan as well as the Disclosure Statement. If there are any inconsistencies between the Plan and the Disclosure Statement, the Plan provisions will govern.

Code Section 1125 requires a Disclosure Statement to contain “adequate information” concerning the Plan. The term “adequate information” is defined in Code Section 1125(a) as “information of a kind, and in sufficient detail,” about a debtor and its operations “that would enable a hypothetical reasonable investor typical of holders of claims or interests” of the debtor to make an informed judgment about accepting or rejecting the Plan. The Bankruptcy Court

("Court") has determined that the information contained in this Disclosure Statement is adequate, and it has approved this document in accordance with Code Section 1124.

This Disclosure Statement is provided to each Creditor whose Claim has been scheduled by the Debtor or who has filed a proof of claim against the Debtor and to each Equity Interest Holder of record as of the date of approval of this Disclosure Statement. Under the Bankruptcy Code, your acceptance of the Plan may not be solicited unless you receive a copy of this Disclosure Statement prior to or concurrently with such solicitation.

B. Confirmation Procedures

Persons Potentially Eligible to Vote on the Plan

In determining acceptance of the Plan, votes will only be counted if submitted by a Creditor whose Claim is duly scheduled by the Debtor as undisputed, non-contingent and unliquidated, or who, prior to the hearing on confirmation of the Plan, has filed with the Court a proof of claim which has not been disallowed or suspended prior to computation of the votes on the Plan. All partners of record as of the date of approval of this Disclosure Statement may vote on the Plan. The Ballot Form that you received does not constitute a proof of claim. If you are uncertain whether your Claim has been correctly scheduled, you should check the Debtor's Schedules, which are on file at the office of the Clerk of the Bankruptcy Court located at: United States Bankruptcy Court, Clarkson S. Fisher US Courthouse, 402 East State Street, Trenton, New Jersey 08608. The Clerk of the Bankruptcy Court will not provide this information by telephone.

THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE COURT LATER CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON THE DEBTOR AND ON ALL CREDITORS AND INTEREST HOLDERS IN THIS CASE.

1. Time and Place of the Confirmation Hearing

The hearing at which the Court will determine whether to confirm the Plan will take place on July 26, 2012, at 10:00 a.m., in Courtroom 3D, United States Bankruptcy Court, District of New Jersey, Clarkson S. Fisher US Courthouse, 402 East State Street, Trenton, New Jersey 08608.

2. Deadline For Voting For or Against the Plan

If you are entitled to vote, it is in your best interest to timely vote on the enclosed ballot and return the ballot to **Norris McLaughlin & Marcus, P.A., Attn: Morris S. Bauer, Esq., 721 Route 202-206, P. O. Box 5933, Bridgewater, New Jersey 08807-5933.**

Your ballot must be received by _____ or it will not be counted.

3. Deadline For Objecting to the Confirmation of the Plan

Objections to the confirmation of the Plan must be filed with the Court and served upon Norris McLaughlin & Marcus, P.A., Attn: Morris S. Bauer, Esq., 721 Route 202-206, P. O. Box 5933, Bridgewater, New Jersey 08807-5933 by _____.

4. Identity of Person to Contact for More Information Regarding the Plan

Any interested party desiring further information about the Plan should contact:

Norris McLaughlin & Marcus, P.A.
Attn: Morris S. Bauer, Esq.
721 Route 202-206, Suite 200
P. O. Box 5933
Bridgewater, New Jersey 08807-5933
Tel. (908) 722-0700
Attorneys for the Debtor

C. Disclaimer

The financial data relied upon in formulating the Plan is based on the Debtor's books and records. The information contained in this Disclosure Statement is provided by Lawrence S. Berger, the President of USRR, as defined below, the general partner of the Debtor's general

partner, USLR, as defined below. The Debtor represents that everything stated in the Disclosure Statement is true to the Debtor's best knowledge.

PLEASE NOTE THAT THE APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A RULING ON THE MERITS, FEASIBILITY OR DESIRABILITY OF THE PLAN.

ARTICLE II

BACKGROUND

A. Description and History of the Debtor's Business

1. Formation and Ownership of the Debtor

400 Blair is a limited liability company which was formed in or about June 12, 2000, pursuant to the laws of the State of New Jersey. 400 Blair was formed for the purpose of acquiring real property improved with approximately 181,000 sq. ft industrial building situated on 14.7 acres located at 400 Blair Road, Carteret, Middlesex County, New Jersey (the "Property"). The Property was acquired on August 6, 1999.

From on or about January 1, 2000 through December 31, 2009, Carteret Packaging and thereafter their successor Schwepes, Inc. a/k/a Cadbury occupied the entire Property pursuant to a ten (10) year triple net lease at a net rent of \$905,000 per annum.

Subsequent to acquiring the Property, in or about June 2000, the Debtor obtained a \$6,000,000 loan (the "Loan") from PW Real Estate Investments, Inc. ("PW") as evidenced by a multitude of loan documents (the "Loan Documents"). The Loan Documents were assigned to SBMS. The Loan Documents provided, *inter alia*, an up to 30 year term, amortizing over the life of the Loan.

United States Land Resources, L.P. ("USLR") holds a 50% equity interest in the Debtor. USLR's general partner is United States Realty Resources, Inc. ("USRR"), a New Jersey

corporation, and Lawrence S. Berger is the president of USRR. The Debtor's other member is Success Treuhand GmbH, which holds a 50% equity interest in the Debtor. Success is a trust set up under German law. Success operates much like a United States trust company. Success' sole owner is Eckart Straub, a German national. Lawrence S. Berger is the manager of the Debtor.

2. The Property

The Property consists of an approximately 181,000 sq. ft. industrial building situated on 14.7 acres located at 400 Blair Road, Carteret, New Jersey. The Property has one tenant, Nu-World Corporation. The court appointed receiver entered into a lease agreement with this tenant to occupy a portion of the Property at a rental of \$9,166.67 per month. Upon information and belief, the lease provides for 30 days notice to terminate. The Debtor obtained an appraisal prepared by Gregg Manzione valuing the Property at \$12,500,000. SBMS contended that the Property value is \$7,600,000 based upon an appraisal by Integra Realty Resources.

B. Principals/Affiliates of Debtor's Business

Lawrence S. Berger is the Manager of the Debtor, and the President of the general partner of USLR, the holder of a 50% ownership interest in the Debtor. Mr. Berger has over forty (40) years of experience in buying, selling and leasing real estate mostly in the State of New Jersey. Mr. Berger and numerous entities owned or controlled by Mr. Berger have been the subject of loan defaults, foreclosures and bankruptcies. Many of the foreclosure actions and subsequent bankruptcies were a result of the underlying property losing its cash flow to service the debt and a lender refusing to restructure the loan or a loan maturing in a down real estate market and a lender unwilling to extend the maturity date. In most instances, the property owner/borrower contested the foreclosure and utilized bankruptcy to successfully preserve or create equity so that the unsecured claims were satisfied in full and the debtor either continued to own the property or voluntarily chose to sell the property with a distribution to the equity holders.

C. Management of the Debtor Before and After the Bankruptcy

Lawrence S. Berger was the Manager of the Debtor pre-Petition and continues in such capacity post-Petition. The Debtor anticipates that Mr. Berger will further continue as the Manager post-Confirmation without compensation. As discussed below, the District Court in foreclosure litigation commenced by Wells Fargo Bank, N.A., which is the successor by merger to Wells Fargo Bank Minnesota, N.A., as Trustee for the Registered Holders of Solomon Brothers Mortgage Securities VII, Inc., Commercial Mortgage Pass-Through Certificates, Series 2000-C2 ("SBMS") appointed Onyx Equities, LLC ("Onyx") as the receiver. The Bankruptcy Court provided that Onyx remain as the Receiver subject to Court's later determination. Subsequent to confirmation, Onyx will have no involvement in the operations of the Debtor or the Property.

D. Events Leading to Chapter 11 Filing

The lease with Cadbury provided that on or before June 1, 2009 that Cadbury would provide notice to the Debtor as to whether it would exercise its option to continue the lease. Cadbury did not provide such notice. The parties continued their negotiations regarding the possibility of a lease extension. These negotiations proceeded almost to the December 31, 2009 end of the lease term. In the end, no deal was concluded. With Cadbury vacating the Property leaving the Debtor without a revenue stream, the Debtor ceased making payments on the Loan with SBMS, ceased making payments for property insurance, and ceased making payments for real estate taxes. USLR was not obligated to make such payments on behalf of the Debtor.

On March 12, 2010, SBMS issued a default letter to the Debtor and on April 13, 2010, SBMS through its trustee, Wells Fargo Bank, N.A. commenced a foreclosure action in the United States District Court for the District of New Jersey. The Debtor contested, *inter alia*, the Court's jurisdiction by asserting the lack of requisite diversity. On July 25, 2011, the Court

entered an Order and Judgment of Foreclosure and Sale (the "Foreclosure Judgment"). The Judgment amount was \$8,747,468.45 plus interest at the rate of \$1,963.47 through entry of Judgment for a total Judgment amount of \$9,034,135.07 consisting of (i) principal of \$5,286,886.50; (ii) contract interest of \$404,711 through March 1, 2011; (iii) default interest of \$309,783.88 through March 1, 2011; (iv) a Yield Maintenance premium of \$2,370,498.19; (v) late fees of \$2,281.28; (vi) real estate tax advances of \$239,307.60; (vii) advance to receiver of \$59,000; and (viii) attorney's fees of \$75,000. The Debtor filed an appeal to the United States Court of Appeals for the Third Circuit contesting, *inter alia*, the lack of diversity jurisdiction and the awarding of the Yield Maintenance premium and other amounts. The appeal was dismissed subsequent to the Petition Date for an administrative deficiency. The Debtor requested that the appeal be reinstated, which request was granted. The parties have filed their respective briefs; however, as a result of the settlement referenced herein, the Third Circuit appeal will be dismissed.

In the foreclosure action, on September 1, 2010, SBMS obtained the entry of an order appointing Jonathan Schultz of Onyx Equities LLC ("Onyx") as the receiver. Pursuant to Section 543 of the Bankruptcy Code, the receiver was to deliver control of the Property and other information relating thereto to the Debtor. At a hearing conducted before the Bankruptcy Court on October 26, 2011, the Bankruptcy Court ruled that the Onyx will remain in place as receiver. Immediately subsequent to Cadbury vacating the Property, the Debtor began a search for a new tenant or a purchaser for the Property. In or about July, 2010, the Debtor was introduced to Digital Realty Trust, L.P. ("Digital"). The Debtor commenced negotiations to sell the Property to Digital. On April 6, 2011, the Debtor entered into a contract of sale with Digital to sell the Property to Digital for the sum of \$12,500,000. SBMS asserts that the contract of sale was

essentially an option contract since Digital put down only 2% of the contract price as a deposit. The agreement was modified in part as a result of, among other things, the receiver having leased a portion of the Property and Digital's agreement to take title to the Property with the tenant in place. Digital completed all of its due diligence and was prepared to close on June 13, 2011. However, the contract did not close on that date and the contract deposit was returned to Digital. On July 13, 2011, the Debtor and Digital entered into a second contract of \$12,100,000. Digital did not put down any deposit on this contract. Instead, this new contract required the Debtor to place \$150,000 in escrow to cover Digital expenses if the closing did not occur. The Debtor borrowed this \$150,000 from Jack Zakim. The contract also required the Debtor to put the closing documents in escrow by August 9, 2011. Digital was again prepared to close on August 9, 2011. When the Debtor failed to put the documents in escrow, Digital terminated the second contract on August 10, 2011. As a result of the contract not closing, Digital received the \$150,000 escrow money. Digital and the Debtor continued to discuss a closing subsequent to Digital's termination of the second contract. The Debtor believes Digital stopped negotiations with the Debtor when Digital came to believe that they may be able to purchase the Property for a lesser price at the foreclosure sale. The Debtor believes that Digital has not as of this date found a replacement property and still wants to be in the Debtor's market place. Digital has not entered into a new contract of sale with the Debtor since it terminated the prior contract of sale on August 10, 2011.

E. Significant Events During the Bankruptcy

1. Commencement of Bankruptcy Proceeding

On September 23, 2011, the Debtor filed a voluntary chapter 11 petition in order to preserve the value of its assets for the benefit of all of its creditors and other parties in interest.

2. Employment of Professionals

By order of the Court dated October 17, 2011, the Debtor was authorized to retain the law firm of Norris McLaughlin & Marcus, P.A. ("NMM") as its counsel in the Chapter 11 Case. The Debtor filed an application to retain the law firm of Berger & Bornstein P.A. as special counsel to prosecute the appeal before the Third Circuit and for other matters. Following objections by SBMS and the U.S. Trustee, the application to retain Berger & Bornstein was withdrawn. NMM may represent the Debtor in the Third Circuit appeal. Berger & Bornstein may be representing Lawrence S. Berger in the Third Circuit appeal and remain as counsel to USLR, Realty Management Associates and Berger & Bornstein. The Third Circuit appeal will be withdrawn upon confirmation of the Plan, so representation on the appeal is not an issue.

By order of the Court dated November 17, 2011, the Debtor retained the services of Gregg Manzione, MAI, as its appraiser for purposes of proceeding with the confirmation hearing.

3. SBMS Motions to Dismiss, Convert or Relief from the Automatic Stay

On October 11, 2011, SBMS filed Motions to Dismiss this Case, Convert this Case or for Relief From the Automatic Stay or in the Alternative, to Excuse Turnover by the Receiver Pursuant to 11 U.S.C. § 543(D) (the "Dismissal Motion"). SBMS asserted that the matter was a two-party dispute, that the Debtor filed the Chapter 11 Case in bad faith for the sole purpose of staying the foreclosure sale, and that relief from the automatic stay should be provided to SBMS based upon its assertion that the Property's value is \$7,600,000. SBMS also asserted that the bankruptcy case should be dismissed or converted because of various alleged bad acts by Debtor, USLR and Mr. Berger. Among the bad acts alleged by SBMS were the abuse of bankruptcy courts by the numerous and regular bankruptcy filings by entities in which USLR or Mr. Berger held a direct or indirect interest and the purported disregard of the Order Appointing Receiver

(entered by the District Court) by the Debtor, Mr. Berger, USLR and USRR, including litigating with and collecting from Cadbury and paying \$290,000 to USLR.

SBMS brought a motion in the District Court to hold Mr. Berger, USLR and RMA in contempt of Court for the alleged violations of the Order Appointing Receiver. On February 28, 2012, the District Court entered an Order holding Mr. Berger, USLR and RMA in contempt of Court and required that the \$290,000 be paid to the Receiver and further assessed sanctions of \$5,000 per day commencing March 2, 2012 until such date that the \$290,000 has been paid (the "Contempt Order"). In or about early May 2012, the \$290,000 was paid to the Receiver and \$310,000 was paid to the District Court.

The Debtor objected to the Dismissal Motion by stating that it proposed a Plan that has a reasonable prospect of being confirmed, that a foreclosure sale conducted by SBMS would result in the unsecured creditors receiving nothing and that with the Debtor controlling the disposition or leasing of the Property in the future would result in unsecured creditors being paid in full, and that the Property has a value of in excess of \$13,000,000, if no foreclosure sale was being held over the head of the Debtor.

On October 26, 2011, the Court conducted a hearing on the Dismissal Motion. The Court denied the Dismissal Motion having found that the case was not filed in bad faith; however, the Court provided relief from the automatic stay (a) to allow the appeal of the Foreclosure Judgment to proceed before the Third Circuit, (b) to allow the foreclosure action to go forward except that SBMS was not permitted to take action toward a foreclosure sale until after November 25, 2011; and (3) to allow the Debtor to file motions seeking a stay pending appeal before the District Court and the Third Circuit, if necessary. In addition, the Court advised that it would reconsider reinstating the automatic stay at a later time if the stays were not granted by

either the District Court or Third Circuit or might consider dismissing or converting the case at a later time.

The Debtor applied for such a stay from the District Court on November 16, 2011. By Order dated November 21, 2011, the District Court denied the Debtor's Motion for a Stay. The District Court found, among other things, that the Debtor did not have a likelihood of success on the merits of the appeal based on its original decision. Further, the District Court found that the Debtor would not suffer irreparable harm because the Debtor had ample time to obtain a stay from the Bankruptcy Court or from the Third Circuit. Debtor also applied for a stay from the Third Circuit, and the Third Circuit denied Debtor's request for a stay.

4. The Court Approves Post-Petition Financing From USLR

On October 14, 2011, the UST filed a motion to dismiss the Chapter 11 Case because the Debtor did not procure property insurance. The Debtor argued that the Property was insured by SBMS and that this should be sufficient. On October 26, 2011, the Court disagreed and required the Debtor to procure insurance by November 4, 2011 or the Court would dismiss the bankruptcy case. While the Debtor did not procure insurance until November 7, 2011, the Court did not dismiss this bankruptcy case. On October 25, 2011, the Debtor filed a motion with the Court to obtain financing from USLR to pay for the insurance and to pay post-Petition real estate taxes. On October 31, 2011, the Court entered a bench order preliminarily authorizing the Debtor to borrow up to \$50,000 from USLR on a junior lien secured basis to pay for the insurance. The Debtor borrowed \$16,300 from USLR and has procured a short-term insurance policy. The Court continued the hearing to November 17, 2011 to address whether the Debtor may borrow additional monies from USLR. At the November 17, 2011 hearing, the Court increased the authorization to allow the Debtor to borrow up to \$90,000 to also pay the 4th quarter 2011 real estate taxes. The Court's ruling was set forth in an Order dated November 22, 2011.

5. The Debtor Proceeds with the Valuation Portion of the Confirmation Hearing.

On February 22, 2012, the Court commenced the valuation portion of the Confirmation Hearing with testimony from SBMS' appraiser. The hearing continued on February 23, 2012, February 24, 2012, March 9, 2012 and March 14, 2012 with testimony from Paul Gavin, the Debtor's real estate broker on the Digital contract, Robert Bornstein, the Debtor's counsel on the Digital contract and the Debtor's appraisal. At the March 14, 2012 hearing, the Court was apprised of the Contempt Order and the prohibition against USLR expending monies. At the March 14, 2012 hearing, the Court advised the parties that it would not proceed with the April 12, 2012 continued hearing date if the restraints on USLR's expenditures of funds remained in place. On April 11, 2012, the Court was advised that USLR did not satisfy the restraints. The Court stated that it would not proceed on April 12, 2012 and that SBMS may schedule a foreclosure sale of the Property subsequent to May 2, 2012. The Court further advised that the Debtor may seek to reinstate the automatic stay and enjoin the foreclosure sale via certification if the restraints against USLR have been lifted.

On April 30, 2012, the Debtor filed a certification stating that the \$290,000 had been paid to the Receiver and that the approximately \$300,000 of sanctions would be paid in short order. SBMS objected to the reinstatement and advised the Court that the District Court recently ruled that the sanctions must be paid in order to lift the restraints against USLR. Based on this fact, the Court denied reinstatement of the automatic stay. After the Court's ruling, the Debtor paid \$310,000 of sanctions, and subsequently filed a motion for reconsideration on the issue of whether the automatic stay should be reinstated.

6. The Debtor and SBMS Settle Their Dispute.

In lieu of ruling on the Motion for Reconsideration, the Court mediated settlement discussions between the Debtor and SBMS on May 15, 2012, June 7, 2012 and June 13, 2012. The Debtor and SBMS agreed to settle their dispute, which settlement was placed on the record at the June 13, 2012 hearing on the Motion for Reconsideration. In particular, the parties, *inter alia*, agreed that Debtor will retain title to the Property, that the Debtor will have 2 ½ years to satisfy the obligation owing to SBMS, that the debt could be paid off at the reduced rate of \$8,150,000 if the debt was timely paid, and that the Debtor will dismiss the Third Circuit appeal as more particularly set forth in the treatment of SBMS' Allowed Claim as set forth below. In addition, the Court reimposed the automatic stay through and including the July 26, 2012 scheduled confirmation hearing date.

F. Current and Historical Financial Information.

1. Assets and Liabilities

Assets:

Real Property: The Debtor owns the Property. The Debtor believes that the value of the Property is at least \$12,500,000 based on an appraisal of the Property provided by Mr. Manzione and further based on the opinion of Mr. Berger, who has over forty (40) years experience with buying, selling and obtaining financing for properties similar to the Property.

Causes of Action: The Debtor may have a cause of action against Onyx for interfering with prospective purchasers of the Property, withholding information from the Debtor, mismanagement of the Property and failure to maintain independence as a court-appointed agent; however, as part of the settlement with SBMS, the Debtor has agreed to release any claims against Onyx. The Debtor may possess a claim against Nu-World relating to its occupancy of the Property. The Debtor reserves the right to pursue this claim.

Cash: Onyx, as the Receiver, is currently holding approximately \$378,000. In addition, USLR, as part of the Contempt Order, paid \$310,000 to the District Court. In accordance with the settlement with SBMS, both the \$378,000 (or such other amount as is being held by the Receiver on the Effective Date, less any expenses or other costs of the receivership which are outstanding on that date) and the \$310,000 will be escrowed with SBMS (the "SBMS Escrow") and used to pay pre-petition and post-petition real estate taxes, and principal and interest payments to SBMS.

Liabilities:

Secured Claims:

Tax Collector of the Borough of Carteret: The Debtor may have pre-petition tax obligations for real estate taxes approximating \$140,000. All pre-petition real estate tax obligations will be paid in full on the Effective Date from the funds in the SBMS Escrow. The Debtor reserves the right to file an appeal under § 505 of the Bankruptcy Code or continue with the pending appeal that was filed by the Debtor prior to the Petition Date.

SBMS: SBMS is the holder of the judgment in the amount of \$8,747,468.45 plus interest at the rate of \$1,963,47 through entry of Judgment for a total Judgment amount of \$9,034,135.07 consisting of (i) principal of \$5,286,886.50; (ii) contract interest of \$404,711 through March 1, 2011; (iii) default interest of \$309,783.88 through March 1, 2011; (iv) Yield Maintenance premium of \$2,370,498.19; (v) late fees of \$2,281.28; (vi) real estate tax advances of \$239,307.60; (vii) advance to receiver of \$59,000; and (viii) attorney's fees of \$75,000. The amount of the SBMS claim also includes post-petition interest and costs and expenses incurred in connection therewith for a total claim amount of \$9,339,652.00. This claim is allowed in full.

Administrative Claims: The Debtor anticipates that Administrative Claims consisting primarily of the Debtor's Chapter 11 counsel and special counsel will approximate \$200,000 to \$250,000. In addition, the Borough of Carteret has an administrative claim in the approximate amount of \$120,000. The Debtor may also appeal these taxes.

Priority Claims: To the best of the Debtor's knowledge, there are no Priority Claims.

General Unsecured Claims: The Debtor's scheduled unsecured claims and filed unsecured proofs of claim to date aggregate approximately \$2,632,529.99. Of this amount, \$1,488,091 are claims held by Insiders.

2. Historical Financial Data

From January 1, 2000 to December 31, 2009, Carteret Packaging and its parent Schweppes, Inc. occupied the entire Property pursuant to a 10 year triple net lease at a net rent of \$905,000 per annum. As previously stated, the Debtor and the former tenant settled litigation involving certain repair work which the tenant was required to do prior to leaving the demised premises by a payment to the Debtor of \$290,000. Since January 1, 2010, the Property has remained substantially vacant, except for the short-term tenant placed by the receiver.

3. Projected Recovery of Preferential or Fraudulent Transfers

The Bankruptcy Code provides that any payments made by the Debtor within ninety (90) days and within one (1) year as to insiders may be subject to recovery by the Debtor, which are commonly referred to as "avoidance actions." The Debtor paid to the perspective purchaser of the Property (Digital) the sum of \$150,000 as reimbursement of Digital's due diligence expenses. The Debtor may pursue the return of these funds.

ARTICLE III

SUMMARY OF THE PLAN OF REORGANIZATION

A. What Creditors and Interest Holders Will Receive Under the Proposed Plan

The Plan classifies Claims and Equity Interests in various Classes. The Plan states whether each Class of Claims or Equity Interests is Impaired or Unimpaired. The Plan provides the treatment each Class will receive.

B. Unclassified Claims

Certain types of Claims are not placed into voting Classes. They are not considered impaired and they do not vote on the Plan because they are automatically entitled to specific treatment provided for them in the Bankruptcy Code. As such, the Debtor has not placed the following Claims in a Class.

1. Administrative Expenses and Fees

Administrative Expenses are claims for fees, costs or expenses of administering the Chapter 11 Case which are allowed under Code Section 507(a)(1), including all professional compensation requests pursuant to Sections 330 and 331 of the Code. The Code requires that all Administrative Expenses including fees payable to the Bankruptcy Court and the Office of the United States Trustee which were incurred during the pendency of the case must be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.

(a) *Administrative Claims - General.* All trade and service obligations of the Debtor, if any, incurred by the Debtor in the ordinary course of its business during the pendency of the Debtor's Chapter 11 proceeding shall be satisfied when they become due in the ordinary course of Debtor's business.

(b) Administrative Claims - Professional Claims.

Payment of Professional Claims. Except as otherwise provided herein, all Professional Claims shall be paid by the Debtor in full (a) upon the later of (i) the Effective Date, (ii) the entry of an order allowing such administrative expense claim, or (b) thereafter upon such other terms as may be mutually agreed upon between the Debtor and the holder of such Professional Claim. The Debtor anticipates that the Professional Claims will approximate \$200,000 to \$250,000.

Post-Confirmation Date Retention and Payment of Fees. Upon the Effective Date, any requirement that Professional Persons comply with Sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date will terminate.

Court Approval of Professional Compensation Required:

Pursuant to the Bankruptcy Code, the Court must rule on all professional compensation and expenses listed in this chart before the compensation and expenses will be owed. The Professional Person in question must file and serve a properly noticed fee application for compensation and reimbursement of expenses and the Court must rule on the application. Only the amount of compensation and reimbursement of expenses allowed by the Court will be owed and required to be paid under this Plan as an Administrative Expense Claim.

Each Professional Person who asserts a further Administrative Expense Claim that accrues before the Confirmation Date shall file with the Bankruptcy Court, and serve on all parties required to receive notice, an application for compensation and reimbursement of expenses no later than ninety (90) days after the Effective Date of the Plan. Failure to file such an application timely shall result in the Professional Person's claim being forever barred and discharged. Each and every other Person asserting an Administrative Expense Claim shall be

entitled to file a motion for allowance of the asserted Administrative Expense Claim within ninety (90) days of the Effective Date of the Plan, or such Administrative Expense Claim shall be deemed forever barred and discharged. No motion or application is required to fix the fees payable to the Clerk's Office or Office of the United States Trustee. Such fees are determined by statute.

As indicated above, the Debtor may need to pay approximately \$250,000 of Administrative Expense Claims on the Effective Date of the Plan unless a claimant has agreed to be paid later or the Court has not yet ruled on the Claim.

2. Priority Tax Claims

Priority Tax Claims are certain unsecured income, employment and other taxes described by Code Section 507(a)(8). The Code requires that each holder of such a Section 507(a)(8) Priority Tax Claim receive the present value of such Claim in deferred cash payments, over a period not exceeding six years from the date of the assessment of such tax. The Debtor is not aware of any Priority Tax Claims.

C. Classified Claims and Interests

1. Classes of Secured Claims

Secured Claims are Claims secured by liens on property of the Debtor's estate. The following represents all classes containing the Debtor's secured pre-petition Secured Claims and their treatment under this Plan:

Class 1 - The Allowed Secured Claim of the Borough of Carteret. The Class 1 Claim shall retain its lien on the Property. The Class 1 Claim will be paid in full on or before the Effective Date from the SBMS Escrow. This Class is not impaired, and therefore is not entitled to vote on the Plan.

Class 2 - The Allowed Secured Claim of Wells Fargo Bank, N.A., which is the successor by merger to Wells Fargo Bank Minnesota, N.A., as Trustee for the Registered Holders of Solomon Brothers Mortgage Securities VII, Inc., Commercial Mortgage Pass-Through Certificates, Series 2000-C2 ("SBMS").

The Class 2 Claim shall be treated as follows:

The Class 2 Claim shall be treated as set forth in Exhibit "1" annexed to the Plan. The reference to the supplement stated on the record pertains to (i) in the event of any dispute or defaults under the settlement agreement, the Bankruptcy Court shall retain jurisdiction to adjudicate such dispute and the parties agreed that any appeal therefrom shall be heard in accordance with the rules of the American Arbitration Association before a panel of 3 AAA arbitrators; (ii) SBMS' agreement to waive a \$26,000 legal fee payment set forth in an order of the District Court; and (iii) that the District Court advised the Bankruptcy Court that the \$310,000 sanction monies may be used to fund the Plan. In addition, SBMS shall provide a monthly statement to the Debtor on or before the 15th day of each month setting forth the payments made from the SMBS Escrow, the balance of the monies remaining in the SBMS Escrow and prior to the first payment after the SBMS Escrow has been fully utilized notice to the Debtor as to the amount of the upcoming payment less any remaining sums in the SBMS Escrow. Once the SBMS Escrow has been exhausted, SBMS shall not be required to send any further monthly statements.

This Class is impaired, and therefore is entitled to vote on the Plan.

2. Class of Priority Non-Tax Unsecured Claims

Certain priority Claims that are referred to in Code Sections 507(a)(3), (4), (5), (6), and (7) are required to be placed in classes. These types of Claims are entitled to priority treatment as follows: the Code requires that each holder of such Claim receive cash on the Effective Date

equal to the allowed amount of such Claim. However, a class of unsecured priority Claim holders may vote to accept deferred cash payment of a value, as of the Effective Date, equal to the allowed amount of such Claims.

The following lists the Class of all of the Debtor's Section 507(a)(3), (a)(4), (a)(5), (a)(6), and (a)(7) Priority Unsecured Claims and their treatment under this Plan:

Class 3 - Priority Non-Tax Claims. Priority Non-Tax Claims, if any, shall be paid in full by the Debtor on the Effective Date. The Debtor is unaware of any Priority Non-Tax Claims and no Creditor has filed a proof of claim alleging to be a holder of a Priority Non-Tax Claim. This Class is not impaired, and therefore is not entitled to vote on the Plan.

3. Classes of General Unsecured Claims

Unsecured Claims are uncollateralized Claims not entitled to priority under Code Section 507(a). The following identifies this Plan's treatment of the class containing all of Debtor's Unsecured Claims:

Class 4 - The Class 4 Claims consist of all Allowed General Unsecured Claims. The Class 4 Claims will be paid (i) interest at the Interest Rate from and after the Effective Date; (ii) monthly constant principal and interest payments at the Interest Rate starting on the first day of the second month succeeding the Effective Date with a balloon together with the forty-eighth (48th) payment, and (iii) amortization over 20 years. This Class is impaired, and therefore is entitled to vote on the Plan.

4. Class(es) of Interest Holders

Interest holders are the parties who hold ownership interest (*i.e.*, equity interest) in the Debtor. If the Debtor is a corporation, entities holding preferred or common stock in the Debtor are interest holders. If the Debtor is a partnership, the interest holders include both general and limited partners. If the Debtor is an individual, the Debtor is the interest holder. The Debtor is a

limited liability company and the interest holders are the members of the limited liability company. The following identifies the Plan's treatment of the class of interest holders:

Class 5 - The Class 5 Claims consist of the Success Equity Interest. Success will retain its Equity Interest in accordance with the terms of its agreement with USLR. This Class is not impaired, and therefore is not entitled to vote on the Plan.

Class 6 - The Class 6 Claims consist of the USLR Equity Interest. USLR will retain its Equity Interest in accordance with the terms of its agreement with USLR. This Class is not impaired, and therefore is not entitled to vote on the Plan.

D. Means of Effectuating the Plan

1. Funding for the Plan

The Plan will be funded by the following: The monies necessary for funding this Plan will come from any monies held by the Receiver, to the extent of the funds turned over by the Receiver in accordance with the terms of the Plan, from USLR and the \$310,000 sanction monies to the extent that the District Court releases same to the Debtor or the Receiver and any future rents derived from the Property. Payments from USLR will be subordinate to all other Classes of Claims hereunder.

With respect to the \$310,000 held by the District Court, SBMS and the Debtor shall make a joint application to the District Court requesting that the monies be disbursed to SBMS to be added to the SBMS Escrow.

Although not necessary to the Debtor's ability to consummate the Plan and fund the future payments contemplated in the Plan, the Debtor will be permitted to collect and use any future rents that may be derived from the Property pursuant to Section 541 of the Bankruptcy Code so as to reduce the sums to be advanced by USLR, to the extent permitted in, and subject to the terms of, the SBMS loan documents. Notwithstanding any provision to the contrary in the

SBMS loan documents, the Debtor may collect and use the rents from the Property so long as there is no default under the terms of the Plan or further default under the SBMS loan documents.

2. Post-Confirmation Management/Termination of Receiver

Realty Management Associates shall continue managing the Property on behalf of the Debtor without compensation.

Onyx will be terminated as of the Effective Date of the Plan. Debtor and SBMS have received monthly reports from Onyx and, upon the Effective Date, consent to the discharge of Onyx and its surety, waive and release any claims against Onyx and its employees, principals and officers which relate to the Debtor and/or the Property, and agree to the compensation paid to Onyx for services rendered and costs and expenses incurred thereby.

3. Disbursing Agent

The Debtor shall act as the disbursing agent for the purpose of making all distributions provided for under the Plan except to the extent such disbursements are made from the SBMS Escrow.

E. Other Provisions of the Plan

1. Executory Contracts and Unexpired Leases

To the extent the Debtor is a party to any executory contract or unexpired lease, the Debtor reserves the right to file a motion to assume same on or before the Confirmation Hearing. Otherwise, on the Effective Date, any and all executory contracts or unexpired leases shall be deemed rejected; provided, however, the Debtor specifically reserves the right to assert that such contract is not executory and/or the other party breached same prior to the date hereof.

THE BAR DATE FOR FILING A PROOF OF CLAIM BASED ON A CLAIM ARISING FROM THE REJECTION OF A LEASE OR CONTRACT IS THE EARLIER

OF THIRTY (30) DAYS AFTER THE EFFECTIVE DATE OR THE ENTRY OF AN ORDER BY THE COURT REJECTING THE SUBJECT EXECUTORY CONTRACT OR UNEXPIRED LEASE.

Any claim based on the rejection of an executory contract or unexpired lease will be barred if the proof of claim is not timely filed, unless the Court later orders otherwise.

2. Changes in Rates Subject to Regulatory Commission Approval

The Debtor is not subject to governmental regulatory commission approval of its rates.

3. Retention of Jurisdiction

The Court will retain jurisdiction as provided in Article III, Section C of the Plan.

4. Procedures for Resolving Contested Claims.

Pursuant to D.N.J.LBR 3017-1, the Debtor or any other party in interest shall have 60 days subsequent to confirmation to object to the allowance of Claims. The Debtor does not intend on challenging any of the unsecured claims unless a subsequent proof of claim is filed that the Debtor is not in agreement with. SBMS previously filed several objections to claims and has advised that they will continue to prosecute said objections.

5. Limit on Automatic Stay

From and after the Effective Date, the automatic stay shall not apply to the Property in this or any other bankruptcy proceeding. An order to this effect may be recorded against the Property in the real estate records with the Middlesex County, New Jersey, Clerk's Office.

6. Effective Date

The Plan will become effective on the Effective Date, which is when the order confirming the Plan becomes a final and non-appealable order.

F. Tax Consequences of Plan

CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS. The following disclosure of possible tax consequences is intended solely for the purpose of alerting readers to possible tax issues this Plan may present to the Debtor. The Debtor CANNOT and DOES NOT represent that the tax consequences contained below are the only tax consequences of the Plan because the Tax Code embodies many complicated rules which make it difficult to state completely and accurately all the tax implications of any action.

Generally speaking, a holder of a Claim which is subject to taxation in the United States (a "Taxpayer-Claimant") will realize income or loss for federal and state income tax purposes if its Claim is paid, unless such income or loss has previously been recognized, to the extent that such a payment would have created income or loss if paid by the Debtor outside the jurisdiction of the Bankruptcy Court.

A Taxpayer-Claimant which receives nothing or less than the full amount with respect to its claim under the Plan or in liquidation will realize a loss for federal and state income tax purposes to the extent that the Taxpayer-Claimant's tax basis in the claim exceeds its recovery, except to the extent that a loss with respect to such claim has previously been recognized.

There are complex issues which arise whenever debt is not repaid in full, and only a limited summary of the rules can be given here. Taxpayer-Claimants should consult their own tax advisors as to the impact of these rules on their particular situation.

G. Risk Factors

The following discussion is intended to be a non-exclusive summary of certain risks attendant upon the consummation of the Plan. You are encouraged to supplement this summary with your own analysis and evaluation of the Plan and Disclosure Statement, in their entirety,

and in consultation with your own advisors. Based on the analysis of the risks summarized below, the Debtor believes that the Plan is viable and will meet all requirements of confirmation:

Acceptance of the Plan involves some risk. If a liquidation or protracted reorganization were to occur, the Debtor believes that the Creditors other than the Borough of Carteret and SBMS would not receive any distribution. On the other hand, the Plan provides for full payment to all Creditors overtime.

SBMS alleged additional risks regarding USLR's ability to fund the Plan. Namely, SBMS referenced two outstanding judgments against USLR totaling more than \$3,200,000, USLR's prior agreements to fund other bankruptcy plans, USLR's failure to pay taxes, insurance or the SBMS Mortgage pre-petition and that there were numerous other bankruptcies involving USLR entities. With respect to the two judgments, neither judgment holder has taken any substantial collection actions against USLR and one is collateralized by property having substantial value and such judgment holder has agreed to take no actions at this time. The other has been extant for over 2 years with almost no collection activity. As for prior funding of bankruptcy plans, USLR has been in business for over forty (40) years and has supported and satisfied numerous obligations similar to that required by this Plan. Finally, with respect to the numerous bankruptcies of USLR related entities, in all of the cases where USLR and/or the Debtor made commitments, the unsecured creditors claims were satisfied in full.

ARTICLE IV

CONFIRMATION REQUIREMENTS AND PROCEDURES

PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THIS PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON CONFIRMING A PLAN OF REORGANIZATION IS VERY COMPLEX. The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues,

which they may wish to consider, as well as certain deadlines for filing claims. The proponent CANNOT and DOES NOT represent that the discussion contained below is a complete summary of the law on this topic.

Many requirements must be met before the Court can confirm a Plan. Some of the requirements include that the Plan must be proposed in good faith, that creditors or interest holders have accepted the Plan, that the Plan pays creditors at least as much as creditors would receive in a Chapter 7 liquidation, and that the Plan is feasible. These requirements are not the only requirements for confirmation.

A. Who May Vote or Object

1. Who May Object to Confirmation of the Plan

Any party in interest may object to the confirmation of the Plan, but as explained below not everyone is entitled to vote to accept or reject the Plan.

2. Who May Vote to Accept/Reject the Plan

A creditor or interest holder has a right to vote for or against the Plan if that creditor or interest holder has a Claim that is both (1) allowed or allowed for voting purposes and (2) classified in an impaired class.

a. What is an Allowed Claim/Interest

As noted above, a creditor or interest holder must first have an allowed claim or interest to have the right to vote. Generally, any proof of claim or interest will be allowed, unless a party in interest brings a motion objecting to the claim. When an objection to a claim or interest is filed, the creditor or interest holder holding the claim or interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or interest for voting purposes.

THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE IS FEBRUARY 15, 2012.

A creditor or interest holder may have an allowed claim or interest even if a proof of claim or interest was not timely filed. A Claim is deemed allowed if (1) it is scheduled on the Debtor's schedules and such claim is not scheduled as disputed, contingent, or unliquidated, and (2) no party in interest has objected to the Claim. An interest is deemed allowed if it is scheduled and no party in interest has objected to the interest.

b. What is an Impaired Claim/Interest

As noted above, an allowed claim or interest only has the right to vote if it is in a class that is impaired under the Plan. A class is impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class. For example, a class comprised of general unsecured claims is impaired if the Plan fails to pay the members of that class 100% of their claim plus interest.

In this case, the Debtor believes that classes 2 and 4 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Debtor believes that classes 1, 3, 5 and 6 are unimpaired and that holders in each of these classes therefore do not have the right to vote to accept or reject the Plan. Parties who dispute the Debtor's characterization of their claim or interest as being impaired or unimpaired may file an objection to the Plan contending that the Debtor has incorrectly characterized the class.

3. Who is Not Entitled to Vote

The following four types of claims are not entitled to vote. (1) claims that have been disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant to Code Section 507(a)(1), (a)(2), and (a)(8), and (4) claims in classes that do not receive or retain any value under the Plan. Claims in unimpaired classes are not entitled to vote because such classes

are deemed to have accepted the Plan. Claims entitled to priority pursuant to Code Section 507(a)(1), (a)(2), and (a)(7) are not entitled to vote because such claims are not placed in classes and they are required to receive certain treatment specified by the Code. Claims in classes that do not receive or retain any value under the Plan do not vote because such classes are deemed to have rejected the Plan. EVEN IF YOUR CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.

4. Who Can Vote in More Than One Class

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim is entitled to accept or reject a Plan in both capacities by casting one ballot for the secured part of the claim and another ballot for the unsecured claim.

5. Vote Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cramdown” on non-accepting classes, as discussed later in Article IV, Section A, sub-Section 8 hereof.

6. Votes Necessary for a Class to Accept the Plan

A class of claims is considered to have accepted the Plan when more than one-half ($1/2$) in number and at least two-thirds ($2/3$) in dollar amount of the allowed claims that actually voted, voted in favor of the Plan. A class of interests is considered to have accepted the Plan when at least two-thirds ($2/3$) in amount of the allowed interest-holders of such class which actually voted, voted to accept the Plan.

7. Treatment of Nonaccepting Classes

As noted above, even if all impaired classes do not accept the proposed Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner required by the Code. The process by which nonaccepting classes are forced to be bound by the terms of the Plan is commonly referred to as “cramdown”. The Code allows the Plan to be “crammed down” on nonaccepting classes of claims or interests if it meets all consensual requirements except the voting requirements of Section 1129(a)(8) and if the Plan does not “discriminate unfairly” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan as referred to in 11 U.S.C. Section 1129(b) and applicable case law.

8. Request for Confirmation Despite Nonacceptance by Impaired Class(es)

The party proposing this Plan asks the Court to confirm this Plan by cramdown on Impaired Classes if any of these Classes do not vote to accept the Plan.

B. Liquidation Analysis

Another confirmation requirement is the “Best Interest Test”, which requires a liquidation analysis. Under the Best Interest Test, if a claimant or interest holder is in an impaired class and that claimant or interest holder does not vote to accept the Plan, then that claimant or interest holder must receive or retain under the Plan, property of a value not less than the amount that such holder would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

In a Chapter 7 case, the Debtor’s assets are usually sold by a Chapter 7 trustee. Secured creditors are paid first from the sale proceeds or properties on which the secured creditor has a lien. Administrative claims are paid next. Next, unsecured creditors are paid from any remaining sales proceeds, according to their rights to priority. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims. Finally, interest holders receive the balance that remains after all creditors are paid, if any.

In order for the Court to be able to confirm this Plan, the Court must find that all creditors and interest holders who do not accept the Plan will receive at least as much under the Plan as such holders would receive under a Chapter 7 liquidation. The Debtor maintains that this requirement is met first and foremost by the fact that the Debtor proposes to satisfy all creditors' claims in full with interest, which means the creditors are receiving "at least" as much under the Plan as they would receive in a Chapter 7 liquidation. The requirement is further met because it is unlikely there would be any funds available to pay Administrative Claims and the Claims of Unsecured Creditors upon the liquidation of the assets in the event the Chapter 11 Case is converted to Chapter 7 for SBMS would be seeking to sell the Property in an amount that would satisfy their judgment as opposed to an amount that approximates the actual value of the Property or the Chapter 7 trustee will proceed in a fire sale manner, which again will achieve little to no distribution to the unsecured creditors. The Debtor acknowledges that it has valued the Property in excess of \$12,500,000; however, such value will not be achieved in a fire sale conducted by a Chapter 7 trustee or a foreclosure sale conducted by SBMS. Further, Digital will assuredly not offer its last contract price of \$12,100,000 when it believes it may be able to pay substantially less to a Chapter 7 trustee or through a foreclosure sale. Annexed hereto as Exhibit "B" is a liquidation analysis that demonstrates that all creditors and interest holders will receive at least as much under the Plan as such creditor or interest holder would receive under a Chapter 7 liquidation.

C. Feasibility

Another requirement for confirmation involves the feasibility of the Plan, which means that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

There are at least two important aspects of a feasibility analysis. The first aspect considers whether the Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on such date. The Debtor believes that this aspect of the feasibility requirement is met by the proposed funding from USLR and the monies on hand with the Receiver, which will pay all obligations contemplated by the Plan in full.

The second aspect considers whether the Debtor will have enough funds over the life of the Plan to make required Plan payments. To the extent the Debtor will be paying Claims in the future, either USLR will be providing the funding or the Debtor will use the Escrow. With respect to USLR, USLR is a privately owned company that holds an interest in approximately 35 corporations, limited liability companies or limited partnerships. The equity of USLR's interest in these entities is in excess of \$100,000,000. In addition, USLR periodically sells or refinances properties which over the last five years averages an additional \$10 Million per year of revenue. Annexed hereto as Exhibit "C" are projections for the Debtor covering the life of the Plan reflecting required Plan payments. Annexed hereto as Exhibit "D" is a two-year month-by-month historical and monthly projected deposit financial information for USLR and representative non-discretionary monthly payments of USLR.

Accordingly, the Debtor believes, on the basis of the foregoing, that the Plan is feasible.

ARTICLE V

EFFECT OF CONFIRMATION OF PLAN

A. Discharge

The Plan provides that upon Confirmation of the Plan, the Debtor shall be discharged of liability for payment of debts incurred before Confirmation, to the extent specified in 11 U.S.C. § 1141. However, any liability imposed by the Plan will not be discharged. If Confirmation of

the Plan does not occur, or if, after Confirmation occurs, the Debtor elects to terminate the Plan, the Plan shall be deemed null and void. In such event, nothing contained in the Plan shall be deemed to constitute a waiver or release of any claims against the Debtor or its estate or any other persons, or to prejudice in any manner the rights of the Debtor or its estate or any person in any further proceeding involving the Debtor or its estate. The provisions of the Plan shall be binding upon the Debtor, all Creditors and all Equity Interest Holders, regardless of whether such Claims or Equity Interest Holders are impaired or whether such parties accept this Plan, upon Confirmation thereof.

B. Release of Lawrence S. Berger and USLR

Unless specifically stated elsewhere in the Plan, in exchange for the funding provided by USLR to date and the anticipated future funding by USLR, the Plan releases all insiders from any causes of action by the Debtor, its creditors and other parties in interest that arose prior to the Confirmation Hearing. The release shall be self executing and shall become effective without the need for any further document or Court Order.

C. Revesting of Property in the Debtor

Except as provided elsewhere in the Plan, the Confirmation revests all of the property of the estate in the Debtor, free and clear of all Claims and interests of Creditors, including any interests held by or obtained by SBMS under the loan documents, and Equity Interest Holders.

D. Modification of Plan

The Debtor may modify the Plan at any time before Confirmation. However, the Court may require a new disclosure statement and/or revoting on the Plan if the Debtor modifies the Plan before Confirmation. However, the Debtor may not modify the Plan without the consent of SBMS.

The Debtor may also seek to modify the Plan at any time after confirmation so long as (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modification after notice and a hearing. The Debtor further reserves the right to modify the treatment of any Allowed Claims at any time after the Effective Date of the Plan upon the consent of the Creditor whose Allowed Claim treatment is being modified, so long as no other Creditors are materially adversely affected. Notwithstanding the foregoing, the Debtor may not modify the Plan without the consent of SBMS.

E. Post-Confirmation Conversion/Dismissal

A creditor or party in interest may bring a motion to convert or dismiss the Chapter 11 Case under Section 1112(b) of the Bankruptcy Code, after the Plan is confirmed, if there is a default in performance of the Plan or if cause exists under Section 1112(b) of the Bankruptcy Code. If the Court orders the Chapter 11 Case converted to Chapter 7 after the Plan is confirmed, then all property that had been property of the Chapter 11 estate, and that has not been disbursed pursuant to the Plan, will revert in the Chapter 7 estate, and the automatic stay will be reimposed upon the revested property only to the extent that relief from stay was not previously granted by the Court during this Chapter 11 Case. Notwithstanding the foregoing, any such conversion, dismissal and/or reimposition of the automatic stay shall not alter the rights of SBMS and/or the holder of the Class 2 Allowed Claim as set forth herein including, without limitation, the right to sell the Property at a foreclosure sale upon a default by the Debtor and the provision exempting the Property from the reimposition of the automatic stay.

Quarterly fees pursuant to 28 U.S.C. § 1930(a)(6) continue to be payable to the Office of the United States Trustee post-confirmation until such time as the case is converted, dismissed, or closed pursuant to a final decree.