

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

DELBELLO DONNELLAN WEINGARTEN  
WISE & WIEDERKEHR, LLP  
*Attorneys for the Debtor*  
One North Lexington Avenue  
White Plains, New York 10601  
(914) 681-0200  
JONATHAN S. PASTERNAK, ESQ.  
ERICA FEYNMAN AISNER, ESQ.

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

-----X  
In re:

56 WALKER LLC,

Chapter 11  
Case No. 13-11571 (ALG)

Debtor.

-----X

**DISCLOSURE STATEMENT**

56 Walker LLC (the “Debtor”) submits this Disclosure Statement pursuant to Section 1125(b) of Title 11, United States Code, 11 U.S.C. §§ et seq. (the “Bankruptcy Code”) and Rule 3017 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), in connection with its First Amended Liquidating Chapter 11 Plan, dated September 18, 2013 (the “Plan”) to all known holders of Claims against or Interests in the Debtor in order to adequately disclose information deemed to be material, important and necessary to make a reasonably informed judgment about the Plan, including, who is entitled to vote to accept or reject the Plan. A copy of the Plan is attached hereto as Exhibit “A”.

On October \_\_\_\_, 2013 the Bankruptcy Court entered an order (a) approving the Disclosure Statement as containing “adequate information” for purposes of Section 1125 of the Bankruptcy Code, (b) scheduling the last date to (i) submit a ballot accepting or rejecting the Plan and (ii) to file and serve an objection to the Plan on November \_\_\_\_, 2013 and (c) scheduling a hearing on Confirmation of the Plan for November \_\_\_\_, 2013 at 10:00 a.m.

Under Section 1126(b) of the Bankruptcy Code, only Classes<sup>1</sup> of Allowed Claims that are “impaired” under the Plan, as defined by Section 1124 of the Bankruptcy Code, are entitled to vote on the Plan. Generally, a Class is impaired if its legal, contractual or equitable rights are altered or reduced under the Plan. Under the Plan, all Classes of Claims are impaired and are therefore entitled to vote.

To be accepted by a Class, the Plan must be accepted by more than one half in number and two-thirds in dollar amount of the Allowed Claims actually voting in such Class.

Accompanying this Disclosure Statement is a copy of the Plan.

## **I. INTRODUCTION**

### **A. Background**

The Debtor is a single asset real estate entity that owns the Property located at 56 Walker Street, New York, New York. The Property is located on the north side of Walker Street between Broadway and Church Street in New York City, in the designated "Tribeca West Historic District" section of lower Manhattan.

The building consists of 6 floors and a fully functional basement, recently retrofitted for use as a restaurant/cabaret. The first floor is a commercial space; the second floor has

mixed use for residential and commercial; floors 3 through 5 are strictly residential and the 6th floor contains a residential penthouse with roof access. The existing improvements contain a gross building area of approximately 18,000 sq. feet; this includes mezzanine areas, which are not counted as building area for zoning purposes. The area excluding mezzanines is 11,525 sq. feet.

Prior to purchasing 56 Walker Street, the Debtor's principal was a partner in an unrelated television production business that rented the building for its operations. The Property was placed on the market for sale in mid-2003 after the death of the then owner and the Debtor was formed to purchase the Property for \$3 million that November.

The Debtor's goal in purchasing the Property was to restore the post-Civil War historic building and convert the upper three floors to condominium apartments while maintaining the remaining lower three floors for the continued operation of the television production business. The renovation was financed through traditional construction financing through a local community bank, Community Capital Bank of Brooklyn (CCB). Unfortunately, significant delays were encountered due to the Debtor's contractors which ultimately required replacement.

At the same time, the Debtor decided to modify its designs in order to maximize the space provided by the high ceilings at 56 Walker Street, thereby increasing the useable floor space area within the building. Following these directions, the architects developed an expanded design, which added one or two mezzanines on several floors, thereby increasing the useable floor space by some 2100 square feet. The re-design also provided for the addition of a 1900+ square foot penthouse, together with a 700 foot roof-top terrace, plus front and rear terraces

---

<sup>1</sup> Capitalized terms not defined herein have the same meaning ascribed to them in the Plan.

adjoining the new penthouse floor.

To accommodate the design changes, the original CCB note was refinanced in in December 2005 with Titan Capital in the amount of \$6.5 million. Six months later, as a result of a disagreement related to the construction budget, Titan, pursuant to terms of its contract, elected not to proceed with the project. A second refinancing was then procured in the amount of \$8,750,000 in June 2006 with Madison Capital. However, the problems with contractors, architects and the Debtor's various financing companies caused significant delays to the project.

The renovation and construction was at approximately the 83% completion stage at the termination of the Madison Capital note in June 2007 and what followed was a joint venture construction loan from WexTrust Capital, LLC in September 2007 in the amount of \$11.3 million. Included in the loan joint venture were Wextrust and its partners, Wexford/HPC Mortgage Fund, LP, and Broadway Bank of Chicago. The Debtor received only a portion of the construction funds before Wextrust was seized and its founders were arrested and later convicted for operating a \$270 million Ponzi Scheme and mortgage fraud. The U.S. Government, led by the Securities and Exchange Commission, determined that Wextrust had been insolvent and operating a criminal enterprise dating to its founding in 2005. The SEC also determined that 56 Walker LLC had been a "non-investor victim" of the Ponzi Scheme by entering into the Wextrust mortgage loan scam.

Following the arrest of the Wextrust founders and chief executives, Broadway Bank was seized by Illinois state banking regulators and placed in receivership with the FDIC. Certain of its assets, allegedly including the 56 Walker mortgage and note, were sold to MB Financial Bank, also of Chicago. Thereafter disputes arose between the Debtor and MB Financial.

The Debtor previously filed for Chapter 11 relief before this Court on September 23, 2011. In the prior Chapter 11 case, the Debtor made good faith efforts to resolve its disputes with Wexford/HPC and MB Financial; however, significant disputes arose with respect to the negotiated settlements and ultimately the Court denied approval of the settlement.

The Court dismissed the (prior) Chapter 11 case on August 10, 2012.

#### The Instant Chapter 11 Case

Notwithstanding the dismissal of the prior Chapter 11 case, the various claims asserted by the Debtor against various third parties and against the Debtor in kind, the Debtor has always been of the opinion that a sale of the Property is in the best interests of its estate to promptly realize the current value of the Property. Moreover, a sale of the Property in the bankruptcy court is clearly the most efficient forum, especially in light of the various liens and disputes surrounding the Property. Here, the Property can be sold free and clear of all liens, claims and encumbrances and a buyer can be expected to pay a fair price because it will be given the “comfort” of a 363 sale approval Order from the Bankruptcy Court.

To that end, the Debtor filed this Chapter 11 case and has expeditiously taken all of the necessary steps to bring about a sale of the Property for the highest and best price, including but not limited to the retention of Sotheby’s International as its real estate Broker.

#### **B. Commencement of the Chapter 11 Case**

On May 13, 2013, the Debtor filed a voluntary petition for relief pursuant to Chapter 11 of the Bankruptcy Code. The Debtor has continued in possession of its property and the management of its business affairs as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

The Debtor filed this chapter 11 case in order to permit breathing room from its creditors in order to adequately market its assets for sale for the highest and best price.

**C. Employment of the Debtor’s Professionals**

On May 13, 2013, the Debtor filed an application to retain DelBello Donnellan Weingarten Wise & Wiederkehr, LLP (“DDWWW”), as its bankruptcy counsel. By order of the Bankruptcy Court dated June 13, 2013, the Bankruptcy Court approved the retention, *nunc pro tunc*, to the Petition Date.

On May 22, 2013, the Debtor filed an application to retain Sotheby’s International Realty as real estate Broker of the Debtor. By order of the Bankruptcy Court dated June 13, 2013, the Bankruptcy Court approved the retention.

**D. Filing of Schedules of Assets and Liabilities and Statement of Financial Affairs**

On May 13, 2013, the Debtor filed its Schedules of Assets and Liabilities, together with its Statement of Financial Affairs (collectively, the “Schedules”). The Debtor’s Schedules are available on the Bankruptcy Court’s website: [www.nysb.uscourts.gov](http://www.nysb.uscourts.gov) (log-in and password required) or from counsel for the Debtor upon written request.

**E. Establishment of a Claims Bar Date and Claims Process**

Pursuant to an order of the Bankruptcy Court entered on June 26, 2013, August 6, 2013 was established as the last date by which creditors may file proofs of claim in the Chapter 11 case (the “Bar Date”), and subsequently notice of the Bar Date was served on all creditors listed on the Debtor’s creditor matrix filed with the Bankruptcy Court as well as parties filing notices of appearance and creditors who had previously filed a proof of claim in the case.

#### **F. State Court Receiver and MB Financial**

The Debtor faced strong opposition from MB Financial to the potential turnover of the Debtor's Property by the Receiver by virtue of the (second) Chapter 11 filing. Ultimately, the Debtor consented to allow the Receiver to remain in possession of certain of its Property in order to avoid any more protracted and costly litigation and to focus all of its attention and resources to the task at hand – maximizing the value of the Property for sale.

The Debtor has successfully navigated the Chapter 11 case thus far and specifically has been able to work with MB Financial in order to avoid disputes and to agree on deadlines for the filing of its Chapter 11 plan and sale of the Property. This consensual progress has benefited the estate as a whole by minimizing the Administrative Claims in the estate.

The Debtor has just filed an objection to MB Financial's secured claim. While the Debtor remains hopeful that it will be able to negotiate a resolution with MB Financial without the need for litigation and delay, the ultimate resolution of the MB Financial claim will enable the Debtor to distribute the proceeds of sale as provided for in its Plan, to all creditors, including a significant, if not 100%, distribution to its unsecured creditors.

#### **G. Sale of the Property**

As a result of the hard work and expertise of the Debtor's Broker, a Purchaser has been procured for the sale of the Property subject to higher and better offers. The Debtor has filed an application with the Bankruptcy Court seeking approval of the sale which will be pursued on a parallel track with confirmation of the Plan. The Purchase and Sale Agreement currently pending approval by the Court is for a \$18 million dollars which is an amount sufficient to satisfy all Allowed Administrative, Priority and Secured Claims (even if all disputed claims are allowed in

full), with a significant distribution to unsecured creditors.

## **II. THE PLAN OF REORGANIZATION**

THE FOLLOWING IS A BRIEF SUMMARY OF THE PLAN. THE PLAN REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT AND CREDITORS ARE URGED TO CONSULT WITH THEIR COUNSEL IN ORDER TO FULLY UNDERSTAND THE PLAN AND TO MAKE AN INTELLIGENT JUDGMENT CONCERNING IT. THE PLAN GOVERNS OVER ANY DISCREPANCY IN THIS SUMMARY.

A. **Plan Funding.** The Plan will be funded with (a) the net proceeds from the sale of the Debtor's Property, after the payment of all costs of closing, including but not necessarily limited to, broker's commission, other typical and customary closing costs not otherwise exempted under the Plan, and (b) all remaining cash, if any, on hand at the time of distribution.

B. **Means for Implementation – Auction and Sale.** The Debtor anticipates obtaining approval of the sale of the Property, notice of the Auction and bidding procedures for such Auction, simultaneously with the approval of this Disclosure Statement followed by a marketing period and a hopeful competitive bidding period thereafter. Upon the determination of the Successful Bidder, the Debtor intends to seek approval of the Sale simultaneously with confirmation of its Plan, which contemplates a Closing on the sale of the Property post-Effective Date.

C. **Sale of Real Property.** Purchaser shall acquire, and the Debtor shall convey all of the right, title and interest that Debtor possesses as of the closing in and to the Property free and clear of all pre-closing liens, claims, encumbrances, other interests, debts, causes of action, obligations, liabilities, and charges of any kind, nature or description whatsoever, whether fixed or contingent, legal or equitable, perfected or unperfected except as expressly provided in the



purchase agreement (collectively, the “Liens and Claims”). All persons and entities asserting Liens and Claims of any kind or nature whatsoever against or in Debtor or the Property, including but not limited to the Class 1, 2, 3 and 4 Claims, arising under or out of, in connection with, or in any way relating to, Debtor, the Property, or the transfer of the Property to Purchaser, shall be forever barred, estopped, and permanently enjoined from asserting such Liens and Claims against purchaser, its successors or assigns, its property, or the Property.

**C. Tax Exemption.** The Plan expressly contemplates Closing on the sale of the Property after the Confirmation Date. The post-Effective Date sale of the Property shall therefore not be taxed under any law imposing a stamp, real estate transfer, mortgage recording, sales use or similar tax as provided for in Section 1146(a) of the Bankruptcy Code.

**D. Rejection of Unexpired Leases and Executory Contracts.** All unexpired leases and executory contracts to which the Debtor is a part shall be deemed rejected. The Property shall be conveyed to the Purchaser free and clear of all such obligations, including any tenancies, and any party currently in possession of the Property shall vacate the Property no later than five (5) business days prior to the Confirmation Date. Any resultant rejection damage Claims must be filed with the Clerk of the Court and served upon counsel for the Debtor no later than twenty-five (25) days after the Confirmation Date.

**F. Treatment of Unclassified Claims Under the Plan**

1. Allowed Administrative Claims other than Claims of Professionals: The Debtor does not anticipate any significant Allowed Administrative Claims, other than the Claims of the

Professionals. However, to the extent that any such Claims should exist, they shall be paid from the proceeds of sale.

2. Allowed Administrative Claims of Professionals: Allowed Administrative Claims of Professionals shall be paid, in full, in cash, upon the later of (i) allowance by the Court pursuant to Section 330 of the Bankruptcy Code or (ii) the Closing Date. As of the filing of this Disclosure Statement, the only Allowed Administrative Claims are those of DDWWW, Debtor's counsel, which Claim is anticipated to total approximately \$150,000 through the Closing Date, and the Broker, whose commission upon sale, assuming the current purchase price, shall be \$1.08 million.

3. United States Trustee's Fees: Under the Plan, all United States Trustee statutory fees arising under 28 U.S.C. § 1930 and 31 U.S.C. §3717 prior to Confirmation shall be payable by the Effective Date. Thereafter, such fees shall be paid in full, in cash, in such amount as incurred in the ordinary course of business by the Debtor. The Debtor shall effectuate payment of United States Trustee quarterly fees through the entry of a final decree closing the case on behalf of the Debtor who shall be responsible therefore.

4. Allowed Priority Claims: The Debtor shall pay, in full and in cash, Allowed Priority Claims (entitled to Priority pursuant to Section 507(a)(1), (3)-(8) of the Bankruptcy Code) within ten (10) days after the Effective Date. The Debtor does not believe any such claims exist.

**G. Treatment of Classes**

Class 1: The Allowed Secured Claim of MB Financial, if any, shall be paid in full to the extent Allowed, upon final allowance of all Class 1 and Class 4 Claims, less any payments received during the Chapter 11 case, including but not necessarily limited to rents generated from the Property, either directly or collected by the Receiver. The Allowed Class 2 Secured Claim, if any, shall accrue interest from the Petition Date through the Closing Date at the default rate of interest provided for in the underlying loan documents. The foregoing notwithstanding, in the event that the Class 4 General Unsecured Creditors are not paid in full, the Allowed Class 1 Secured Claim shall accrue post-Petition Date interest at the non-default rate of interest provided for in the underlying loan documents.

The Secured Claim of MB Financial has been filed in the approximate amount of \$15 million. However, the Debtor has filed an objection to such Claim. The Allowed Class 2 Claim is impaired under this Plan and shall be entitled to vote to accept or reject the Plan.

Class 2: The Allowed Secured Claims of the holders of Mechanic's Liens shall be paid in full on the later of the Closing Date or Allowance of the Claim. Such Claims shall incur interest at the New York State statutory rate up to the Petition Date after which time the Claims shall incur interest at the federal judgment rate as of the Petition Date.

The Mechanic's Lien Claims total approximately \$800,000. However, the Debtor disputes approximately \$300,000 in such Claims and intends to file an objection thereto. The Allowed Class 2 Claims are unimpaired and shall not be entitled to vote to accept or reject the Plan.

Class 3: The Allowed Secured Claim of Wextrust, if any, shall be paid in full, to the extent Allowed, together with any post-Petition Date interest at the Federal Judgment Rate, on the later of the Closing Date or Allowance of the Claim. The Debtor disputed the Secured Claim of Wextrust on its Schedules and as a result of Wextrust's failure to file a Claim, it shall not be permitted to receive any distribution under the Debtor's Plan. As such, the Allowed Secured Claim of Wextrust is \$0, is unimpaired under this Plan and shall not be entitled to vote to accept or reject the Plan.

Class 4: The Allowed Unsecured Claims shall receive a pro rata portion of the remaining proceeds of the Distribution Fund, if any, up to 100% of the Allowed Class 4 Claim, after payment in full of all Class 1, 2 and 3 Allowed Claims, Allowed Administrative Priority Claims and Unclassified Claims. Allowed Class 4 Claims shall be paid on the later to occur of (a) the Allowance or dis-Allowance of all Class 1, 2, 3 and 4 Claims and (b) ten (10) business days following the Closing Date. The Class 4 Claims total approximately \$8 million dollars (which includes an anticipated rejected damage claim (not yet filed) of INN World Report in the amount of \$3.9 million and a disputed Class 4 Claim in the amount of \$1.7 million to which the Debtor intends to file an objection). Allowed Class 4 Claims are impaired under this Plan and shall be entitled to vote to accept or reject the Plan.

Class 5: The Allowed Interest shall receive the remaining proceeds of the Distribution Fund, if any, after the payment of all classified and unclassified Allowed Claims. The Class 5 Interest holder is unimpaired and shall not be entitled to vote to accept or reject the Plan.

## **H. Resolution Of Disputed Claims & Reserves**

(a) Objections. An objection to the allowance of a Claim shall be in writing and may be filed with the Bankruptcy Court by the Debtor or any other party in interest no later than the Effective Date.

(b) Amendment of Claims. A Claim may be amended only up to seven (7) days prior to the Confirmation hearing, unless agreed upon by the Debtor and the holder of such Claim and as approved by the Bankruptcy Court or as otherwise permitted by the Bankruptcy Code and Bankruptcy Rules.

(c) Reserve for Disputed Claims. In the event that a Disputed Claim is not resolved before distributions are made by the Debtor, the Debtor shall reserve, on account of each holder of a Disputed Claim, that property which would otherwise be distributable to the holder on such date were the Disputed Claim at issue an Allowed Claim, or such other property as the holder of the Disputed Claim at issue and the Debtor may agree upon. The property so reserved for the holder, to the extent that the Disputed Claim is Allowed, and only after the Disputed Claim becomes a subsequently Allowed Claim, shall thereafter be distributed to such holder as provided below.

(d) Claims Procedures Not Exclusive. All of the aforementioned Claims procedures are cumulative and not necessarily exclusive of one another. On and after the Confirmation Date, Claims which were previously disputed may subsequently be compromised, settled, withdrawn, or otherwise resolved without further order of the Bankruptcy Court.

**I. Amendment, Modification, Withdrawal or Revocation of the Plan.**

The Debtor reserves the right, in accordance with the Section 1127 of the Bankruptcy Code, to amend or modify the Plan by Order of the Bankruptcy Court, as may be required.

The Debtor may withdraw or revoke the Plan prior to the Confirmation Date. If such a withdrawal or revocation occurs, or if Confirmation does not occur, the Plan will be null and void. In such event, nothing contained in the Plan will constitute a waiver or release of any Claim by or against the Debtor or any other person or to prejudice in any manner the rights of the Debtor or any other person in any further proceedings involving the Debtor.

**J. Unclaimed Property**

Except as otherwise provided herein, in the event any claimant fails to claim any distribution within four (4) months from the date of such distribution, such claimant shall forfeit all rights thereto and to any and all future payments, and thereafter the Claim for which such cash was distributed shall be treated as a disallowed Claim. Distributions to claimants entitled thereto shall be sent to their last known address set forth on the most recent proof of claim filed with the Bankruptcy Court or, if no proof of claim is filed, on the Schedules filed by the Debtor or to such other address as may be later designated by a creditor in writing to the Disbursing Agent. The Debtor shall use its best efforts to obtain current addresses for all claimants. All unclaimed cash shall be redistributed by the Debtor pro rata in accordance with Article III of the Plan.

**K. Plan Injunction**

*Effective on the Confirmation Date, all persons who have held, hold or may hold Claims or Interests are enjoined from taking any of the following actions against or affecting the Debtor or assets of the Debtor with respect to such Claims, Interests or Administrative Claims, except as otherwise set forth in the Plan, and other than actions brought to enforce any rights or obligations under the Plan or appeals, if any, from the Confirmation Order:*

*(i) Commencing, conducting or continuing in any manner, directly or indirectly, any suit, action, arbitration, or other proceeding of any kind against the Debtor or the assets of the Debtor regarding the Claims or Interests;*

*(ii) Enforcing, levying, attaching, or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree, or order against the Debtor, the assets of the Debtor;*

*(iii) Creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtor, the assets of the Debtor;*

*(iv) Asserting any setoff, right of subrogation, or recoupment of any kind, directly or indirectly, against the Debtor, the assets of the Debtor; and*

*(v) Proceeding in any manner and any place whatsoever that does not conform to or comply with the provisions of the Plan.*

**L. Exculpation.** *Neither the Debtor nor any of its members, officers, directors, employees, attorneys, advisors, agents, representatives and assigns (the “Released Parties”) shall have or incur any liability to any entity for any action taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, Confirmation or*

*consummation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into, or any other action taken or omitted to be taken in connection with the chapter 11 case or the Plan except with respect to their obligations under the Plan and any related agreement. Notwithstanding any other provision hereof, nothing in Sections 7.2 or 7.3 of the Plan shall (a) effect a release of any claim by the United States Government or any of its agencies or any state and local authority whatsoever, including, without limitation, any claim arising under the Employee Retirement Income Security Act of 1974, as amended (ERISA), the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against the Released Parties, nor shall anything in Sections 7.2 or 7.3 of the Plan enjoin the United States or any state or local authority from bringing any claim, suit, action or other proceedings against any of the Released Parties referred to herein for any liability whatever, including, without limitation, any claim, suit or action arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority, nor shall anything in Section 7.2 of the Plan exculpate any party from any liability to the United States Government or any of its agencies or any state and local authority whatsoever, including liabilities arising under ERISA, the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against the Parties referred to herein; (b) affect the liability of any Released Party that otherwise would result from any such act or omission to the extent that act or omission is determined in a Final Order to have constituted fraud, bad faith, gross negligence or willful*



*misconduct; or (c) limit the liability of the Debtor's professionals to the Debtor pursuant to Rule 1.8(h)(1) of the New York Rules of Professional Conduct.*

**M. Full and Final Satisfaction**

To the fullest extent permitted by Section 1141(a)-(c) of the Bankruptcy Code, all payments and all distributions pursuant to the Plan, shall be in full and final satisfaction, settlement and release of all Claims and Interests, except as otherwise provided in the Plan. Nevertheless, under Section 1141(d) of the Bankruptcy Code, the Debtor will not receive a discharge because the Plan is a liquidating plan.

**N. Retention of Jurisdiction**

The Bankruptcy Court shall retain jurisdiction of the chapter 11 case:

(a) To determine all controversies relating to or concerning the allowance of and/ or distribution on account of such Claims or Interests upon objection thereto which may be filed by any party in interest;

(b) To determine requests for payment of Claims entitled to priority under Section 507(a)(2) of the Bankruptcy Code, including any and all applications for compensation for professional and similar fees

(c) To determine any and all applications, adversary proceedings, and contested or litigated matters over which the Bankruptcy Court has subject matter jurisdiction pursuant to 28 U.S.C Sections 157 and 1334;

(d) To determine all disputed, contingent or unliquidated Claims and all disputed Interests;

(e) To determine requests to modify the Plan pursuant to Section 1127 of the Bankruptcy

Code or to remedy any defect or omission or reconcile any inconsistencies in this Plan or Confirmation Order to the extent authorized by the Bankruptcy Code;

(f) To make such orders as are necessary or appropriate to carry out the provisions of the Plan;

(g) To resolve controversies and disputes regarding the interpretation or enforcement of the terms of the Plan; and

(h) To enter a final decree closing this chapter 11 case.

**O. Contracts and Unexpired Leases.** The Debtor believes that the only contract to which the Debtor is a party is the unexpired lease with INN World Report (“INN”). INN has agreed to vacate the Property in accordance with the Plan and has indicated that it intends to file a rejection damage claim in the approximate amount of \$3.9 million dollars representing the delta between the monthly rent for the duration of the lease term and the market rate for a similar rental property for the same term, discounted by the present value. Of course, until such Claim is filed the Debtor cannot evaluate the validity of same or make a determination as to whether an objection is appropriate.

**P. Post-Confirmation Fees, Reserves and Final Decree**

The reasonable compensation and out-of-pocket expenses incurred post-Confirmation Date by the Debtor’s professionals retained in the Chapter 11 case shall be paid by the Debtor within ten (10) days upon presentation of invoices for such professional services. All disputes concerning post-confirmation fees and expenses shall be subject to Bankruptcy Court jurisdiction.

The Debtor shall reserve \$50,000 from the Distribution Fund for the payment of post-Confirmation professional fees, with any balance remaining to be distributed in accordance with Article III of the Plan.

A final decree shall be entered as soon as practicable after initial distributions have commenced under the Plan.

**Q. Continuation of Bankruptcy Stays**

All stays provided for in the chapter 11 case under Section 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

**R. Avoidance and Recovery Actions**

The Debtor believes, after a thorough investigation and review with its counsel, that there are no causes of action under Sections 544, 547, 548, 550 and 553 of the Bankruptcy Code. As such, the Debtor does not intend to pursue any such cases of action.

**III. FINANCIAL INFORMATION**

**A. The Debtor's Schedules of Assets and Liabilities.** Schedule of the Debtor's assets and liabilities have been filed with the Clerk of the Court and may be inspected by all interested parties.

**C. Chapter 7 Liquidation Analysis.** Because the Debtor's only asset is being liquidated under the Plan, no scenario exists, including but not limited to Chapter 7 liquidation, under which the creditors would be entitled to receive a distribution greater than that which the Debtor has proposed in its Plan.

#### **IV. CONFIRMATION PROCEDURE**

**A. Voting.** As set forth hereinabove and in the Plan, all classes of Claim holders are impaired under the Plan, and accordingly, all such Classes are permitted to vote on the Plan.

**B. Acceptance of the Plan**

This Disclosure Statement is provided in connection with the solicitation of acceptances of the Plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a class of Claims as acceptance by holders of at least two-thirds in dollar amount, and more than one-half in number of the allowed Claims of that class that have actually voted or are deemed to have voted to accept or reject a plan. The Bankruptcy Court will confirm the Plan only if it finds that all of the requirements of Section 1129(a) or (b) of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan (i) is accepted by all impaired Classes of Claims and Interests or, if rejected or deemed rejected by an impaired Class, “does not discriminate unfairly” and is “fair and equitable” as to each rejecting class; (ii) is feasible; and (iii) is in the “best interest” of Creditors and Interest holders impaired under the Plan

**C. Solicitation of Votes**

Each Holder of a Claim in Classes 1 and 4 has been sent a ballot together with this Disclosure Statement. The ballot is to be used for voting to accept or reject the Plan.

The Bankruptcy Court has directed that, to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be mailed or delivered by hand or courier so that they are ACTUALLY RECEIVED no later than 5:00 p.m. (Eastern Standard Time) on November \_\_\_\_\_, 2013 at the following address:

DELBELLO DONNELLAN WEINGARTEN  
WISE & WIEDERKEHR, LLP  
One North Lexington Avenue  
White Plains, New York 10601  
Attn: Jonathan S. Pasternak, Esq.  
Erica Feynman Aisner, Esq.

Each Holder of an Allowed Claims and Interests in Classes 1 and 4 shall be entitled to vote to accept or reject the Plan as provided for in the order approving the Disclosure Statement. A vote may be disregarded if the Bankruptcy Court determines that such vote was not solicited or procured in good faith and in accordance with the Bankruptcy Code.

**C. Fair and Equitable Test; Cramdown.**

Notwithstanding a rejection by a Class, the Bankruptcy Court may confirm the Plan and the Plan will be binding upon all Classes, including the Classes rejecting the Plan, if it is demonstrated to the Bankruptcy Court that at least one impaired Class of Claims has accepted the Plan and that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to each non-accepting Class. A plan does not discriminate unfairly if the legal rights of a dissenting Class are treated in a manner consistent with the treatment of other Classes whose legal rights are similar to those of the dissenting Class and if no Class receives more than it is entitled to on

account of its Claims or Interests.

Under the Bankruptcy Code, the Debtor's Plan is "fair and equitable" if as to each dissenting Class the holders of Claims and Interests that are junior to the Claims of the dissenting Class will not retain any property under the Plan and the holders of senior Classes of Claims are not paid more than the Allowed amount of such Claims. Under the Plan, junior Classes of Claims will not receive any distribution until senior Classes of Claims are fully satisfied. Accordingly, the Debtor believes that the Plan "does not discriminate unfairly" and is "fair and equitable."

**D. Confirmation Hearing.** The Bankruptcy Code requires the Bankruptcy Court to hold a hearing on Confirmation of the Plan. The Confirmation hearing has been scheduled for the date set forth on the Court Order which accompanies this Disclosure Statement. The Confirmation hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjournment made at the Confirmation hearing. At the Confirmation hearing, the Bankruptcy Court will (i) hear and determine any objections to Confirmation of the Plan; (ii) determine whether the Plan meets the requirements of the Bankruptcy Code and has been proposed in good faith; and (iii) confirm or refuse to confirm the Plan.

**E. Statutory Requirements for Confirmation of the Plan**

At the confirmation hearing, the Debtor will request that the Bankruptcy Court determine that the Plan satisfies the requirements of Section 1129 of the Bankruptcy Code. If so, the

Bankruptcy Court shall enter an order confirming the Plan. The applicable requirements of Section 1129 of the Bankruptcy Code are as follows:

- (a) The Plan must comply with the applicable provisions of the Bankruptcy Code;
- (b) The Debtor must have complied with the applicable provisions of the Bankruptcy Code;
- (c) The Plan has been proposed in good faith and not by any means forbidden by law;
- (d) Any payment made or promised to be made by the Debtor under the Plan for services or for costs and expenses in, or in connection with, the chapter 11 case, or in connection with the Plan and incident to the chapter 11 case, has been disclosed to the Bankruptcy Court, and any such payment made before Confirmation of the Plan is reasonable, or if such payment is to be fixed after Confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;
- (e) The Debtor has disclosed the identity and affiliation of any individual proposed to serve, after Confirmation of the Plan, as a director, officer, or voting trustee of the Debtor under the Plan. Moreover, the appointment to, or continuance in, such office of such individual, is consistent with the interests of holders of Claims and Interests and with public policy. Since the Plan contemplates a liquidation of the Debtor's Property, the Debtor does not and will not operate or generate income, there shall be no post-Confirmation compensation by the Debtor to the Debtor's existing management.

(f) Feasibility and "Best Interest" Tests: The Bankruptcy Code requires that in order to confirm the Plan, the Bankruptcy Court must find that confirmation of the Plan is not likely to

be followed by liquidation or the need for further financial reorganization of the Debtor (the “Feasibility Test”).

For a plan to meet the Feasibility Test, the Bankruptcy Court must find that the Debtor will possess the resources to meet its obligations under the Plan. Since the Plan contemplates a liquidation of the Debtor’s assets, Confirmation of the Plan is not likely to be followed by the need for further financial reorganization of the Debtor or any successor to the Debtor under the Plan. Until such time as the assets of the Debtor are fully liquidated, the Debtor has ample reserves to ensure that there is sufficient cash on hand to satisfy the basic and critical expenses of the Debtor.

In addition, the Bankruptcy Court must determine that the values of the distributions to be made under the Plan to each Class will equal or exceed the values which would be allocated to such Class in a liquidation under Chapter 7 of the Bankruptcy Code (the “Best Interest Test”). The Best Interest Test with respect to each impaired Class requires that each holder of a Claim or Interest in such Class either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code. Because the Debtor has proposed a liquidating Plan which distributes all proceeds thereof to holders of Allowed Claims in order of priority, no scenario exists, including but not limited to Chapter 7 liquidation, under which the creditors would be entitled to receive a distribution greater than that which the Debtor has proposed in its Plan. In fact, were the Debtor’s assets liquidated in a Chapter 7 case, the creditors of the estate would stand to receive far less as the Administrative costs associated with such a case would be significantly higher.



The Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, including the “best interest” and feasibility requirements. The Plan is “fair and equitable” and “does not discriminate unfairly”. The Plan complies with all other requirements of Chapter 11 of the Bankruptcy Code and the Plan has been proposed in good faith.

**F. Objections to Confirmation.** Objections to confirmation must be in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim held by the objector. Any such objection must be filed with the Bankruptcy Court and served upon the following, with a copy to the Court’s chambers, so that it is received by them on or before 4:00 P.M. on the date set forth in the Court Order which accompanies this Disclosure Statement:

DelBello Donnellan Weingarten Wise & Wiederkehr, LLP  
Attorneys for the Debtor  
One North Lexington Avenue  
White Plains, New York 10601  
Attn: Erica Feynman Aisner, Esq.

Objections to confirmation of the Plan are governed by Federal Rule of Bankruptcy Procedure 9014.

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

If the Plan is not confirmed and consummated, the alternatives include: (i) preparation and presentation of an alternative plan of reorganization; (ii) liquidation of the Debtor under Chapter 7 of the Bankruptcy Code; or (iii) dismissal of the Chapter 11 case, which would result in all creditor claims and rights of collection and enforcement being restored in full.

## **VII. POST-CONFIRMATION**

The Debtor shall be responsible for filing post-Confirmation reports with the Bankruptcy Court and shall pay all quarterly fees required under 28 U.S.C. § 1930 and 31 U.S.C. §3717, on behalf of the Debtor, until the earlier of (a) conversion or dismissal of this chapter 11 case or (b) entry of a final decree closing this chapter 11 case. The Debtor will continue to be managed by Guy Morris, its Managing Member who will receive no compensation for his services.

## **VIII. TAX CONSEQUENCES**

**A. Tax Consequences of Confirmation.** Confirmation may have federal income tax consequences for the Debtor and holders of Claims and Interests. The Debtor has not obtained and does not intend to request a ruling from the Internal Revenue Service (the "IRS"), nor has the Debtor 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. The Debtor, creditors and holders of Interests are urged to consult their own counsel and tax advisors as to the 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 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 this Plan.

**B. Tax Consequences to the Debtor.** The Debtor 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; (ii) general business credits; (iii) capital loss carryovers; (iv) basis in assets; (v) passive activity loss and credit carryovers; and (vi) foreign tax credit carryovers.

**IX. NOTICES**

All notices and correspondence should be forwarded in writing to:

56 WALKER LLC  
56 Walker Street  
New York, NY 10013  
Attn: Guy Morris

with a copy to:

DelBello Donnellan Weingarten Wise & Wiederkehr, LLP  
One North Lexington Avenue  
White Plains, New York 10601  
Attn: Jonathan S. Pasternak, Esq.  
Erica Feynman Aisner, Esq.

**X. RECOMMENDATION**

The Debtor believes that Confirmation of the Plan is preferable to any of the alternatives described above. The Plan will provide greater recoveries than those available in liquidation to all holders of Claims. Any other alternative would cause significant delay and uncertainty, as well as substantial additional administrative costs.

Dated: New York, New York  
September 18, 2013

56 WALKER LLC

By: /s/ Guy Morris  
Guy Morris, Managing Member

DELBELLO DONNELLAN WEINGARTEN  
WISE & WIEDERKEHR, LLP  
*Attorneys for the Debtor*

By: /s/ Jonathan S. Pasternak  
Jonathan S. Pasternak  
One North Lexington Avenue, 11<sup>th</sup> Floor  
White Plains, New York 10601  
(914) 681-0200