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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.**

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

56 WALKER LLC,

Chapter 11
Case No. 13-11571 (ALG)

Debtor.

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FIRST AMENDED DISCLOSURE STATEMENT

56 Walker LLC (the “Debtor”) submits this First Amended 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 Second Amended Liquidating Chapter 11 Plan, dated December 9, 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 December ____, 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 December ____, 2013 and (c) scheduling a hearing on Confirmation of the Plan for January ____, 2014 at 11:00 a.m.

Under Section 1126(b) of the Bankruptcy Code, only Classes¹ 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, Classes 1, 2, 3 and 4 are impaired and are therefore entitled to vote to accept or reject the Plan.

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

¹ Capitalized terms not defined herein have the same meaning ascribed to them in the Plan.
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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 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. It is the Debtor's contention that what followed was a joint venture construction loan from Wexford/ HPC Capital, LLC and its partners, Wexford/ HPC Mortgage Fund, LP and Broadway Bank of Chicago, in September 2007 in the amount of \$11.3 million – which was only funded in the amount of \$8.75 million dollars. MB Financial takes a contrary position in that no joint venture existed between the lending parties and this position was also held by the New York State Supreme Court in its Decision and Order, dated April 22, 2013, granting MB Financial summary judgment (the "Decision") in connection with MB Financial's State Court foreclosure action. The Decision and Order is currently the subject of a pending appeal before the New York State Appellate Division.

Following the September 2007 loan transaction, the Debtor received from Wexford/HPC only a portion of the construction funds, to wit the first \$750,000 and not the second and third promised loans which were to total an additional \$1,175,000 and \$1,323,000. In August 2008, Wexford/ HPC was seized by the government, 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 Wexford/ HPC had been insolvent and

operated a criminal enterprise dating back to its founding in 2004. The SEC also determined that the Debtor had been a “non-investor victim” of the Ponzi Scheme by entering into the Wextrust-Wexford/ HPC- Broadway Bank mortgage loan scam. The Debtor never received the second and third promised advances under the loan facility from Wexford/ HPC, which forms the basis, in part, for certain counter-claims and claims for setoff and lender liability that have been or may be asserted by the Debtors.

Following the seizure of Wexford/ HPC by the U.S. Government, Broadway Bank was seized by Illinois state banking regulators and placed into an FDIC receivership. Certain of the Broadway Bank assets, allegedly including the 56 Walker mortgage and note, were sold to MB Financial, 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 MB Financial which even resulted in a proposed settlement. However, disputes arose with respect to the negotiated settlements and ultimately the Court denied approval thereof. 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 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 (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 7, 2013 was established as the last date by which creditors (other than governmental units) may file proofs of claim in the Chapter 11 case and November 12, 2013 (together, the "Bar Dates") was established as the last date by which governmental units may file proofs of claim in the Chapter 11 case, and subsequently notice of the Bar Dates 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.

By an Order of the Bankruptcy Court, dated May 31, 2013, the Receiver was authorized to remain in possession of the Property, subject to certain limitations set forth therein, and was therefore excused from compliance with section 543(a) and (b) of the Bankruptcy Code.

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 recently filed an objection to MB Financial's secured claim, which MB Financial has filed a preliminary response thereto. The Debtor has also recently challenged the Wextrust Receiver's request to file a late Claim. While the Debtor remains hopeful that it will be able to negotiate a resolution with MB Financial and the Wextrust Receiver 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, potentially, 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 \$18 million dollars which is an amount sufficient to satisfy all Allowed Administrative, Priority and Secured Claims based upon the Debtor's estimates of Allowed Claims, with a potentially significant, if not 100%, distribution to unsecured creditors and a return to equity. However, depending on the amount of Allowed Claims, as finally determined by the Bankruptcy Court or as agreed by the Debtor and its creditors, the net proceeds of sale of the Property may not be sufficient to satisfy all Allowed Claims in full.

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, certain Administrative Claims, as described more fully as the Distribution Fund (Sec. 1.14 of the Plan), and (b) all remaining cash, if any, on hand at the time of distribution.

B. **Means for Implementation –Sale.** The Debtor has obtained approval of the sale of the Property, notice of the Auction and bidding procedures for such Auction, which was followed by a marketing period. Unfortunately no qualified bids were received and on December 12, 2013 the Debtor intends to seek approval of the Sale to the Purchaser as the Successful Bidder and confirmation of its Plan shortly thereafter, which contemplates a Closing on the sale of the Property contemporaneous with the occurrence of the 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 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, provided that all such Liens and Claims shall attach to the proceeds of sale of the Property in the same order of priority and to the same extent and shall have the same validity as such Liens and Claims presently have with respect to the Property.

C. Tax Exemption. The Plan expressly contemplates Closing on the sale of the Property after the Confirmation Date and contemporaneously with the Effective Date. The 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 party 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 Effective 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 notice of occurrence of the Confirmation Date.

The only such agreement is the unexpired long term lease agreement between the Debtor and INN World Report (“INN”) for a portion of the Property. The Debtor has been diligently negotiating with INN in order to ensure the vacatur of the Property by INN in advance of the sale

of the Property such that the Debtor is able to convey the Property vacant as contracted. The lease provides that Guy Morris, the Debtor's principal, does have the authority to terminate the lease, however, such right does not in any way prohibit or limit INN's right to assert damages from such termination. Initially INN indicated that it intended to file a \$3.9 million rejection damage claim which allegedly was calculated using the differential between the current rent being paid by INN for the leased space and the market rate for comparable space discounted to present value. The Debtor is optimistic that it will be able to negotiate the peaceful surrender of the leased premises in exchange for a substantially lower rejection damage Claim which it estimates at approximately \$1.2 million.

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 and any other monies which may be advanced by MB Financial to preserve and protect the Property including any fees of the Receiver or his professionals, all of which may be included in MB Financial's Secured Claim, to the extent Allowed. However, to the extent that any other such Claims should exist, they shall be paid from the proceeds of sale on the Effective Date or as soon as is practicable thereafter.

2. Allowed Administrative Claims of Professionals: Allowed Administrative Claims of Professionals shall be paid, in full, in cash, from the Distribution Fund (or to the extent necessary, the Post-Confirmation Date Reserve) upon the later of (i) allowance by the Court pursuant to Section 330 of the Bankruptcy Code, and absent an agreement with the Class 1 Secured Creditor, 11 U.S.C. §506(c), or (ii) the Effective 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 \$200,000 through the Effective Date, and the Broker, whose commission upon sale, assuming the current purchase price, shall be \$1.08 million.

For the avoidance of doubt, the commission due to Broker, as set forth in the Order approving Broker's retention, is 6% of the gross sale price if the buyer is represented by a broker/agent, which commission shall be split by Broker with the buyer's broker/agent, 5% if the sale is the result of efforts of only Broker with no buyer-side broker/agent and 3% in the event of a sale which is the result of an auction where the buyer has no broker representation.

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 through the Effective Date shall be payable by the Effective Date, or as soon as is practicable thereafter. Thereafter, such fees shall be paid in full, in cash, in such amount as incurred in the ordinary course of business by the Debtor from the Post-Confirmation Date Reserve. 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. These fees are anticipated to be approximately \$12,000.

4. Receiver's Fees and Expenses: All fees and expenses of the Receiver and his professionals, to the extent unpaid, shall be treated as an Administrative Claim and be paid in full, in cash by the Debtor upon the later of (i) entry of an order of the State Court approving such fees and expenses or (ii) the Effective Date, provided that to the extent the fees and expenses of the Receiver and his professionals have previously been approved by the State Court and paid

from funds advanced by MB Financial, such fees and expenses shall be included in the Allowed Class 1 Claim.

4. Allowed Priority Claims: The Debtor shall pay, in full and in cash, Allowed Priority Claims (entitled to Priority pursuant to Section 507(a)(3)-(8) of the Bankruptcy Code) on the Effective Date or as soon as is practicable thereafter. Such Claims shall include, but not be limited to, the Claims of the City of New York for real estate taxes, water and sewer charges and violations of any kind. The Debtor anticipates these Claims to be approximately \$25,000.

G. Treatment of Classes

Class 1: The Allowed Secured Claim of MB Financial, if any, shall be paid in full in cash to the extent Allowed, on the Effective Date. The Allowed Class 1 Secured Claim, if any, shall accrue interest and reasonable attorneys' fees and costs, from the Petition Date through the date of final payment of the Allowed Class 1 Secured Claim under the Plan at the applicable rate of interest pursuant to its loan documents with the Debtor to the extent that the Distribution Fund is in excess of the Allowed Class 1 Claim (as of the Petition Date). In the event that the Allowed Class 1 Secured Claim (as of the Petition Date) is greater than the Distribution Fund, MB Financial shall not be entitled to post-Petition Date interest and any claim by MB Financial for post-Petition Date legal fees, to the extent allowed, shall be treated as a Class 4 Unsecured Claim. In the event that the Class 1 Secured Claim is not Allowed as of the Effective Date, the Disbursing Agent shall hold the balance of the Distribution Fund in escrow pending the Allowance of the Class 1 Claim by a Final Order.

The Secured Claim of MB Financial has been filed in the approximate amount of \$15 million but continues to increase as a result of interest accruals, legal fees and protective advances during the post-Petition Date period. As of this date, MB Financial now claims to be owed in excess of \$18 million dollars as a result of such continued accruals. The Debtor has filed an objection to the Class 1 Claim but hopes to resolve such objection by Court Order or mutual settlement prior to the Effective Date. The Allowed Class 1 Claim is impaired under this Plan and shall be entitled to vote to accept or reject the Plan.

Class 2: The Allowed Secured Claim of Wexford/ HPC, if any, shall be paid in full to the extent Allowed and to the extent that funds are available from the Distribution Fund after the payment of the Allowed Class 1 Secured Claim, together with any post-Petition Date interest at the applicable contract rate, on the later of (1) the Allowance or dis-Allowance of the Class 1 Claim and (2) the Effective Date. The Allowed Class 2 Claim shall be entitled to post-Petition Date interest only to the extent that the Distribution Fund, after satisfaction of the Allowed Class 1 Secured Claim, exceeds the Allowed Class 2 Claim (as of the Petition Date).

The Debtor disputed the Secured Claim of Wexford/ HPC on its Schedules and Wexford/ HPC failed to file a proof of Claim prior to the deadline to do so. As a result of its failure to file a Claim, Wexford/ HPC at the present time, has no Allowed Claim, is not permitted to receive any distribution under the Debtor's Plan and may not vote to accept or reject the Plan. Furthermore, the Debtor takes the position that any Claim that Wexford/ HPC would assert, were it permitted, should be \$0 as a result of the Debtor's significant lender liability claims against Wexford/ HPC. Should the Court determine that Wexford/ HPC is permitted to file a late Claim and then determines that it holds an Allowed Class 2 Secured Claim, the Debtor anticipates that Wexford/

HPC would assert a Claim in the approximate amount of \$1,500,000 and, in the event such Claim were Allowed, it would be impaired under this Plan and entitled to vote to accept or reject the Plan.

Class 3: The Allowed Secured Claims of the holders of liens, including holders of valid unexpired Mechanics' Liens and judgment liens, other than those set forth in Classes 1 and 2, shall be paid in full on the later of, (a) the Allowance or dis-Allowance of the Class 1 and 2 Claims or (b) the Effective Date, to the extent that funds are available for the payment thereof after satisfaction of Allowed Class 1 and 2 Secured Claims. Each holder of an Allowed Class 3 Claim shall be deemed to be a member of its own subclass within Class 3, in the order of priority of its underlying lien against the Property, and shall be entitled to distribution based upon such priority. 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. However, post-Petition Date interest shall accrue only to the extent that the Distribution Fund, after satisfaction of the allowed Class 1 and 2 Claims, exceeds the Allowed Class 3 Claims (as of the Petition Date).

In the event that it appears the Distribution Fund will not be sufficient to satisfy some but not all Allowed Class 3 Claims in full with post-Petition Date interest, the Debtor shall serve notice on all holders of Allowed Class 3 Claims, which notice shall indicate the priority of such Claims and the basis therefore. The holders of Allowed Class 3 Claims shall have seven (7) days within which to file a written objection to the proposed distribution priority which objection shall state with specificity the legal and factual basis for the objection with all supporting documentation to be submitted therewith. In the event that such an objection is received, a

hearing shall be noticed by the Debtor, to be held before the Bankruptcy Court, in order to adjudicate the matter. Until such time as the dispute is resolved by a Final Order, or the parties agree otherwise, the balance of the Distribution Fund, after the payment of all unclassified and senior classified Claims, shall be held in escrow by the Disbursing Agent.

The Debtor estimates that the total amount of Claims in Class 3 is approximately \$1,000,000.

The Allowed Class 3 Claims are impaired and shall 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 Claims plus post-Petition Date interest at the federal judgment rate, as soon as is practicable after Allowance of and payment in full of all Class 1, 2 and 3 Allowed Claims, Allowed Administrative Priority Claims and Unclassified Claims.

The Class 4 Claims total approximately \$4.88 million dollars (which includes an anticipated compromised rejected damage claim (not yet filed) of INN World Report in the estimated compromised amount of \$1.2 million and a Disputed \$1.78 million dollar Class 4 Claim asserted by creditor J.P. Lombardi Architects). It should be noted that the Debtor cannot guarantee the amount of distribution to holders of Allowed Class 5 Claims as such distribution, if any, depends on (1) the amount of the Allowed Classes 1, 2 and 3 Claims which have not yet been determined and (2) the results of the Auction. It is possible that holders of Allowed Class 4 Claims could receive nothing on account of their Claims or they could receive 100% on account of their Claims, with interest.

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, held by Guy Morris (currently an individual Chapter 11 debtor and debtor-in-possession in a bankruptcy case pending in Colorado Bankruptcy Court (Case No. 13-11238)) shall receive, on behalf his Chapter 11 estate, the remaining proceeds of the Distribution Fund, if any, after the payment of all classified and unclassified Allowed Claims. The Class 6 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 Effective Date, 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. The foregoing notwithstanding, MB Financial shall be permitted to amend its Class 1 Claim to include such amounts which may have been unliquidated and/ or contingent as of the date of the filing of the Claim until such time as the Class 1 Claim is Allowed and paid in full.

(b) Reserve for Disputed Claims. In the event that a Disputed Claim is not resolved by the Effective Date and the Disbursing Agent decides, in its discretion, to effectuate

distributions to holders of Allowed Claims in the same or junior Classes to the Disputed Claim, the Disbursing Agent shall, to the extent that sufficient funds are available in the Distribution Fund, 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. It should be noted that the Disbursing Agent will not be able to effectuate any distributions to Classes 2 through 4 unless and until the Class 1 Secured Claim is Allowed as the ultimate amount of such Claim directly impacts the amount of distribution, if any, to the remaining creditors of the estate. Moreover, as a result of the nature of the Debtor's objection to the Class 1 Claim, the Debtor does not believe it is possible to effectuate a partial payment of any undisputed portion of the Class 1 Claim. As a result, the entire Class 1 Claim may continue to accrue interest during the Claim Allowance process which unfortunately will have a negative impact on the ultimate distribution to other creditors in this chapter 11 case.

(c) 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

Upon the Confirmation Date, but subject to the occurrence of the Effective 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 respective members, shareholders, 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*

and any related agreement except for bad faith, willful misconduct, gross negligence, breach of fiduciary duty, malpractice, fraud, criminal conduct, unauthorized use of confidential information that causes damages, and/or ultra vires acts. Notwithstanding any other provision hereof, nothing in Sections 8.2 or 8.3 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 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 8.2 or 8.3 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 this 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 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, or (b) 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 or (c) effect a release of any claim of MB Financial, including, without limitation, any claim arising out of or under any obligation of Guy Morris to MB Financial, including, without limitation, with respect to the Debtor's obligation to MB Financial nor shall anything in Sections 8.2 or 8.3 of the Plan enjoin MB

Financial from bringing any claim, suit or action or other proceeding against Guy Morris under or arising out of such obligation.

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 although it previously indicated that it intended 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), more recent negotiations leave the Debtor optimistic that a reasonable compromise can be achieved between the parties.

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, after the payment of the Allowed Class 1 Secured Claim in full or as otherwise agreed by the Class 1 Secured Creditor, 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.

B. 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, Classes 1 through 4 are impaired under the Plan, and accordingly, holders of Allowed Claims in such Classes shall be 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 through 4 have 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 December _____, 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 5 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.”

In order for the Plan to be confirmed over the objection of a dissenting secured creditor, the Plan must provide that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property. See 11 U.S.C. §1129(b)(2)(A).

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. Moreover, on the Effective Date, the Debtor will have sufficient funds on hand to fund the Plan.

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: White Plains, New York
December 9, 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, 11th Floor
White Plains, New York 10601
(914) 681-0200