

Ted A. Berkowitz
Louis A. Scarcella
Robert C. Yan
FARRELL FRITZ, P.C.
1320 RXR Plaza
Uniondale, New York 11556-1320
Tel: (516) 227-0700
Fax: (516) 227-0777

*Attorneys for the Debtor
and Debtor in Possession*

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

-----X	
In re:	:
	:
ALROSE KING DAVID LLC,	:
	:
	:
Debtor.	:
-----X	

Case No. 11-75361 (DTE)
Chapter 11

**FIRST AMENDED DISCLOSURE STATEMENT PURSUANT TO
11 U.S.C. § 1125 FOR THE SECOND AMENDED CHAPTER 11 PLAN OF
REORGANIZATION OF ALROSE KING DAVID LLC**

**THIS IS NOT A SOLICITATION OF ACCEPTANCES OR
REJECTIONS 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 BANKRUPTCY COURT.**

Dated: February 15, 2012

I. DISCLAIMERS

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. THIS DISCLOSURE STATEMENT AND THE PLAN SHOULD BE READ IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED FOR PURPOSES OF PROVIDING INFORMATION OF A KIND, AND IN SUFFICIENT DETAIL, TO ENABLE HOLDERS OF CLAIMS AND MEMBERSHIP INTERESTS TO MAKE AN INFORMED JUDGMENT IN VOTING TO ACCEPT OR REJECT THE PLAN.

THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN. WHILE THE DEBTOR BELIEVES THE SUMMARIES CONTAINED HEREIN ARE ACCURATE, SUCH SUMMARIES DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO, AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS ANNEXED TO THE PLAN. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN SHALL GOVERN AND CONTROL.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO STATEMENTS OR INFORMATION CONCERNING THE PLAN ARE AUTHORIZED, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

THE STATEMENTS AND FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAVE BEEN MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. CERTAIN STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING CERTAIN FINANCIAL INFORMATION, ARE BASED ON ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCES THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES AND SUCH STATEMENTS SHOULD NOT BE REGARDED AS REPRESENTATIONS BY THE DEBTOR, ITS ADVISORS OR ANY OTHER PERSON THAT FINANCIAL PROJECTIONS OR OTHER FORWARD-LOOKING STATEMENTS WILL ACTUALLY OCCUR.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(b) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH OTHER NON-BANKRUPTCY LAWS. THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION.

WITH RESPECT TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER PENDING OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT AND THE INFORMATION CONTAINED HEREIN SHALL NOT BE CONSTRUED AS AN ADMISSION, STIPULATION OR WAIVER, BUT RATHER AS COMMUNICATIONS MADE IN FURTHERANCE OF SETTLEMENT NEGOTIATIONS PURSUANT TO RULE 408 OF THE FEDERAL RULES OF EVIDENCE.

II. INTRODUCTION

Alrose King David, the debtor and debtor in possession (the “Debtor”)¹, submits this disclosure statement (the “Disclosure Statement”) pursuant to section 1125 of Title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”), in connection with the First Amended Chapter 11 Plan of Reorganization of Alrose King David LLC, dated as of January 30, 2012 (the “Plan”), attached hereto as Exhibit “A”. The purpose of this Disclosure Statement is to provide Holders of Claims and Membership Interests with adequate information to enable such holders who are impaired and entitled to vote under the Plan to make an informed judgment as to whether to vote to accept or reject the Plan.

On July 28, 2011 (the “Petition Date”), the Debtor voluntarily filed a petition for relief under chapter 11 of the Bankruptcy Code. No trustee or examiner has been appointed in this Case and the Debtor continues to operate its business and manage its property as debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On October 3, 2011, the Office of the United States Trustee for this District (the “U.S. Trustee”) appointed members of the Official Committee of Unsecured Creditors (the “Committee”).

This Disclosure Statement contains information regarding the Plan in accordance with section 1125 of the Bankruptcy Code. The purpose of this Disclosure Statement is to provide Holders of Claims and Membership Interests with adequate information to enable you to make an informed judgment about the Plan.

On _____, after notice and a hearing, the Court entered an order approving, among other things, this Disclosure Statement as containing “adequate information” in accordance with section 1125 of the Bankruptcy Code, and certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan (the “Disclosure Statement Order”). “Adequate information” is defined in section 1125 as

information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor’s books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan. . . .

APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE COURT AS TO THE FAIRNESS OR THE MERITS OF THE PLAN.

THE DEBTOR BELIEVES THE PLAN WILL MAXIMIZE THE RECOVERY FOR THE DEBTOR’S ESTATE AND ITS CREDITORS, AND IS IN THE BEST INTERESTS OF THE DEBTOR AND ITS CREDITORS. THE DEBTOR URGES ALL HOLDERS OF CLAIMS AND MEMBERSHIP INTERESTS, WHO ARE ENTITLED TO VOTE ON THE PLAN, TO VOTE TO ACCEPT THE PLAN.

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Plan.

A. Disclosure Statement Enclosures

Attached as Exhibits to this Disclosure Statement are copies of the following:

- the Plan, attached hereto as Exhibit “A”
- Profit & Loss Statements of Allegria for the period January 1, 2012 through December 31, 2014, attached hereto as Exhibit “B”

B. Summary of Classification and Treatment under the Plan

In accordance with the Bankruptcy Code, Claims against and Membership Interests in the Debtor are divided into Classes under the Plan, with each Class receiving the treatment described in the table below. The table also identifies which Classes are entitled to vote on the Plan and the estimated recovery. A more detailed description of the Plan is set forth in Article V of this Disclosure Statement.

Class	Description	Treatment	Entitled to Vote	Estimated Recovery
--	Administrative Claims	Subject to the Plan Administrative Claims Bar Date, and except to the extent the Debtor or the Reorganized Debtor, as applicable, and the Holder of an Allowed Administrative Claim agree to different and less favorable treatment of such Allowed Claim, the Reorganized Debtor shall pay, in full satisfaction, release and discharge of, and in exchange for their respective Allowed Administrative Claim, to the Holder of an Allowed Administrative Claim (other than Professional Fee Claim of professionals retained by the Committee), the Allowed Amount thereof, in Cash upon the date such claim becomes an Allowed Claim. Administrative Claims incurred by the Debtor in the ordinary course of business may be paid in the ordinary course of business in accordance with such applicable terms and conditions relating thereto in the discretion of the Debtor or the Reorganized Debtor, as applicable, without further notice to or order of the Bankruptcy Court.	No	100%
--	Priority Tax Claims	Except to the extent that a Holder of an Allowed Priority Tax Claim and the Debtor or the Reorganized Debtor, as applicable, agree to different and less favorable treatment, the Reorganized Debtor shall pay, in full satisfaction, release and discharge of, and in exchange for its respective Allowed Priority Tax Claim, to the Holder of an Allowed	No	100%

		Priority Tax Claim the Allowed Amount thereof in Cash upon the date such claim becomes an Allowed Claim. Any Claim or demand for a penalty relating to any Priority Tax Claim (other than a penalty of the type specified in section 507(a)(8)(G) of the Bankruptcy Code) shall be Disallowed, and the Holder of an Allowed Priority Tax Claim shall not assess or attempt to collect such penalty from the Debtor's Estate or any of the Estate Assets; <u>provided, however</u> , that the foregoing provision shall not apply to the United States Internal Revenue Service.		
--	Professional Fee Claims	Except for the Allowed Professional Fee Claim of Farrell Fritz, P.C., Allowed Professional Fee Claims shall be paid by the Plan Administrator in Cash in the Allowed Amount thereof from the GUC Distribution Fund upon the date upon which the Bankruptcy Court enters a Final Order allowing such Allowed Professional Fee Claim, unless such Holder shall agree to different and less favorable treatment of such Allowed Claim. The Allowed Professional Fee Claim of Farrell Fritz, P.C. shall be paid by the Reorganized Debtor in accordance with terms the Reorganized Debtor and Farrell Fritz, P.C. may agree to.	No	100%
1	Real Property Tax Claims	Except to the extent that Holders of Real Property Tax Claims and the Debtor or the Reorganized Debtor, as applicable, agree to different and less favorable treatment, in full satisfaction, release and discharge of, and in exchange for their respective Allowed Real Property Tax Claim, each Holder of an Allowed Real Property Tax Claim shall receive Cash on the Effective Date in an amount equal to such Allowed Real Property Tax Claim from the Real Property Tax Fund plus contributions from Allegría or the Reorganized Debtor for amounts attributable to any water charges and real estate taxes affecting the Property accruing and unpaid from January 1, 2012 through the Effective Date. Any Claim or demand for a penalty relating to the Real Property Tax Claim (other than a penalty of the type specified in section 507(a)(8)(G) of the Bankruptcy Code) shall be Disallowed, and Holders of Real Property	No	100%

		Tax Claims shall not assess or attempt to collect such penalty from the Debtor's Estate or any of the Estate Assets or from the Reorganized Debtor or any of its property; <u>provided, however,</u> that the foregoing provision shall not apply to the United States Internal Revenue Service.		
2	Priority Non-Tax Claims	Except to the extent that a Holder of an Allowed Priority Non-Tax Claim and the Debtor or the Reorganized Debtor, as applicable, agree to different and less favorable treatment, in full satisfaction, release and discharge of, and in exchange for its Allowed Priority Non-Tax Claim, each Holder of an Allowed Priority Non-Tax Claim shall receive Cash on the Effective Date in an amount equal to such Allowed Priority Non-Tax Claim.	No	100%
3	BFSB Secured Claim	The BFSB Secured Claim is Allowed in the amount of \$38,212,800.61, without avoidance, setoff, subordination, any defenses, counterclaims, or any other reduction of any kind. On the Effective Date, in full satisfaction, release and discharge of, and in exchange for, the Allowed BFSB Secured Claim, the Holder of the Allowed BFSB Secured Claim shall receive (1) the Note, (2) the Mortgage, and (3) each of the other Restructure Closing Documents.	Yes	100%
4	Other Secured Claims	On the Effective Date, or as soon thereafter as is practicable, each Holder of an Allowed Other Secured Claim shall receive, in full satisfaction, release and discharge of, and in exchange for, such Allowed Other Secured Claim, one of the following treatments: (1) reinstatement of any such Allowed Other Secured Claim pursuant to section 1124 of the Bankruptcy Code; (2) the payment by the Reorganized Debtor of such Holder's Allowed Other Secured Claim in full in Cash; (3) the surrender by the Reorganized Debtor to the Holder or Holders of any Allowed Other Secured Claim of the property securing such Claim; or (4) such other distributions as shall be necessary to satisfy the requirements of chapter 11 of the Bankruptcy Code. In no event shall the Holder of any Allowed Other Secured Claim receive more than the value of the Collateral securing such Claim.	No	100%

5	General Unsecured Claims	After reserving in full for all Disputed Claims, and the payment of all Allowed Professional Fee Claims (other than the Allowed Professional Fee Claims of Farrell Fritz, P.C.) and the reasonable fees and expenses incurred by the Plan Administrator, and any professional Persons retained by the Plan Administrator on and after the Effective Date, each in accordance with the Plan, each Holder of an Allowed General Unsecured Claim, other than the Holder of the BFSB Deficiency Claim, shall receive, in full satisfaction, release and discharge of, and in exchange for its claims, its Pro Rata share of proceeds from the GUC Distribution Fund, funded and payable in the following manner: (1) \$400,000 shall be funded and payable on the Effective Date of the Plan; (2) \$83,333.33 shall be funded and payable on the fifteenth (15 th) day of the first (1 st) calendar month following the Effective Date and on the fifteenth (15 th) day of each of the eleven (11) calendar months thereafter; (3) \$83,333.33, plus an additional \$250,000, shall be funded and payable on the fifteenth (15 th) day of the thirteenth (13 th) month following the Effective Date of the Plan; (4) \$83,333.33 shall be funded and payable on the fifteenth (15 th) day of the fourteenth (14 th) and fifteenth (15 th) months following the Effective Date of the Plan; and (5) \$100,000 shall be funded and payable on the fifteenth (15 th) day of the sixteenth (16 th) month following the Effective Date of the Plan. In no event shall any Holder of an Allowed General Unsecured Claim be entitled to receive more than 100% of the Allowed Amount of their respective Claim thereof.	Yes	At least 13% to 22%
6	Insider Unsecured Claims	Holders of Allowed Insider Unsecured Claims, including, but not limited to, the Allowed Claims of Allen Rosenberg in this Case, shall receive no distribution under the Plan until all Holders of Allowed General Unsecured Claims have received their full distribution as provided the Plan.	Yes	0%
7	Membership Interests	In consideration for their contributions to the Plan, including payment of the Real Property Tax Claims and the funds in the amount of \$2,400,000 to be paid on the Closing Date to	No	Retention of Membership Interests

		BFSB, the Holders of the Membership Interests shall retain such Membership Interests.		
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C. Voting and Confirmation Procedures

1. Who May Vote on the Plan

Under the Bankruptcy Code, only classes of claims or interests that are “impaired” are entitled to vote to accept or reject a chapter 11 plan. Section 1124 of the Bankruptcy Code sets forth the parameters to determine whether a class of claims or interests is impaired. In general, a class is impaired under a chapter 11 plan if the legal, equitable or contractual rights of holders of claims or interests of that class are altered.

A class of claims or interests that is unimpaired under the chapter 11 plan is deemed to have accepted such plan and is not entitled to vote. A class of claims or interests is deemed to have rejected a chapter 11 plan if the holders of claims or interests in an impaired class do not receive or retain any property under the chapter 11 plan on account of such claims or interests, and is not entitled to vote.

Under the Plan, Holders of Claims in Classes 3, 5, and 6 are impaired and are entitled to vote on the Plan. Holders of Claims in Classes 1, 2, 4 and 7 are unimpaired under the Plan and Classes 1, 2, 4 and 7 are deemed to have accepted the Plan and are not entitled to vote.

2. Voting Procedures

Pursuant to the Disclosure Statement Order, the Court has established _____ (the “Voting Record Date”) as the record date for Holder of Claims and Membership Interests entitled to vote on the Plan. Only Holders of record as of the Voting Record Date who are entitled to vote on the Plan will receive a Ballot for voting purposes.

Holders of Claims entitled to vote to accept or reject the Plan will receive a Ballot for the purpose of voting on the Plan. All votes to accept or reject the Plan must be cast by using the form of Ballot provided and comply with the instructions contained on the Ballot. Holders of Claims in more than one Class that are entitled to vote will receive separate Ballots that must be used for each separate Class of Claims.

To be counted, the original signed Ballot must be received on or before _____ (prevailing Eastern Time) (the “Voting Deadline”) at the following address using the enclosed envelope, or by mail, courier or hand delivery to:

Alrose King David LLC
c/o Farrell Fritz, P.C.
1320 RXR Plaza
Uniondale, New York 11556-1320
Tel: (516) 227-0700

ANY BALLOT WHICH (I) IS NOT RECEIVED ON OR BEFORE THE VOTING DEADLINE, (II) NOT EXECUTED, (III) THE HOLDER OF A CLAIM OR MEMBERSHIP INTEREST CASTING THE BALLOT DOES NOT INDICATE EITHER AN ACCEPTANCE OR

REJECTION OF THE PLAN, (IV) THE HOLDER OF A CLAIM OR MEMBERSHIP INTEREST CASTING THE BALLOT INDICATES BOTH AN ACCEPTANCE AND REJECTION OF THE PLAN, (V) IS SENT BY ELECTRONIC MAIL OR FACSIMILE, OR (VI) IS NOT OTHERWISE IN COMPLIANCE WITH THE INSTRUCTIONS CONTAINED ON THE BALLOT, SHALL NOT BE COUNTED.

III. BACKGROUND

A. Debtor's Business and Management

The Debtor is a limited liability company formed under the laws of the State of New York in or about May 2007. The Debtor consists of two members: (1) Allen Rosenberg with a 75% interest and (2) SG Broadway LLC with a 25% interest. Sol Green is the sole member of SG Broadway LLC. The Debtor maintains its principal place of business at 30 East 39th Street, New York, New York. The Debtor does not have any employees.

Allen Rosenberg serves as the Managing Member of the Debtor, and has held that position since approximately August 2007. As the Managing Member, Allen Rosenberg's responsibilities include the day-to-day management of the Debtor's operation and affairs.

The Debtor is the owner of real property, including the building and improvements thereon, located at 80 W. Broadway, Long Beach, New York (the "Property"). The Property is the Debtor's principal asset. Alrose Allegria LLC ("Allegria"), a non-debtor affiliate of the Debtor, leases the Property from the Debtor pursuant to an Agreement of Lease (the "Allegria Lease"), made as of September 1, 2009. The Allegria Lease expires, by its terms, on August 31, 2058.

At the Property, Allegria (not the Debtor) operates a luxury oceanfront hotel known as the Allegria Hotel. The Allegria Hotel is open year-round and has approximately 140 rooms and suites, as well as six state-of-the-art conference rooms and two 200+ seat ballrooms. The Allegria Hotel has an on-site restaurant, roof-top bar, and fitness center, and provides its guests with a multitude of other amenities. Base rent under the Allegria Lease is \$16,666.67 per month until August 31, 2014, at which point the Allegria Lease provides for an escalation in basic annual rent of 10% every five years until the expiration of the Allegria Lease. In addition to base rent, the Allegria Lease requires Allegria to pay the real property taxes, insurance, utilities (to the extent not obtained directly by Allegria) and the costs and expenses to operate and maintain the Property. As of the Petition Date, the Debtor did not receive the monthly base rent from Allegria due under the Allegria Lease because Allegria was unable to pay such amounts. Nor did Allegria pay certain other expenses that were otherwise required to be paid under the Lease, including utility expenses, real property taxes and water charges. As of the Petition Date, no action has been commenced by the Debtor against Allegria for amounts owed under the Lease. Further discussion regarding the Allegria Lease and the compromise of potential claims against Allegria is set forth below in Section D.9. of Part V of this Disclosure Statement.

Allegria is an affiliate of the Debtor but is not a debtor in this Case or in any other pending bankruptcy case. The bankruptcy attorneys for the Debtor do not represent Allegria in this Case. Allegria is a limited liability company formed under the laws of the State of New York. Allegria consists of two members: (1) Allen Rosenberg with a 75% interest and (2) SG Broadway LLC with a 25% interest. Sol Green is the sole member of SG Broadway LLC. Allen Rosenberg serves as the Managing Member of Allegria.

B. Pre-Petition Debt Structure

The Debtor's pre-petition lender is Brooklyn Federal Savings Bank ("BFSB"). On August 13, 2007, the Property was acquired by the Debtor. The acquisition was financed through a loan from BFSB in an aggregate amount of \$14,955,000, which consisted of (a) an Acquisition Loan Consolidated Secured Promissory Note, dated August 13, 2007, in the original principal amount of \$14,955,000 (the "Consolidated Note"), and (b) an Acquisition Loan Mortgage Consolidation, Extension, Modification and Security Agreement (the "Consolidated Mortgage"), dated August 13, 2007. The Consolidated Note matured, by its terms, on or about September 1, 2010.

The Debtor and BFSB also entered into (a) an Indirect Costs Secured Promissory Note, dated August 13, 2007, in the original principal amount of \$1,545,000 (the "Indirect Costs Note"), and (b) an Indirect Costs Mortgage and Security Agreement (the "Indirect Costs Mortgage"), dated August 13, 2007. The Indirect Costs Note matured, by its terms, on or about September 1, 2010.

The Debtor and BFSB also entered into (a) a Building Loan Note, dated August 13, 2007, in the original principal amount of \$7,500,000 (the "2007 Building Loan Note"), and (b) a Building Loan Mortgage and Security Agreement (the "2007 Building Loan Mortgage"), dated August 13, 2007. The 2007 Building Loan Note matured, by its terms, on or about September 1, 2010.

The Debtor and BFSB also entered into an Assignment of Leases and Rents, dated August 13, 2007, with Allen Rosenberg and Sol Green executing separate guarantees, each dated August 13, 2007 (collectively, the "2007 Guarantees").

The Debtor and BFSB also entered into (a) a Building Loan Note, dated June 26, 2009, in the original principal amount of \$6,225,000 (the "2009 Building Loan Note"), and (b) a Building Loan Mortgage and Security Agreement (the "2009 Building Loan Mortgage"), dated June 26, 2009. Allen Rosenberg and Sol Green executed separate guarantees, each dated June 26, 2009 (collectively, the "2009 Guarantees"). The 2009 Building Loan Note matured, by its terms, on or about September 1, 2010.

C. Events Leading to the Chapter 11 Filing

On or about March 3, 2011, BFSB commenced an action against the Debtor and other defendants in the Supreme Court of the State of New York, County of Nassau, Index No. 4040/2011 (the "BFSB Litigation"). BFSB alleges in its complaint that the Debtor owes the following approximate amounts: (a) \$14,955,000 in principal (plus interest) on the Consolidated Note; (b) \$1,545,000 in principal (plus interest) on the Indirect Costs Note; (c) \$7,500,000 in principal (plus interest) on the 2007 Building Loan Note; and (d) \$5,913,944.73 in principal (plus interest) on the 2009 Building Loan Note (collectively, the "BFSB Existing Mortgage Note"). In the BFSB Litigation, BFSB seeks to foreclose on the Consolidated Mortgage, the Indirect Costs Mortgage, the 2007 Building Loan Mortgage, and the 2009 Building Loan Mortgage (collectively, the "BFSB Existing Mortgage"), and obtain judgments of liability against the guarantors on the 2007 Guarantees and the 2009 Guarantees. The Debtor timely filed and served its answer in the BFSB Litigation.

The Debtor is also a defendant in an action commenced by DCI Design Communications Inc. ("DCI") on or about December 1, 2009 that is pending in the Supreme Court of the State of New York (the "State Court"), County of Nassau, Index No. 09-024080 (the "DCI Litigation"). In the DCI Litigation, DCI seeks to foreclose on a mechanics lien, among other claims, in the alleged amount of \$359,189.80. On or about June 10, 2011, the State Court entered an order appointing Anthony J. Cincotta

as Receiver (the “Receiver”) for the Debtor for the sole purpose of taking charge of the Debtor’s interest in the Property pursuant to the applicable provisions of the Civil Practice Law and Rules and collecting all the rents, issues, revenues, and profits now due and unpaid or to become due Debtor. As of the Petition Date, the Receiver did not take possession, custody or control of the Debtor’s interest in the Property or of the rents, issues, revenues and profits due and unpaid to the Debtor.

The Debtor is also a defendant in a number of other state court actions commenced prior to the Petition Date. A number of mechanics liens and judgment liens were also filed against the Property prior to the Petition Date.

The Debtor filed bankruptcy to restructure its indebtedness to BFSB and to various contractors for goods and services provided to improve the Property.

IV. THE CHAPTER 11 CASE

A. Commencement of the Case

On the Petition Date, the Debtor filed its voluntary petition for relief under chapter 11 of the Bankruptcy Code. The case is pending in the United States Bankruptcy Court for the Eastern District of New York, and has been assigned to the Honorable Dorothy T. Eisenberg. No trustee or examiner has been appointed in this Case. Since the Petition Date, the Debtor has continued to operate its business and manage its property as debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

B. Professionals Employed By the Debtor

By order, dated October 25, 2011, the Debtors were authorized to employ and retain Farrell Fritz, P.C. as its attorneys in this Case.

C. Appointment of the Committee

On October 3, 2011, the U.S. Trustee appointed members of the Committee. The members consist of: (1) East End Builders Group, Inc.; (2) Demonte Plumbing & Heating; and (3) Atelier Lumiere, Inc. By order, dated October 13, 2011, the Committee was authorized to employ and retain LaMonica Herbst & Maniscalco, LLP as its attorneys in this Case.

D. Events During the Case²

1. Motion for Stay Relief and Omnibus Motion for Assorted Other Relief Filed By DCI

DCI served a motion and omnibus motion (collectively, the “DCI Motion”), dated on or about August 6, 2011, (i) to abbreviate and/or vacate the automatic stay, (ii) for the installation of the Receiver, (iii) for the substantive consolidation of the Debtor with its non-debtor affiliate, Allegria, (iv) address alleged fraudulent and preferential transfers and (v) other equitable and required relief. On August 25, 2011, the Debtor timely served an objection to the Motion. DCI served its reply certification, dated August 28, 2011, in response to the Debtor’s objection. By letter filed on or about November 21, 2011,

² Events are placed in approximate chronological order and are not placed in any order of significance.

DCI withdrew the DCI Motion from consideration by the Court.

2. Order Granting ThyssenKrupp Elevator Corp. (“ThyssenKrupp”) Limited Relief from the Automatic Stay

On August 9, 2011, ThyssenKrupp filed a motion (the “ThyssenKrupp Stay Relief Motion”) to modify the automatic stay, pursuant to sections 362(d)(1) and (2) of the Bankruptcy Code, for the limited purpose of dismissing a breach of contract action currently pending in the Supreme Court of the State of New York, County of Nassau, Index No. 25662/2009 (the “ThyssenKrupp Action”) as against the Debtor and continuing the ThyssenKrupp Action solely against non-debtors Allegria, The Alrose Group and East End Builders Group, Inc. On August 25, 2011, the Debtor timely filed a response to the ThyssenKrupp Stay Relief Motion. On September 1, 2011, the Court entered an order granting ThyssenKrupp limited relief from the automatic stay to dismiss the breach of contract action against the Debtor and to allow ThyssenKrupp to continue its prosecution of the ThyssenKrupp Action as against the remaining non-debtor defendants. Notwithstanding the limited relief granted, the provisions of section 362(a) of the Bankruptcy Code, including without limitation those provisions prohibiting any act to collect, assess, or recover a claim that arose before the Petition Date from the Debtor’s estate and/or assets or property of the Debtor were to remain in full force and effect.

3. Stipulation and Order Between the Debtor and BFSB

The Debtor entered into a stipulation with BFSB, dated August 24, 2011, in which the Debtor stipulated to, among other things, that the Property is “Single Asset Real Estate” as defined in section 101(51B) of the Bankruptcy Code, and therefore is subject to the time constraints of section 362(d)(3) for filing a plan in this Case. On September 1, 2011, the Court so-ordered the stipulation.

4. Proof of Claim Bar Date Order

By order, dated September 12, 2011, the Court established October 24, 2011 as the deadline for all persons and entities for filing proofs of claim with the Court for any claims asserted against the Debtors arising prior to the Petition Date. The Court established January 24, 2012 as the deadline for governmental units only, as that term is defined in the Bankruptcy Code, for filing proofs of claim with the Court for any claims asserted against the Debtors arising prior to the Petition Date. As of February 13, 2014, the Claims Register maintained for this Case by the Clerk of the Bankruptcy Court lists 37 proofs of claim filed in the total aggregate amount of \$55,596,366.57, of which \$38,212,800.61 represents the secured claim filed by BFSB, \$8,000,000.00 represents the unsecured claim filed by Allen Rosenberg, who is considered an Insider for purposes of the Plan, and \$9,383,565.96 represents the claims filed by all other creditors. The foregoing has been provided solely for illustrative purposes to provide Holders of Claims a general understanding and estimate of the amount of claims being asserted against the Debtor and its Estate.

5. BFSB Motion to Convert Case to Chapter 7

On October 4, 2011, BFSB filed a motion (the “BFSB Motion to Convert”) for an order to convert the Case to a case under chapter 7 pursuant to section 1112(b) of the Bankruptcy Code. On October 25, 2011, the Debtor timely filed an objection to the BFSB Motion to Convert. On November 18, 2011, the Committee filed a joinder to the BFSB Motion to Convert. In furtherance of and in connection with the Debtor’s efforts to restructure its obligations to BFSB under the BFSB Mortgage Note, the Court entered an order on January 26, 2012 withdrawing the BFSB Motion to Convert without

prejudice to the rights of Investors Bank, as successor by merger to BFSB to file a motion seeking the same or similar relief in the BFSB Motion to Convert.

6. DCI Motion to Appoint Chapter 11 Trustee for Case

DCI served a motion (the "Motion for Chapter 11 Trustee"), dated on or about October 4, 2011, for an order to appoint a chapter 11 trustee for the Case pursuant to section 1104(a) of the Bankruptcy Code. On October 17, 2011, ThyssenKrupp filed a pleading in support of the Motion for Chapter 11 Trustee. On October 25, 2011, the Debtor timely filed an omnibus objection to the Motion for Chapter 11 Trustee and to ThyssenKrupp's pleading in support. The Motion for Chapter 11 Trustee has been adjourned from time to time and is currently scheduled to be heard by the Court on February 9, 2012 at 1:00 p.m.

7. Debtor Motion for Sanctions Against DCI

On October 12, 2011, the Debtor filed a motion (the "Motion for Sanctions") to impose sanctions against DCI and its attorney pursuant to Rule 9011 of the Federal Rules of Bankruptcy Procedure. On or about October 24, 2011, DCI served its opposition to the Motion for Sanctions and its request for attorney fees in connection with opposing the Motion for Sanctions. The Motion for Sanctions has been adjourned from time to time and is currently scheduled to be heard by the Court on February 9, 2012 at 1:00 p.m., although the Debtor anticipates withdrawing the Motion for Sanctions.

8. BFSB Motion for Rule 2004 Examination

On October 13, 2011, BFSB filed a motion (the "Rule 2004 Motion") for an order directing the examination of and production of documents by the Debtor, Allegria, and Allen Rosenberg pursuant to Rule 2004 of the Federal Rules of Bankruptcy Procedure. On October 18, 2011, the Debtor filed an objection to the Rule 2004 Motion. On October 19, 2011, Allegria and Allen Rosenberg filed their joinder to the Debtor's objection to the Rule 2004 Motion. The Rule 2004 Motion has been adjourned from time to time and is currently scheduled to be heard by the Court on February 9, 2012 at 1:00 p.m.

9. U.S. Trustee Motion to Convert Case to Chapter 7 or Dismiss Case and Order to Show Cause

On December 21, 2011, the Court entered an Order to Show Cause (the "Order to Show Cause") for the Debtor to show cause why an order should not be entered to convert the Case, or in the alternative, to dismiss the Case. On December 21, 2011, the U.S. Trustee filed a motion in support of an entry of an order to convert the case, or in the alternative, to dismiss the Case (the "U.S. Trustee Motion to Convert or Dismiss"). On January 4, 2012, the Debtor timely filed an objection to the Order to Show Cause and the U.S. Trustee Motion to Convert or Dismiss. A declaration in opposition to the U.S. Trustee Motion to Convert or Dismiss was also timely filed on January 4, 2012 by counsel for Allegria, Allen Rosenberg, Sol Green and SG Broadway, LLC. On January 20, 2012, DCI filed a joinder to the U.S. Trustee Motion to Convert or Dismiss. The Order to Show Cause and the U.S. Trustee Motion to Convert or Dismiss has been adjourned from time to time and is currently scheduled to be heard by the Court on February 9, 2012 at 1:00 p.m.

10. Debtor and BFSB Enter into Escrow Agreement, Term Sheet and Plan Support Agreement

On January 3, 2012, Allen Rosenberg and BFSB entered into an Escrow Agreement in connection with their entry of a contemplated term sheet providing for the restructure of the BFSB Existing Mortgage Note. On January 9, 2012, the Debtor and BFSB entered into the aforementioned term sheet setting forth the principal terms of a restructuring of the BFSB Existing Mortgage Note. Thereafter, on January 23, 2012, the Debtor and BFSB entered into a Plan Support Agreement (the "Plan Support Agreement"). On January 30, 2012, the Debtor filed a motion for an order authorizing the Debtor's entry into the Plan Support Agreement (the "Plan Support Agreement Motion"). The Plan Support Agreement Motion is scheduled to be heard by the Court on February 21, 2012 at 10:00 a.m.

11. Debtor and Committee Enter into Term Sheet

On February 2, 2012, the Debtor and the Committee entered into a Term Sheet which sets forth the principal terms of the treatment of general unsecured creditors in this Case pursuant to the Plan.

V. PLAN OVERVIEW

During the course of the Case, the Debtor engaged in extensive discussions and negotiations with BFSB and has explored a variety of potential restructuring alternatives. The discussions and negotiations have ultimately resulted in a manner of treatment under the Plan for the BFSB Secured Claim. As described in greater detail below, BFSB, who is the Debtor's pre-petition secured lender in this Case, will have an Allowed Claim amount of \$38,212,800.61 that is not subject to avoidance, setoff, subordination, any defenses, counterclaims, or any other reduction of any kind, under the Plan. The Plan calls for the BFSB Secured Claim to be treated through (1) an Amended, Restated and Consolidated Note in the principal amount of \$24,000,000 (the "Note") and an Amended, Restated and Consolidated Mortgage (and related ancillary documents (the "Mortgage"), both of which are to be executed and delivered by the Debtor or the Reorganized Debtor's, as applicable, to BFSB, and (2) a Deficiency Claim in favor of BFSB in the Allowed amount of \$14,212,800.61 (the "BFSB Deficiency Claim").

Distributions to general unsecured creditors will be made from a distribution fund designated for Holders of Allowed General Unsecured Claims, including BFSB on account of the BFSB Deficiency Claim, and shall be the only source of funds for such Holders under the Plan (the "GUC Distribution Fund"). The maximum aggregate funds contributed to the GUC Distribution Fund pursuant to the Plan shall not exceed the lesser of (1) \$2,000,000 and (2) the amount necessary to pay, in the aggregate, (x) 100% of the Allowed General Unsecured Claims, excluding the BFSB Deficiency Claim, (y) 100% of the Allowed Professional Fee Claims of the Committee, and (z) 100% of the reasonable fees and expenses incurred by the Plan Administrator who will be appointed by the Reorganized Debtor and who will be granted the authority and charged with the responsibility of implementing the Plan in a manner consistent with the terms and conditions of the Plan. For purposes of the Plan, and subject to the occurrence of the Effective Date, BFSB will waive its entitlement, on account of the BFSB Deficiency Claim, to its Pro Rata share in the proceeds of the GUC Distribution Fund. Such waiver by BFSB of proceeds of the GUC Distribution Fund is without prejudice to BFSB to exercise its right to vote to accept or reject the Plan as a Holder of an Allowed General Unsecured Claim.

After careful evaluation of its alternatives, the Debtor determined that the Plan, which incorporates and is consistent with the terms and conditions of the Plan Support Agreement, will further its goals of restructuring its debts by addressing the asserted claims of its secured lender, BFSB, while

also providing for a distribution to general unsecured creditors.

The following is a summary of the Plan and is intended to provide a brief overview of the Plan. This summary is qualified in its entirety by reference to the Plan. Holders of Claims and Membership Interests are encouraged to review the Plan and Disclosure Statement in full and consult with their respective counsel and advisors.

A. Classification of Allowed Claims and Membership Interests

Section 1123 of the Bankruptcy Code requires, among other things, that a plan designate (subject to section 1122 of the Bankruptcy Code) classes of claims and classes of interests. In accordance with sections 1122 and 1123, the Holders of Allowed Claims and Membership Interests are classified into seven (7) Classes, with the manner of treatment offered under the Plan dependent upon the Class. Administrative Claims and Priority Claims are not classified in the Plan. The treatment to be received by Holders of Allowed Administrative Claims and Priority Claims shall be paid their respective Allowed Amount in Cash from the Distribution Fund in full satisfaction and settlement of such Claims.

For the Holder of a Claim of Membership Interest to participate in the Plan and receive the treatment offered to the Class in which it is classified, its Claim or Membership Interest must be "Allowed." Under the Plan, "Allowed" is defined to mean (a) any Claim, proof of which is timely Filed by the applicable Bar Date (or that by the Bankruptcy Code or Final Order is not or shall not be required to be Filed); (b) any Claim that is listed in the Schedules as of the Effective Date as not disputed, not contingent, and not unliquidated, and for which no proof of Claim has been timely filed; or (c) any Claim allowed pursuant to the Plan or a Final Order of the Bankruptcy Court; provided, however, that with respect to any Claim described in clauses (a) or (b) above, such Claim shall be considered Allowed only if and to the extent that with respect to any such Claim no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court or such an objection is so interposed and the Claim shall have been Allowed by a Final Order. Except for any Claim that is expressly Allowed herein, any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated or disputed, and for which no proof of Claim has been Filed, is not considered Allowed and shall be deemed expunged upon entry of the Confirmation Order.

Allowed Claims and Membership Interests are classified into seven (7) Classes as follows:

CLASS	CLAIMS AND MEMBERSHIP INTERESTS
1	Real Property Tax Claims
2	Priority Non-Tax Claims
3	BFSB Secured Claim
4	Other Secured Claims
5	General Unsecured Claims
6	Insider Unsecured Claims
7	Membership Interests

B. Treatment of Unclassified Claims

1. Professional Fee Claims

Professional Fee Claims are any Claims for fees, commissions, costs and reimbursement of expenses incurred in the Case through the Effective Date by any professional Person (within the meaning of sections 327, 328, 330, 331, 363, 503(b) or 1103 of the Bankruptcy Code or otherwise), retained under an order of the Bankruptcy Court, which fees, commissions, costs, and expenses shall have been awarded by Final Order of the Bankruptcy Court pursuant to sections 330 or 503(b) of the Bankruptcy Code.

All applications for final allowance of compensation and reimbursement of Professional Fee Claims shall be filed with the Court and served on (i) the Debtor or the Reorganized Debtor, as applicable, (ii) counsel to the Debtor or the Reorganized Debtor, as applicable, (iii) counsel to the Committee, (iv) the Plan Administrator and the Plan Administrator's attorneys, if any, and (v) the U.S. Trustee on or before the 4:00 p.m. (prevailing Eastern time) on the date that is sixty (60) days after the Effective Date or such later date as may be established by order of the Bankruptcy Court (the "Professional Fee Claims Bar Date"), and will be subject to the authorization and approval of the Bankruptcy Court. Holders of Professional Fee Claims who do not file such Claims by the Professional Fee Claims Bar Date shall be forever barred from asserting such Claims against the Debtor or its Assets, and the Holders thereof shall be enjoined from commencing or continuing any action to collect, offset, recoup or otherwise recover such Professional Fee Claim.

Except for the Allowed Professional Fee Claim of Farrell Fritz, P.C., Allowed Professional Fee Claims shall be paid by the Plan Administrator in Cash in the Allowed Amount thereof from the GUC Distribution Fund upon the date upon which the Bankruptcy Court enters a Final Order allowing such Allowed Professional Fee Claim, unless such Holder shall agree to different and less favorable treatment of such Allowed Claim. The Allowed Professional Fee Claim of Farrell Fritz, P.C. shall be paid by the Reorganized Debtor in accordance with terms the Reorganized Debtor and Farrell Fritz, P.C. may agree to.

From and after the Effective Date, the Reorganized Debtor shall, in the ordinary course of business and without the necessity for any approval or authorization by the Bankruptcy Court, pay the reasonable fees and expenses of professionals retained by the Reorganized Debtor on and after the Effective Date upon receipt of invoice(s) therefor, or on such other and less favorable terms as such professional and the Reorganized Debtor may agree to. If the Reorganized Debtor and the professional cannot agree on the amount of post Effective Date fees and expenses to be paid to such professional, such amount shall be determined by the Court.

2. Administrative Claims and Priority Tax Claims

Administrative Claims are any Claims for actual and necessary cost or expense of administration of the Case or preservation of the Estate allowed under sections 503(b) and 507(a)(2) and 507(b) of the Bankruptcy Code, including all claims for Professional Fee Claims, U.S. Trustee Fees or any other Allowed Claims entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court. Priority Tax Claims are any Claims entitled to priority pursuant to section 507(a)(8) of the Bankruptcy Code.

Except for (a) professionals requesting compensation or reimbursement for Professional Fee Claims and (b) U.S. Trustee Fees, unless previously filed or paid, requests for payment of Administrative

Claims must be filed no later than the first Business Day that is thirty (30) days after the entry of the Confirmation Order with the Bankruptcy Court or such later date established by the Bankruptcy Court with notice to the Debtor or the Reorganized Debtor, if applicable, and the Plan Administrator. Holders of Administrative Claims who are required to file a request for payment of such Claims and who do not file such requests by the Plan Administrative Claims Bar Date shall be forever barred from asserting such Claims against the Debtor and its Estate or the Reorganized Debtor and its property, and the Holders thereof shall be enjoined from commencing or continuing any action to collect, offset, recoup or otherwise recover such Administrative Claim.

Subject to the Plan Administrative Claims Bar Date, and except to the extent the Debtor or the Reorganized Debtor, as applicable, and the Holder of an Allowed Administrative Claim agree to different and less favorable treatment of such Allowed Claim, the Reorganized Debtor shall pay, in full satisfaction, release and discharge of, and in exchange for their respective Allowed Administrative Claim, to the Holder of an Allowed Administrative Claim (other than Professional Fee Claim of professionals retained by the Committee), the Allowed Amount thereof, in Cash upon the date such claim becomes an Allowed Claim; provided, however, that Administrative Claims incurred by the Debtor in the ordinary course of business may be paid in the ordinary course of business in accordance with such applicable terms and conditions relating thereto in the discretion of the Debtor or the Reorganized Debtor, as applicable, without further notice to or order of the Bankruptcy Court.

Except to the extent that a Holder of an Allowed Priority Tax Claim and the Debtor or the Reorganized Debtor, as applicable, agree to different and less favorable treatment, the Reorganized Debtor shall pay, in full satisfaction, release and discharge of, and in exchange for its respective Allowed Priority Tax Claim, to the Holder of an Allowed Priority Tax Claim the Allowed Amount thereof in Cash upon the date such claim becomes an Allowed Claim. Any Claim or demand for a penalty relating to any Priority Tax Claim (other than a penalty of the type specified in section 507(a)(8)(G) of the Bankruptcy Code) shall be Disallowed, and the Holder of an Allowed Priority Tax Claim shall not assess or attempt to collect such penalty from the Debtor's Estate or any of the Estate Assets; provided, however, that the foregoing provision shall not apply to the United States Internal Revenue Service.

The Debtor or the Reorganized Debtor, as applicable, shall pay all U.S. Trustee Fees on or before the Effective Date, and until such time as the Bankruptcy Court enters a final decree closing the Case.

C. Treatment of Allowed Claims and Membership Interests

1. Class 1 – Real Property Tax Claims

Real Property Tax Claims are any Claims arising from taxes secured by a Lien on the Debtor's Property.

Except to the extent that Holders of Real Property Tax Claims and the Debtor or the Reorganized Debtor, as applicable, agree to different and less favorable treatment, in full satisfaction, release and discharge of, and in exchange for their respective Allowed Real Property Tax Claim, each Holder of an Allowed Real Property Tax Claim shall receive Cash on the Effective Date in an amount equal to such Allowed Real Property Tax Claim from the Real Property Tax Fund plus contributions from Allegria or the Reorganized Debtor for amounts attributable to any water charges and real estate taxes affecting the Property accruing and unpaid from January 1, 2012 through the Effective Date. Any Claim or demand for a penalty relating to the Real Property Tax Claim (other than a penalty of the type specified in section 507(a)(8)(G) of the Bankruptcy Code) shall be Disallowed, and Holders of Real Property Tax Claims

shall not assess or attempt to collect such penalty from the Debtor's Estate or any of the Estate Assets or from the Reorganized Debtor or any of its property. The foregoing provision shall not apply to the United States Internal Revenue Service.

Class 1 is Unimpaired. Holders of Class 1 Claims will be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Holders of Class 1 Claims will not be entitled to vote to accept or reject the Plan.

2. Class 2 – Priority Non-Tax Claims

Priority Non-Tax Claims are any Claims entitled to priority in accordance with section 507 of the Bankruptcy Code other than an Administrative Claim or a Priority Tax Claim

Except to the extent that a Holder of an Allowed Priority Non-Tax Claim and the Debtor or the Reorganized Debtor, as applicable, agree to different and less favorable treatment, in full satisfaction, release and discharge of, and in exchange for its Allowed Priority Non-Tax Claim, each Holder of an Allowed Priority Non-Tax Claim shall receive Cash on the Effective Date in an amount equal to such Allowed Priority Non-Tax Claim.

Class 2 is Unimpaired. Holders of Class 2 Claims will be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Holders of Class 2 Claims will not be entitled to vote to accept or reject the Plan.

3. Class 3 – BFSB Secured Claim

The BFSB Secured Claim means all Claims in respect of, or in connection with, the aggregate outstanding amount of principal, interest, costs, fees and expenses due and owing under the BFSB Existing Mortgage Note.

The BFSB Secured Claim is deemed Allowed in the amount of \$38,212,800.61, without avoidance, setoff, subordination, any defenses, counterclaims, or any other reduction of any kind. On the Effective Date, in full satisfaction, release and discharge of, and in exchange for, the Allowed BFSB Secured Claim, the Holder of the Allowed BFSB Secured Claim shall receive (1) the Note, (2) the Mortgage, and (3) each of the other documents executed and delivered in connection with the restructuring of the BFSB Existing Mortgage in accordance with the Plan Support Agreement, and the Plan (the "Restructure Closing Documents").

The BFSB Deficiency Claim is Allowed in the amount of \$14,212,800.61 and shall be treated as an Allowed General Unsecured Claim in Class 5 of the Plan. Subject to the occurrence of the Effective Date, the Holder of the Allowed BFSB Secured Claim waives the right to receive any distribution on the BFSB Deficiency Claim. As such, subject to the occurrence of the Effective Date and if Class 3 votes to accept the Plan, the Holder of the Allowed BFSB Secured Claim shall not share in the GUC Distribution Fund.

Among other things called for in the Restructure Closing Documents, the Note shall be due and payable by the Reorganized Debtor on May 15, 2014. The Note will bear interest at the rate of five (5) percent per annum. Interest-only payments shall be calculated by BFSB for the period between the Closing Date and the Initial Maturity Date, which amount shall be paid in full by the Reorganized Debtor on the Closing Date. Provided there has been no event of default under the Restructure Closing

Documents and upon thirty (30) days' notice prior to the Initial Maturity Date, the Reorganized Debtor shall have the option to extend the Note for one (1) additional year. The Note will bear interest for such additional year at the rate of five (5) percent per annum. Interest-only payments for the period between the Initial Maturity Date and the extended maturity date shall be calculated by BFSB and paid in full by the Reorganized Debtor on the first Business Day following the Initial Maturity Date. The Note may be prepaid at any time prior to the Initial Maturity Date without application of any prepayment penalty or premium; provided, however, there will be no adjustment for prepaid interest.

BFSB shall retain Liens on the Property pursuant to the Mortgage as set forth in the Plan Support Agreement.

Class 3 is Impaired. The Holder of the Class 3 Claim will be entitled to vote to accept or reject the Plan.

4. Class 4 – Other Secured Claims

Other Secured Claims are any Claims, other than the BFSB Secured Claim, a Real Property Tax Claim, the BFSB Deficiency Claim, or any Claims in respect of, or in connection with Statutory Liens or Judicial Liens against the Property, (a) for which the Holder has the right to look to certain specified Collateral for satisfaction of its Claim, and (b) against the Debtor to the extent such Claim is secured by a valid lien, security interest, or other interest in property in which the Debtor has an interest, that has been perfected properly as required by applicable law and is not otherwise avoidable by the Debtor or any other Person, but only to the extent of the value of the Debtor's interests in such property determined in accordance with section 506(a) of the Bankruptcy Code, or, in the event that such Claim is subject to setoff under section 553 of the Bankruptcy Code, to the extent of such setoff.

On the Effective Date, or as soon thereafter as is practicable, each Holder of an Allowed Other Secured Claim shall receive, in full satisfaction, release and discharge of, and in exchange for, such Allowed Other Secured Claim, one of the following treatments: (1) reinstatement of any such Allowed Other Secured Claim pursuant to section 1124 of the Bankruptcy Code; (2) the payment by the Reorganized Debtor of such Holder's Allowed Other Secured Claim in full in Cash; (3) the surrender by the Reorganized Debtor to the Holder or Holders of any Allowed Other Secured Claim of the property securing such Claim; or (4) such other distributions as shall be necessary to satisfy the requirements of chapter 11 of the Bankruptcy Code. In no event shall the Holder of any Allowed Other Secured Claim receive more than the value of the Collateral securing such Claim.

Class 4 is Unimpaired. Holders of Class 4 Claims will be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Holders of Class 4 Claims will not be entitled to vote to accept or reject the Plan.

5. Class 5 – General Unsecured Claims

General Unsecured Claims are any Claims, other than an Insider Unsecured Claim, which is not a Real Property Tax Claim, BFSB Secured Claim, Other Secured Claim, Administrative Claim, Priority Tax Claim, Priority Non-Tax Claim, or Professional Fee Claim.

After reserving in full for all Disputed Claims, and the payment of all Allowed Professional Fee Claims (other than the Allowed Professional Fee Claims of Farrell Fritz, P.C.) and the reasonable fees and expenses incurred by the Plan Administrator, and any professional Persons retained by the Plan

Administrator on and after the Effective Date, each in accordance with the Plan, each Holder of an Allowed General Unsecured Claim, other than the Holder of the BFSB Deficiency Claim, shall receive, in full satisfaction, release and discharge of, and in exchange for its claims, its Pro Rata share of proceeds from the GUC Distribution Fund, funded and payable in the following manner: (1) \$400,000 shall be funded and payable on the Effective Date of the Plan; (2) \$83,333.33 shall be funded and payable on the fifteenth (15th) day of the first (1st) calendar month following the Effective Date and on the fifteenth (15th) day of each of the eleven (11) calendar months thereafter; (3) \$83,333.33, plus an additional \$250,000, shall be funded and payable on the fifteenth (15th) day of the thirteenth (13th) month following the Effective Date of the Plan; (4) \$83,333.33 shall be funded and payable on the fifteenth (15th) day of the fourteenth (14th) and fifteenth (15th) months following the Effective Date of the Plan; and (5) \$100,000 shall be funded and payable on the fifteenth (15th) day of the sixteenth (16th) month following the Effective Date of the Plan; provided, however, that in no event shall any Holder of an Allowed General Unsecured Claim be entitled to receive more than 100% of the Allowed Amount of their respective Claim thereof. The foregoing obligations shall be evidenced by a note from the Reorganized Debtor executed in favor of the Plan Administrator.

As discussed further below, the Plan provides the Plan Administrator with the authority and standing to pursue and prosecute Causes of Action of the Debtor, except Causes of Action against certain parties such as Smith, Buss & Jacobs LLP, Allen Rosenberg, Sol Green, SG Broadway LLC, Allegria and BFSB (the “Excluded Parties”), which have been expressly retained by the Debtor or Reorganized Debtor, as applicable. To the extent proceeds (the “Litigation Proceeds”) are obtained, recovered, or otherwise received by the Plan Administrator with respect to any Causes of Action of the Debtor for which the Plan Administrator has authority and standing to pursue and prosecute pursuant to the Plan, all such Litigation Proceeds will be contributed to the GUC Distribution Fund for distribution by the Plan Administrator in accordance with the Plan. This means that at the discretion of the Plan Administrator, Litigation Proceeds, if any, as with all other GUC Distribution Funds, may first be utilized for the payment of the Allowed Professional Fee Claims of the Committee and the reasonable fees and expenses of the Plan Administrator, including any professional Persons retained by the Plan Administrator in connection with this Case, before Pro Rata distributions to Holders of Allowed General Unsecured Claims are made. The Plan Administrator shall provide the Reorganized Debtor and Allegria with written notice and an accounting of all Litigation Proceeds obtained, recovered, or otherwise received by the Plan Administrator within five (5) days of the receipt of such Litigation Proceeds.

The Litigation Proceeds do not augment the amount of the maximum aggregate funds that are to be contributed to the GUC Distribution Fund pursuant to the Plan. Rather, the Litigation Proceeds shall, on a dollar-for-dollar basis, reduce the amount contributed by the Reorganized Debtor and Allegria to the GUC Distribution Fund pursuant to the Plan. In addition, the aggregate amount of Litigation Proceeds that may be contributed to the GUC Distribution Fund shall not exceed the lesser of (i) \$2,000,000 and (ii) the amount necessary to pay, in the aggregate, (x) 100% of the Allowed General Unsecured Claims, excluding the BFSB Deficiency Claim, (y) 100% of the Allowed Professional Fee Claims of the Committee, and (z) 100% of the reasonable fees and expenses incurred by the Plan Administrator, and any professional Persons retained by the Plan Administrator on and after the Effective Date (the “Maximum GUC Distribution Fund Contribution”). Litigation Proceeds in excess of the Maximum GUC Distribution Fund Contribution shall indefeasibly revert to the Reorganized Debtor.

In no event, and only to the extent contributions remain to be made to the GUC Distribution Fund, will the timing of the next regularly scheduled contribution by the Reorganized Debtor and Allegria to the GUC Distribution Fund be affected otherwise. While it is uncertain whether there will be any Litigation Proceeds realized in this Case, to the extent there are, the contribution of Litigation Proceeds to

the GUC Distribution Fund means that Holders of Allowed General Unsecured Claims may receive their full distributions to which they are entitled to under the Plan more quickly than the sixteen (16) months contemplated under the Plan.

Class 5 is Impaired. Holders of Class 5 Claims, including the Holder of the BFSB Deficiency Claim, will be entitled to vote to accept or reject the Plan. BFSB's irrevocable waiver of its entitlement to receive under the Plan its Pro Rata share of proceeds from the GUC Distribution Fund shall not constitute or be deemed a waiver of BFSB's entitlement to vote to accept or reject the Plan as a Holder of a Class 5 Claim.

6. Class 6 – Insider Unsecured Claims

Insider Unsecured Claims are Claims, other than a Real Property Tax Claim, BFSB Secured Claim, Other Secured Claim, Administrative Claim, Priority Tax Claim, Priority Non-Tax Claim, General Unsecured Claim, or Professional Fee Claim, and which is held by an Insider.

Holders of Allowed Insider Unsecured Claims, including, but not limited to, the Allowed Claims of Allen Rosenberg in this Case, shall receive no distribution under the Plan until all Holders of Allowed General Unsecured Claims have received their full distribution as provided in section 5.1(e) of the Plan.

Class 6 is Impaired. Holders of Class 6 Claims will be entitled to vote to accept or reject the Plan.

7. Class 7 – Membership Interests

Membership Interests means the membership interests in the Debtor.

In consideration for their contributions to the Plan, including payment of the Real Property Tax Claims and the funds in the amount of \$2,400,000 to be paid by them on the Closing Date to BFSB, the Holders of the Membership Interests shall retain such Membership Interests.

Class 7 is Unimpaired. Holders of Class 7 Membership Interests will be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Holders of Class 7 Membership Interests will not be entitled to vote to accept or reject the Plan.

D. Means for Implementation of the Plan

The Plan will be implemented by the Reorganized Debtor and the Plan Administrator, as applicable, in a manner consistent with the terms and conditions set forth in the Plan and the Confirmation Order.

1. Full Satisfaction

The treatment of and consideration to be received by Holders of Allowed Claims pursuant to the Plan shall be in full satisfaction and settlement of such Holders' respective Claims against the Debtor and the Estate, except as otherwise may be provided in the Plan or the Confirmation Order

2. Plan Funding

The funds to be utilized to make Cash payments under the Plan have been and/or will be generated from contributions, as set forth in the Plan, by (i) Allen Rosenberg, (ii) Allegria, (iii) the Debtor, (iv) the Reorganized Debtor, and (v) through Litigation Proceeds, if any, which Litigation Proceeds shall only be utilized towards contributions to the GUC Distribution Fund. The maximum contribution by Allen Rosenberg under the Plan shall not exceed the aggregate amount necessary to pay (x) the \$911,120.33 of the Real Property Tax Fund being held by the Escrow Agent, (y) the \$2,400,000 prepayment of interest required to be paid to BFSB on the Effective Date of the Plan, and (z) the \$400,000 to be funded in the GUC Distribution Fund on the Effective Date for distribution to the Holders of Allowed General Unsecured Claims (the "Rosenberg Contribution"). In no event shall the Rosenberg Contribution be deemed a personal obligation of Allen Rosenberg; but rather, funding of the Rosenberg Contribution shall be deemed a condition to occurrence of the Effective Date, as set forth in section 12.2(e) of the Plan. Subject to the occurrence of the Effective Date, Allegria agrees to be jointly and severally liable for any obligation required to be paid by the Debtor or the Reorganized Debtor under the Plan.

3. Continuing Corporate Existence

Except as otherwise provided in the Plan, the Debtor will, as the Reorganized Debtor, continue to exist on and after the Effective Date as a legal entity, with all the powers of a corporation pursuant to the applicable law in the jurisdiction in which the Debtor is incorporated or formed and pursuant to its certificate of incorporation and bylaws (or other formation documents) in effect prior to the Effective Date, without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under applicable law. On or prior to the Closing Date, the Debtor shall amend its operating agreements to provide for the appointment of an independent director whose affirmative vote would be required in order to commence a bankruptcy case, appropriate amendments, and restatement or modification of all necessary business organizational documents.

4. Dissolution of Committee

On the Effective Date, the Committee shall dissolve automatically and its members shall be deemed released and discharged from all rights, duties, responsibilities, and liabilities arising from, in connection with, or related to the Case, and the retention or employment of the Committee's attorneys, accountants and other agents, if any, authorized by order of the Court, shall terminate. Notwithstanding the automatic dissolution of the Committee on the Effective Date, the Committee may appear at the hearing to consider applications for final allowances of compensation and reimbursement of expenses and prosecute any objections to such applications, if appropriate.

5. Appointment of Plan Administrator

On the Effective Date, and subject to Bankruptcy Court approval, Joseph S. Maniscalco, Esq. of LaMonica Herbst & Maniscalco, LLP, 3305 Jerusalem Avenue, Suite 201, Wantagh, New York 11793, will be appointed and designated by the Reorganized Debtor as the Plan Administrator for purposes of the Plan. Mr. Maniscalco and LaMonica Herbst & Maniscalco, LLP currently represent the Committee as its attorneys in this Case. The Plan Administrator shall have all the powers, rights, duties and protections as set forth under the Plan. All payments required or permitted to be made by the Plan Administrator shall be made from the GUC Distribution Fund and in accordance with the Plan.

6. Rights of Action

In accordance with section 1123(b)(3)(B) of the Bankruptcy Code, the Plan Administrator shall have authority and requisite standing to pursue and prosecute all Causes of Action of the Debtor (except all Causes of Action against any Excluded Parties) for the benefit of Holders of Class 5 Claims and the Debtor or the Reorganized Debtor, as applicable, may pursue all Causes of Action of the Debtor against any Excluded Parties for its own benefit. Neither the Debtor nor the Reorganized Debtor, as applicable, nor the Plan Administrator has an obligation to pursue any Cause of Action. Any distributions provided for in the Plan and the allowance of any Claim for the purpose of voting on the Plan is without prejudice to the rights of the Debtor or the Reorganized Debtor, as applicable, or the Plan Administrator to pursue and prosecute their respective Causes of Action in accordance with the Plan.

Except as otherwise set forth in the Plan, all Causes of Action of the Debtor shall survive confirmation of the Plan and the commencement and prosecution of Causes of Action of the Debtor shall not be barred or limited by any estoppel or res-judicata, whether judicial, equitable or otherwise. In reviewing the Plan and the Disclosure Statement, and in determining whether to vote for or against the Plan, Creditors (including Creditors who received payments or transfers from the Debtor within ninety (90) days prior to the Petition Date and insiders who received payments from the Debtor within one (1) year before the Petition Date) and other parties should consider that Causes of Action of the Debtor may exist against them, that, except as otherwise set forth in the Plan, the Plan preserves all Causes of Action of the Debtor, and that the Plan authorizes the Reorganized Debtor to pursue and prosecute all Causes of Action against Excluded Parties and authorizes the Plan Administrator to pursue and prosecute all Causes of Action, other than Causes of Action against Excluded Parties.

In reviewing the Plan and the Disclosure Statement, and in determining whether to vote for or against the Plan, Creditors (including Creditors who received payments or transfers from the Debtor within ninety (90) days prior to the Petition Date and insiders who received payments from the Debtor within one (1) year before the Petition Date) and other parties should consider that Causes of Action of the Debtor may exist against them, that, except as otherwise set forth in the Plan, the Plan preserves all Causes of Action of the Debtor, and that the Plan authorizes the Reorganized Debtor to prosecute all Causes of Action of the Debtor.

7. Corporate Action

On the Effective Date, the adoption, filing, approval and ratification, as necessary, of all corporate or related actions contemplated hereby with respect to the Debtor or the Reorganized Debtor shall be deemed authorized and approved in all respects.

8. Setoff and Recoupment

The Debtor or the Reorganized Debtor may, but shall not be required to, pursuant to and to the extent permitted by applicable law, setoff or recoup against any Claim asserted against Debtor or its Estate, and the payments or other distributions to be made pursuant to the Plan in respect of such Claim, any claims, rights and Causes of Action, of any nature whatsoever that the Debtor, its Estate or the Reorganized Debtor may have against the Holder of such Claim pursuant to the Bankruptcy Code or applicable non-bankruptcy law; provided, however, that the Debtor or Reorganized Debtor shall give the Holders of such Claim notice of the proposed setoff or recoupment and the Holder of such Claim does not object to the proposed setoff or recoupment within thirty (30) days. If an objection is timely raised to a

proposed setoff or recoupment, the Debtor or Reorganized Debtor may seek relief from the Bankruptcy Court to effectuate the setoff or recoupment. Neither the failure to effect a setoff or recoupment, nor the allowance of any Claim will constitute a waiver, abandonment or release by the Debtor or Reorganized Debtor of any such claims, rights and Causes of Action that the Debtor, the Estate, the Reorganized Debtor or the Plan Administrator, as applicable, may have against the Holder of such Claim.

9. Compromise and Settlement of Claims and Controversies

Pursuant to Rule 9019 of the Bankruptcy Rules, and in consideration for the classification, distribution, and other benefits provided under the Plan, unless otherwise provided in the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and controversies resolved pursuant to the Plan, including, without limitation, disputes regarding the value of the Reorganized Debtor and the Allegria Lease. BFSB, the Committee, DCI and the U.S. Trustee have each indicated in papers filed in connection with motions to convert the Debtor's case to a case under Chapter 7 of the Bankruptcy Code, that they believe that the Debtor possesses valuable claims against Allegria and that the Allegria Lease should be terminated. The Plan represents a compromise of such claims as Allegria will consent to termination of the Allegria Lease, is agreeing to be jointly responsible for payment of the obligations of the Debtor and the Reorganized Debtor under the Plan and will permit its revenues to be used as the source of funds for payment of distributions to Holders of Allowed General Unsecured Claims. In exchange, Allegria will be released from any claims against it held by the Debtor upon the full payment of distributions to which the Holders of Allowed General Unsecured Claims are entitled to under the Plan. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings will constitute its determination that such compromises and settlements are in the best interests of the Debtor, its Estate, Creditors, and other parties in interest, and are fair, equitable, and within the range of reasonableness.

10. Funding of the Disputed Claims Reserve

The portion of the Estate Assets attributable to the distributions under the Plan that would have to be made to the Holders of General Unsecured Claims that are Disputed Claims shall be held by the Plan Administrator, as applicable, in the "Disputed Claims Reserve." Any Cash including, without limitation, the Disputed Claims Reserve, will be held in an interest-bearing account. As Disputed Claims are resolved, and only if there is sufficient Cash to administer the Plan and pay Plan expenses, excess Cash in the Disputed Claims Reserve will be made available for distribution to the Holders of Allowed Claims in accordance with the Plan. The Plan Administrator may set aside from the GUC Distribution Fund an amount of Cash that the Plan Administrator reasonably determines is necessary to pay ongoing expenses of administering the Plan.

For purposes of effectuating the distributions to the Holders of Allowed Claims, the Plan requires the Plan Administrator to reserve the amount that would be distributed on the filed amount of any Disputed Claim or, at the Plan Administrator's option, the Plan Administrator may request that the Bankruptcy Court estimate the amount of Disputed Claims pursuant to section 502(c) of the Bankruptcy Code, in which event the amounts so estimated shall be deemed the amounts of the Disputed Claims for purposes of distribution under the Plan. In lieu of estimating the amount of any Disputed Claim, the Bankruptcy Court may determine the amount to be reserved for such Disputed Claim (singularly or in the aggregate), or such amount may be fixed by agreement in writing by and between the Plan Administrator and the Holder of a Disputed Claim. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount

constitutes a maximum limitation on such Claim, the Plan Administrator may elect to pursue any supplemental proceedings to object to any ultimate allowance of such Claim. Claims may be estimated by the Bankruptcy Court and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court or the United States District Court, as applicable.

11. Plan Distributions

The Plan Administrator shall make distributions to Holders of Allowed Claims in accordance with the Plan. The Plan Administrator may withhold from amounts distributable to any Person any and all amounts determined in the Plan Administrator's reasonable sole discretion to be required by any law, regulation, rule, ruling, directive or other governmental requirement. Holders of Allowed Claims shall, as a condition to receiving distributions, provide such information and take such steps as the Debtor, Reorganized Debtor or the Plan Administrator, as applicable, may reasonably require to ensure compliance with withholding and reporting requirements and to enable the Debtor, Reorganized Debtor or the Plan Administrator, as applicable, to obtain certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law.

12. No Recourse

Notwithstanding that the Allowed amount of any particular Disputed Claim is reconsidered under the applicable provisions of the Bankruptcy Code and Bankruptcy Rules or is Allowed in an amount for which after application of the payment priorities established by the Plan there is insufficient value to provide a recovery equal to that received by other Holders of Allowed Claims in the respective Class, no Holder of a Claim shall have recourse against the Debtor, the Estate, the Reorganized Debtor, Allegría, the Plan Administrator, or any of their respective professionals, consultants, officers, directors or members or their successors or assigns, or any of their respective property. However, except as specifically stated otherwise in the Plan, nothing in the Plan shall modify any right of a Holder of a Claim under section 502(j) of the Bankruptcy Code.

13. Cash Distributions

The Plan Administrator shall not be required to make interim or final Cash distributions in an amount less than five dollars (\$5.00). Any funds so withheld and not distributed on an interim basis shall be held in reserve and distributed in subsequent distributions to the extent the aggregate distribution exceeds ten thousand dollars (\$10,000). Should a final distribution to any Holder of an Allowed Claim not equal or exceed five dollars (\$5.00), that sum shall be distributed to other Holders of Allowed Claims.

14. Address for Delivery of Plan Distributions

All distributions under the Plan on account of any Allowed Claims will be made at the address of the Holder of such Allowed Claim as set forth on the register on which the Plan Administrator records the name and address of such Holders or at such other address as such Holder has specified for payment purposes in a written notice to the Plan Administrator at least fifteen (15) days prior to such distribution date. In the event that any distribution to any Holder is returned as undeliverable, the Plan Administrator will use reasonable efforts to determine the current address of such Holder, but no distribution will be made to such Holder unless and until the Plan Administrator has determined the then-current address of such Holder, at which time such distribution will be made to such Holder without interest. Undeliverable or unclaimed distributions will be deemed unclaimed property ("Unclaimed Property") under section 347(b) of the Bankruptcy Code at the expiration of one (1) year after the relevant distribution date. All Unclaimed Property will indefeasibly revert to the Reorganized Debtor and the relevant Claim (and any

Claim on account of missed distributions) will be automatically discharged and forever barred, notwithstanding any applicable federal or state escheat laws to the contrary.

15. Distributions to Holders as of the Confirmation Date

As of the close of business on the Confirmation Date, the Claims register shall be closed, and there shall be no further changes in the record Holders of any Claims. The Debtor, Reorganized Debtor and the Plan Administrator, as applicable, shall have no obligation to recognize any transfer of any Claims occurring after the close of business on the Confirmation Date, and shall instead be entitled to recognize and deal for all purposes under the Plan (except as to voting to accept or reject the Plan pursuant to section 8.1 of the Plan) with only those Holders of record as of the close of business on the Confirmation Date.

16. Abandoned Estate Assets

Upon the election of the Reorganized Debtor, the Reorganized Debtor may abandon any Assets included among the Estate Assets, which the Reorganized Debtor deems to be burdensome to the Estate or of inconsequential value and benefit to the Estate, without the need for additional approval of the Bankruptcy Court, and upon such abandonment, such Assets shall cease to be Estate Assets.

17. No Agency Relationship

The Plan Administrator shall not be deemed to be the agent for any of the Holders of Claims in connection with the funds held or distributed pursuant to the Plan. The Plan Administrator shall not be liable for any mistake of fact or law or error of judgment or any act or omission of any kind unless it constitutes gross negligence or willful misconduct or breach of fiduciary duty. The Plan Administrator shall be indemnified and held harmless, including the cost of defending such claims and attorneys' fees in seeking indemnification, by the Estate against any and all claims arising out of the Plan Administrator's duties under the Plan, except to the extent the Plan Administrator's actions constitute gross negligence or willful misconduct or breach of fiduciary duty. The Plan Administrator may conclusively rely, and shall be fully protected personally in acting upon any statement, instrument, opinion, report, notice, request, consent, order, or other instrument or document which the Plan Administrator believes to be genuine and to have been signed or presented by the proper party or parties. The Plan Administrator may rely upon information previously generated by the Debtor and such additional information provided to the Plan Administrator by former employees or professionals of the Debtor.

18. Indefeasibility of Distributions

All distributions provided for under the Plan shall be indefeasible.

19. Waiver

Any requirement in the Plan for a Final Order may be waived by the agreement of the Debtor and BFSB.

20. Filing of Additional Documents

On or before substantial consummation of the Plan, the Debtor will file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further

evidence the terms and conditions of the Plan.

E. Plan Administrator

1. Funding Expenses of the Plan Administrator

On and after the Effective Date, the GUC Distribution Funds will be under the direction and control of the Plan Administrator. The Plan authorizes the Plan Administrator to disburse the GUC Distribution Funds, without further application to or order of the Bankruptcy Court, to (i) pay the obligations of the Plan Administrator after the Effective Date incurred in accordance with the provisions of the Plan and the Confirmation Order and (ii) make distributions in accordance with the provisions of the Plan and the Confirmation Order.

On and after the Effective Date, the Plan Administrator will, in the ordinary course of business and without the necessity for any approval or authorization by the Bankruptcy Court, pay the reasonable fees and expenses incurred by the Plan Administrator, and any professionals retained by the Plan Administrator on and after the Effective Date in connection with the consummation and implementation of the Plan. Any dispute regarding the compensation shall be resolved by agreement of the parties or if the parties are unable to agree, as determined by the Bankruptcy Court.

The GUC Distribution Fund will be the sole source of funding of distributions to the pay the expenses of the Plan Administrator and any professionals retained by the Plan Administrator on and after the Effective Date.

2. Termination of the Plan Administrator

The duties, responsibilities and powers of the Plan Administrator will terminate upon (i) the completion of the Plan Administrator's duties under the Plan, (ii) the completion of the administration of, and distributions on account of, all Claims under the Plan, and (iii) the closing of the Case by order of the Bankruptcy Court.

3. Service and Removal

If the Plan Administrator resigns or is terminated, the Reorganized Debtor shall select a new Plan Administrator as soon as practicable, subject to Bankruptcy Court approval.

4. Authority

Under the Plan, the Plan Administrator will have the authority and right on behalf of the Reorganized Debtor, without the need for Bankruptcy Court approval (unless otherwise stated), to carry out and implement all provisions of the Plan, including, without limitation, to control and effectuate the Claims reconciliation process, including to object to, seek to subordinate, compromise or settle any and all Claims against the Debtor, except Claims of Excluded Parties, and the Debtor shall make its books and records available to the Plan Administrator (and to the U.S. Trustee, as appropriate) in order to facilitate such Claims reconciliation process, and the Debtor's officers and principals shall make themselves available, as reasonably necessary, to discuss such Claims reconciliation process with the Plan Administrator, (ii) receive, hold and disburse the GUC Distribution Funds in accordance with the

provisions of the Plan, (iii) make distributions to Holders of Allowed Claims in accordance with the Plan, (iv) retain and pay professionals to assist in performing the Plan Administrator's duties under the Plan, (v) incur and pay reasonable and necessary expenses in connection with the performance of duties under the Plan, including the reasonable fees and expenses of professionals retained by the Plan Administrator, and (vi) pursue and prosecute all Causes of Action of the Debtor (other than Causes of Action against Excluded Parties) in accordance with the Plan.

5. Exculpation of Plan Administrator

Except as otherwise provided in the Plan, the Plan Administrator, together with the Plan Administrator's officers, directors, employees, agents, and representatives, are exculpated pursuant to the Plan by all Persons, Entities, Holders of Claims and Membership Interests, and all other parties in interest, from any and all Causes of Action arising out of the discharge by the Plan Administrator of the powers and duties conferred upon the Plan Administrator by the Plan, any Final Order of the Bankruptcy Court entered pursuant to or in the furtherance of the Plan, or applicable law, except solely for actions or omissions arising out the Plan Administrator's willful misconduct or gross negligence.

No Holder of a Claim or a Membership Interest, or representative thereof, shall have or pursue any Cause of Action (a) against the Plan Administrator or the Plan Administrator's officers, directors, employees, agents, and representatives for making distributions in accordance with the Plan, or (b) against any Holder of a Claim for receiving or retaining a distribution as provided for by the Plan. Holders of Allowed Claims or Allowed Membership Interests are not precluded or otherwise impaired from bringing an action in the Bankruptcy Court against the Debtor or Reorganized Debtor to compel the making of distributions contemplated by the Plan on account of such Claim or Membership Interest.

F. Voting

Each Holder of an Allowed Claim in an Impaired Class which receives or retains property under the Plan shall be entitled to vote separately to accept or reject the Plan and indicate such vote on a duly executed and delivered Ballot as provided in such order as is entered by the Court establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other controlling Order or Orders of the Court.

If any Impaired Class entitled to vote shall not accept the Plan by the requisite statutory majorities provided in sections 1126(c) or 1126(d) of the Bankruptcy Code, as applicable, or if any Impaired Class is deemed to have rejected the Plan, Debtor reserves the right (a) to undertake to have the Court confirm the Plan under section 1129(b) of the Bankruptcy Code and (b) subject to section 1127 of the Bankruptcy Code and Rule 3019 of the Bankruptcy Rules, to modify the Plan to the extent necessary to obtain entry of the Confirmation Order, provided such modifications are consistent with section 13.1 of the Plan. At the Confirmation Hearing, the Debtor will seek a ruling that if no Holder of a Claim or Membership Interest eligible to vote in a particular Class timely votes to accept or reject the Plan, the Plan will be deemed accepted by the Holders of such Claims or Membership Interests in such Class for the purposes of section 1129(b) of the Bankruptcy Code.

G. Executory Contracts and Unexpired Leases

On and as of the Effective Date, all Executory Contracts will be deemed rejected, except any Executory Contract (a) that has been specifically assumed or assumed and assigned by the Debtor on or

before the Confirmation Date with the approval of the Court, (b) in respect of which a motion for assumption or assumption and assignment has been filed with the Court on or before the Confirmation Date, or (c) that is specifically designated as a contract to be assumed on a schedule to the Plan, which schedule, if any, shall be filed with the Court on or prior to the Confirmation Hearing.

Entry of the Confirmation Order by the Clerk of the Court, but subject to the condition that the Effective Date occur, will constitute (a) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption or assumption and assignment of the Executory Contracts assumed or assumed and assigned pursuant to section 9.1 of the Plan, and (b) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of the Executory Contracts rejected pursuant to section 9.1 of the Plan.

On the Effective Date, the Allegria Lease will be deemed terminated pursuant to a settlement under Rule 9019 of the Bankruptcy Rules, subject to Bankruptcy Court approval, of claims alleged against Allegria. Allegria, the Debtor and the Reorganized Debtor waive, as of the Effective Date, any and all Claims each has or could have against the other arising out of, relating to, or in connection with, the termination of the Allegria Lease. Following the termination of the Allegria Lease, Allegria may, at the sole discretion of the Reorganized Debtor, continue to occupy the Property. As Allegria will be jointly responsible for the payment of obligations of the Debtor and Reorganized Debtor under the Plan and will be permitting its revenues to be used as the source of funds for payment of distributions to Holders of General Unsecured Claims, there is an incentive for the Reorganized Debtor to allow Allegria to continue its occupancy on the Property for at least the period of time necessary to permit the full payment of distributions to which Holders of Allowed General Unsecured Claims are entitled to under the Plan.

Notwithstanding the termination of the Allegria Lease, Allegria will continue to exist on and after the Effective Date as a legal entity, with all the powers of a corporation pursuant to the applicable law in the jurisdiction in which the Debtor is incorporated or formed and pursuant to its certificate of incorporation and bylaws (or other formation documents) in effect prior to the Effective Date, without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under applicable law.

Claims against the Debtor arising out of the rejection of Executory Contracts pursuant to the Plan must be filed with the Bankruptcy Court no later than thirty (30) days after the later of service of (a) notice of entry of an order approving the rejection of such Executory Contract, and (b) notice of occurrence of the Effective Date. Any such Claims not filed within such time shall be forever barred from assertion against the Debtor or its Estate or the Reorganized Debtor or its property.

H. Injunction and Releases

1. Discharge of Claims

On the Effective Date, the Debtor shall be deemed discharged and released under sections 524 and 1141 of the Bankruptcy Code from any and all Claims under the Plan, including, but not limited to, demands and liabilities that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code. Except as otherwise provided herein or in the Confirmation Order, all consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge and release of, all Claims of any nature whatsoever against the Debtor or its Estate, Assets, properties or interests in property.

2. **Injunction**

As of the Effective Date, except as otherwise expressly provided in the Plan or the Confirmation Order, all Entities shall be permanently, forever and completely stayed, restrained, prohibited, barred and enjoined from asserting against the Debtor or the Reorganized Debtor and their respective assets, property and Estates, any other or further Claims, debts, obligations, rights, suits, judgments, damages, actions, causes of action, remedies, and liabilities of any nature whatsoever, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, fixed or contingent, matured or unmatured, existing as of the Effective Date or thereafter arising, at law, in equity, or otherwise relating to the Debtor or Reorganized Debtor or any of their respective assets, property and Estates, based upon any act or omission, transaction, agreement, event, or other occurrence taking place or existing on or prior to the Effective Date.

3. **Releases by the Debtor**

Except as otherwise expressly provided in the Plan or the Confirmation Order, on the Effective Date, the Debtor, on behalf of itself and its Estate, shall be deemed to unconditionally release the Debtor's members, Allegria, and any of their present and former members, officers, trustees, employees, agents, attorneys, accountants, consultants, advisors, and any of their respective successors or assigns, or any of their respective assets or properties, from any and all Claims, debts, obligations, rights, suits, judgments, damages, actions, causes of action, remedies, and liabilities of any nature whatsoever, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, fixed or contingent, matured or unmatured, existing as of the Effective Date or thereafter arising, at law, in equity, or otherwise, that the Debtor would have been legally entitled to assert in its own right (whether individually or collectively) or that any holder of a Claim, Membership Interest, or other person or entity would have been legally entitled to assert on behalf of the Debtor or its Estate, based in whole or in part upon any act or omission, transaction, agreement, event, or other occurrence taking place or existing on or prior to the Effective Date; provided, however, that the releases by the Debtor (on behalf of itself and its Estate) of Allen Rosenberg, Sol Green and Allegria, shall only become effective upon the full payment of distributions to which the Holders of Allowed General Unsecured Claims are entitled to under the Plan. Without limiting the generality of the foregoing, to the extent permitted by law, the Debtor and any successors-in-interest of the Debtor shall waive all rights under any statutory provision purporting to limit the scope or effect of a general release, whether due to lack of knowledge or otherwise.

4. **Injunction Against Interference With Plan**

Upon the entry of the Confirmation Order, all Holders of Claims and Membership Interests and other parties in interest, along with their respective present or former employees, agents, officers, managers, directors, and principals shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

5. **Exculpation**

The Exculpated Parties, or any direct or indirect predecessor in interest to any of the foregoing persons, shall not have or incur any liability to any person for any act taken or omission, after the Petition Date, in connection with or related to the chapter 11 Case or the operations of the Debtor's business during the chapter 11 Case, including, but not limited to, (i) formulating, preparing, disseminating, implementing, confirming, consummating or administrating the Plan (including soliciting acceptances or rejections thereof); (ii) the Disclosure Statement or any contract, instrument, release or other agreement or document entered into or any action taken or omitted to be taken in connection with the Plan; or (iii) any distributions made pursuant to the Plan, except for acts constituting willful misconduct, gross negligence, or bad faith, and in all respects such parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

6. Injunction Related to Exculpation

Except as expressly provided in the Plan or the Confirmation Order, as of the Effective Date, all Entities that hold, have held, or may hold a Claim or any other obligation, suit, judgment, damages, debt, right, remedy, cause of action or liability of any nature whatsoever, of the types described in section 10.5 of the Plan and relating to the Debtor or the Reorganized Debtor or any of their respective assets, property and/or Estates, are, and shall be, permanently, forever and completely stayed, restrained, prohibited, barred and enjoined from taking any of the following actions against any Exculpated Party or its property on account of such released liabilities, whether directly or indirectly, derivatively or otherwise, on account of or based on the subject matter of such discharged Claims or other obligations, suits, judgments, damages, debts, rights, remedies, causes of action or liabilities: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding (including, without limitation, any judicial, arbitral, administrative or other proceeding) in any forum; (ii) enforcing, attaching (including, without limitation, any prejudgment attachment), collecting, or in any way seeking to recover any judgment, award, decree, or other order; (iii) creating, perfecting or in any way enforcing in any matter, directly or indirectly, any Lien; (iv) setting off, seeking reimbursement or contributions from, or subrogation against, or otherwise recouping in any manner, directly or indirectly, any amount against any liability or obligation that is discharged under section 10.1 of the Plan; and/or (v) commencing or continuing in any manner any judicial, arbitration or administrative proceeding in any forum, that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order.

7. Release of Liens

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, including, without limitation, the retention of Liens on Property by BFSB pursuant to the Mortgage as set forth in the Plan Support Agreement, on the Effective Date, all interests, mortgages, deeds of trust, Liens or other security interests against the property of the Estate will be fully released.

8. Release of Collateral

Except as expressly provided otherwise in the Plan, unless a Holder of an Other Secured Claim receives a return of its Collateral in respect of such Claim under the Plan: (i) each Holder of: (A) an Allowed Other Secured Claim; and/or (B) an Allowed Claim that is purportedly secured, on the Effective Date shall (y) turn over and release to the Debtor any and all property that secures or purportedly secures

such Claim; and (z) execute such documents and instruments as the Debtor, Reorganized Debtor and the Plan Administrator reasonably requires to evidence such claimant's release of such property; and (ii) on the Effective Date, all Claims, rights, title and interest in such property shall revert to the Debtor, free and clear of all Claims, Liens, charges, pledges, encumbrances and/or security interests of any kind. No distribution hereunder shall be made to or on behalf of any Holder of such Claim unless and until such Holder executes and delivers to the Debtor, the Reorganized Debtor and the Plan Administrator such release of Liens. Any such Holder that fails to execute and deliver such release of Liens within sixty (60) days of any demand thereof shall be deemed to have no further Claim and shall not participate in any distribution hereunder. Notwithstanding the immediately preceding sentence, a Holder of a Disputed Claim shall not be required to execute and deliver such release of Liens until the time such Claim is Allowed or Disallowed.

9. Vesting of Assets in the Reorganized Debtor

Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated under the Plan, including, without limitation, the Restructure Closing Documents, on the Effective Date, pursuant to sections 1141(b) and 1141(c) of the Bankruptcy Code, all Assets of the Debtor, including without limitation, Causes of Action and any property acquired by the Debtor pursuant to the Plan shall vest in the Reorganized Debtor free and clear of all Claims, Liens, charges, encumbrances, or other interests.

10. Cause of Action Injunction

On and after the Effective Date, all Persons other than the Reorganized Debtor and the Plan Administrator will be permanently enjoined from commencing or continuing in any manner any Cause of Action or proceeding (whether directly, indirectly, derivatively or otherwise) on account of, or respecting any, claim, debt, right or Cause of Action that the Reorganized Debtor and the Plan Administrator have authority to pursue and prosecute in accordance with the Plan.

11. Preservation and Application of Insurance

The provisions of the Plan shall not diminish or impair in any manner the enforceability and/or coverage of any insurance.

I. Provisions for Resolving and Treating Claims

1. Prosecution of Disputed Claims

Under the Plan, the Plan Administrator will have the right to object to all Claims, except Claims of Excluded Parties, on any basis, including those Claims that are not listed in the Schedules, that are listed therein as disputed, contingent, and/or unliquidated, that are listed therein at a lesser amount than asserted by the respective Creditor, or that are listed therein for a different category of claim than asserted by the respective Creditor.

Subject to further extension by the Court for cause with or without notice, the Plan Administrator may object to (a) the allowance of Class 5 General Unsecured Claims and Class 6 Insider Unsecured Claims up to one hundred eighty (180) days after the Effective Date, and (b) the allowance of Administrative/Priority Tax Claims and Other Secured Claims up to the later of (i) sixty (60) days after the Effective Date and (ii) the deadline for filing an objection established by Order of the Bankruptcy

Court.

An objection to a Claim based on section 502(d) of the Bankruptcy Code may be made by the Plan Administrator at any time in any adversary proceeding against the Holder of any relevant Claim. The filing of a motion to extend the deadline to object to any Claims shall automatically extend such deadline until a Final Order is entered on such motion. In the event that such motion to extend the deadline to object to Claims is denied by the Bankruptcy Court, such deadline shall be the later of the current deadline (as previously extended, if applicable) or thirty (30) days after the Bankruptcy Court's entry of an Order denying the motion to extend such deadline.

From and after the Effective Date, the Plan Administrator shall succeed to all of the rights, defenses, offsets, and counterclaims of the Debtor, Reorganized Debtor and the Committee in respect of all Claims, and in that capacity shall have the power to prosecute, defend, compromise, settle, and otherwise deal with all such objections, subject to the terms of the Plan.

2. Settlement of Disputed Claims

Pursuant to Rule 9019(b) of the Bankruptcy Rules, the Plan Administrator may settle any Disputed Claim (or aggregate of Claims if held by a single Creditor) in an amount of up to \$50,000, respectively, without notice, a Court hearing or Court approval.

3. No Distributions Pending Allowance

Notwithstanding any provision in the Plan to the contrary, no partial payments and no partial distributions shall be made by the Plan Administrator with respect to any portion of any Claim against the Debtor if such Claim or any portion thereof is a Disputed Claim. In the event and to the extent that a Claim against the Debtor becomes an Allowed Claim after the Effective Date, the Holder of such Allowed Claim shall receive all payments and distributions to which such Holder is then entitled under the Plan.

J. Conditions Precedent to Confirmation of Plan and Effective Date

1. Conditions Precedent to Confirmation

As conditions precedent to Confirmation of the Plan, the Confirmation Order shall:

(a) authorize the appointment of all parties appointed under or in accordance with the Plan, including, without limitation, the Plan Administrator, and direct such parties to perform their obligations under such documents;

(b) approve in all respects the transactions, agreements, and documents to be effected pursuant to the Plan;

(c) authorize the Plan Administrator to assume the rights and responsibilities fixed in the Plan;

(d) approve the releases and injunctions granted and created by the Plan;

(e) order, find, and decree that the Plan complies with all applicable provisions of the Bankruptcy Code, including that the Plan was proposed in good faith; and

(f) except as specifically provided in the Plan, order that nothing herein operates as a discharge, release, exculpation, or waiver of, or establishes any defense or limitation of damages to, any Claim or Cause of Action belonging to the Estate.

2. Conditions to Effective Date

The Plan shall not become effective unless and until the following conditions shall have been satisfied. Any one or more of the following conditions may be waived in whole or in part at any time upon written consent by the Debtor and BFSB:

(a) the Confirmation Date shall have occurred and the Confirmation Order, in a form consistent with the requirements of section 12.1 of the Plan, shall have been entered by the Court, and no stay of the Confirmation Order shall be in effect;

(b) the Plan Administrator shall have been appointed;

(c) all actions, documents and agreements necessary to implement the provisions of the Plan shall have been effected or executed and delivered;

(d) the Confirmation Order shall provide for the exculpation, release and injunction for the benefit of the named parties provided for in Article X of the Plan; and

(e) all other actions required by the Plan to occur on or before the Effective Date shall have occurred.

3. Waiver of Conditions

The Debtor, with the consent of BFSB (which shall not be unreasonably withheld), may waive one or more of the conditions precedent to the Effective Date of the Plan set forth above; provided, however, that section 12.2(d) of the Plan may not be waived.

4. Notices to Court

The Reorganized Debtor shall notify the Court in writing promptly after the Effective Date that the Effective Date has occurred.

K. Modification, Revocation or Withdrawal of the Plan

Generally, the Debtor may alter, amend or modify the Plan pursuant to section 1127 of the Bankruptcy Code at any time prior to the Confirmation Date. After such time and prior to substantial consummation of the Plan, the Debtor may, so long as the treatment of Holders of Claims against the Debtor or Membership Interests under the Plan is not adversely affected, institute proceedings in Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, or the Confirmation Order, and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, notice of such proceedings shall be served in accordance with Rule 2002 of the Bankruptcy Rules or as the Court shall otherwise order.

The Debtor reserves the right to revoke or withdraw the Plan at any time prior to the Confirmation Date. If the Debtor revokes or withdraws the Plan prior to the Effective Date, then the Plan shall be deemed null and void, and nothing contained in the Plan shall be deemed to constitute a waiver or release of any Claims by or against the Debtor or any other Person or to prejudice in any manner the rights of the Debtor or any Person in any further proceedings involving the Debtor.

L. Miscellaneous

1. Computation of Time

In computing any period of time prescribed or allowed by the Plan, unless otherwise expressly provided, the provisions of Rule 9006(a) of the Bankruptcy Rules shall apply. If any payment, distribution, act or deadline under the Plan is required to be made or performed or occurs on a date that is not a Business Day, then the making of such payment, distribution, or the performance of such act, or the occurrence of such deadline may be completed on the next succeeding Business Day

2. Payment of Statutory Fees

All outstanding U.S. Trustee Fees payable pursuant to section 1930 of Title 28 of the United States Code and section 3717 of Title 31 of the United States Code shall be paid on or before the Effective Date.

3. Reports

Until a final decree closing the Case is entered, the Reorganized Debtor shall comply with any requisite reporting requirements established pursuant to the guidelines of the U.S. Trustee.

4. Governing Law

Except to the extent the Bankruptcy Code, the Bankruptcy Rules, or other federal laws are applicable, the laws of the State of New York shall govern the construction and implementation of the Plan and all rights and obligations arising under the Plan.

5. Withholding and Reporting Requirements

In connection with the Plan and all instruments issued in connection therewith and distributions thereon, the Reorganized Debtor or the Plan Administrator, as applicable, shall comply with all withholding, reporting, certification and information requirements imposed by any federal, state, local or foreign taxing authority and all distributions hereunder shall, to the extent applicable, be subject to any such withholding, reporting, certification and information requirements. Persons entitled to receive distributions hereunder shall, as a condition to receiving such distributions, provide such information and take such steps as the Reorganized Debtor or the Plan Administrator, as applicable, may reasonably require to ensure compliance with such withholding and reporting requirements, and to enable the Reorganized Debtor or the Plan Administrator, as applicable, to obtain the certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law.

6. Section 1146 Exemption

Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of any

security under the Plan; or the execution, delivery, or recording of an instrument of transfer pursuant to, in implementation of or as contemplated by the Plan; or the vesting, transfer, or sale of any Property of the Debtor pursuant to, in implementation of or as contemplated by the Plan shall not be taxed under any state or local law imposing a stamp tax, transfer tax, or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, intangible tax, or similar tax.

7. Severability

In the event that any provision of the Plan is determined to be unenforceable, such determination shall not limit or affect the enforceability and operative effect of any other provisions of the Plan. To the extent that any provision of the Plan would, by its inclusion in the Plan, prevent or preclude the Court from entering the Confirmation Order, the Court, on the request of the Debtor, may modify or amend such provision, in whole or in part, as necessary to cure any defect or remove any impediment to the Confirmation of the Plan existing by reason of such provision; provided, however, that such modification shall not be effected except in compliance with section 13.1 of the Plan.

8. Reservation of Rights

If the Plan is not confirmed or does not become effective for any reason, the rights of all parties in interest in the Case are and shall be reserved in full.

9. Binding Effect

The provisions of the Plan shall bind all Holders of Claims against the Debtor and Membership Interests, whether or not they have accepted the Plan.

10. No Admissions

The Plan shall not constitute or be construed as an admission of any fact or liability, stipulation, or waiver, but rather as a statement made in settlement negotiations. The Plan shall not be admissible in any non-bankruptcy proceeding nor shall it be construed to be conclusive advice on tax, securities, and other legal effects of the Plan as to Holders of Claims against, and Membership Interests in, the Debtor or its Affiliates.

11. Notices

Any notices, requests, and demands required or permitted to be provided under the Plan, in order to be effective, shall be in writing and, unless otherwise expressly provided in the Plan, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed.

12. Headings

The headings and sub-headings used in the Plan are inserted for convenience only, and neither constitutes a portion of the Plan nor in any manner affects the construction of the provisions of the Plan.

M. Retention of Jurisdiction

1. Exclusive Jurisdiction of the Court

To the fullest extent permitted by law, and except as otherwise provided in the Plan, following the Effective Date, the Court will retain exclusive jurisdiction over this Case for the following purposes:

(a) to hear and determine any pending applications for the assumption or rejection of Executory Contracts, and the resulting allowance of Claims against the Debtor;

(b) to determine any adversary proceedings, applications, contested matters and other litigated matters pending on the Effective Date;

(c) to ensure that distributions to Holders of Allowed Claims are accomplished as provided in the Plan;

(d) to hear and determine objections to or requests for estimation of Claims against the Debtor, including any objections to the classification of any Claims, and to allow, disallow and/or estimate Claims, in whole or in part;

(e) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;

(f) to issue any appropriate orders in aid of execution of the Plan or to enforce the Confirmation Order and/or the discharge, or the effect of such discharge, provided to the Debtor;

(g) to hear and determine any applications to modify the Plan, to cure any defect or omission or to reconcile any inconsistency in the Plan or in any order of the Court, including, without limitation, the Confirmation Order;

(h) to hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 327, 328, 330, 331, 363 and 503(b) of the Bankruptcy Code;

(i) to hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;

(j) to hear and determine other issues presented or arising under the Plan;

(k) to hear and determine other issues related to the Plan to the extent not inconsistent with the Bankruptcy Code; and

(l) to enter a final decree closing the Case.

2. Non-Exclusive Jurisdiction of the Court

Following the Effective Date, the Court will retain non-exclusive jurisdiction over this Case for the following purposes:

- (a) to recover all Assets of the Debtor and Estate Assets, wherever located;
- (b) to hear and determine any actions commenced on or after the Effective Date by the Reorganized Debtor or the Plan Administrator, including, but not limited to, Avoidance Actions or other Causes of Action, or objections to Claims;
- (c) to hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax benefits and similar or related matters with respect to the Debtor or the Estate arising prior to the Effective Date or relating to the period of administration of the Case, including, without limitation, matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code; and
- (d) to hear and determine any other matters to the extent not inconsistent with the Bankruptcy Code.

3. Failure of the Court to Exercise Jurisdiction

If the Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in or related to the Case, including with respect to the matters set forth above in Article XV, Article XV shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

VI. DEFAULT

The Reorganized Debtor will be in default of the Plan and an event of default will be deemed to have occurred if: (i) there are insufficient deposited funds in the GUC Distribution Fund by the date distributions are scheduled to be made to Holders of Allowed General Unsecured Claims as provided in section 5.1(e) of the Plan (the “GUC Distribution Fund Default”) and (ii) the GUC Distribution Fund Default has not been cured within ten (10) Business Days after written notice by the Plan Administrator to the Reorganized Debtor of such GUC Distribution Fund Default.

Upon the occurrence of a GUC Distribution Fund Default that has not been cured, the Holder of any Allowed General Unsecured Claim which has not been paid in full under the Plan may seek appropriate relief from the Bankruptcy Court.

Upon the occurrence of a GUC Distribution Fund Default that has not been cured, BFSB will be entitled to exercise all of its rights and remedies under the Restructure Closing Documents and applicable law, including, but not limited to, the delivery of the deed for the Property out of escrow to BFSB for appropriate recording. BFSB shall provide the Reorganized Debtor and the Plan Administrator with prompt written notice that it has elected to exercise its rights and remedies under the Restructure Closing Documents and applicable law because of the occurrence of a GUC Distribution Fund Default or such other occurrence of an event of default as set forth under the Restructuring Closing Documents and Plan Support Agreement.

Written notice of any and all GUC Distribution Fund Defaults must be addressed in accordance with section 14.11 of the Plan, and delivered only by overnight delivery to (i) the

Reorganized Debtor and (ii) BFSB. All written notices of a GUC Distribution Fund Default must specify the amount of the deficiency in the GUC Distribution Fund for which the Plan Administrator is giving notice of.

VII. CONFIRMATION OF THE PLAN

A. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Court, after notice, to hold a hearing regarding the confirmation of the Plan. At the Confirmation Hearing, the Court will determine whether the Plan satisfies the requirements for confirmation set forth in section 1129 of the Bankruptcy Code. The Confirmation Hearing has been scheduled for _____ at _____ before the Honorable Dorothy T. Eisenberg, United States Bankruptcy Judge, United States Bankruptcy Court for the Eastern District of New York, Long Island Federal Courthouse, 290 Federal Plaza, Central Islip, New York 11722. The Confirmation Hearing may be adjourned from time to time by the Court without further notice, other than by announcement in Court of such adjournment on the date of the Confirmation Hearing.

B. Confirmation Requirements

The Court will confirm the Plan only if all of the applicable requirements of section 1129 of the Bankruptcy Code are satisfied. The Debtor believes the Plan satisfies all of the statutory requirements for confirmation of the Plan. The following is a discussion of some of the more important requirements of section 1129(a) of the Bankruptcy Code.

1. Acceptance of the Plan

The Bankruptcy Code requires the Plan to be accepted by each Impaired Class. An Impaired Class is deemed to have accepted the Plan if the Plan has been accepted by Holders of at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims of such Impaired Class that actually vote on the Plan. Holders of Allowed Claims who fail to properly vote are not counted as either accepting or rejecting the Plan.

Under the Plan, Classes 3, 5 and 6 are Impaired Classes that are entitled to vote on the Plan. Classes 1, 2 and 4 are not Impaired by the Plan and, therefore, are deemed to have accepted the Plan and are not entitled to vote on the Plan. Class 7 will retain their equity interests in the Debtor under the Plan and, therefore, is deemed to have accepted the Plan and is not entitled to vote on the Plan.

As will be discussed below, if one or more Impaired Classes vote to reject the Plan, the Plan may still be confirmed if the Court finds that the Plan satisfies the requirements of section 1129(b) of the Bankruptcy Code, which will permit confirmation of the Plan if it does not discriminate unfairly and is fair and equitable with respect to any Impaired Class that has not accepted the Plan.

2. Best Interest of Creditors Test

Under section 1129(a)(7) of the Bankruptcy Code (commonly referred to as the “Best Interest of Creditors Test”) each Holder of an Allowed Claim in an Impaired Class must 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 if the Debtor was liquidated under chapter 7 of the Bankruptcy Code.

To determine the value that a Holder of an Allowed Claim or Membership Interest in an impaired Class would receive if the Debtor was liquidated under chapter 7, the Court must determine the dollar amount that would be generated from the liquidation of the Debtor's Assets if the Debtor's Case was converted to a case under chapter 7. The amount of cash ultimately available for Allowed Claims would consist of the proceeds from the disposition of the Debtors' Assets, as well as cash held by the Debtor, reduced by the costs and Claims that arise in a chapter 7 case that do not arise in a chapter 11 case. The costs of liquidating under chapter 7 would include the fees that might be payable to the chapter 7 trustee, as well as the fees that might be payable to the attorneys and other professionals engaged by the chapter 7 trustee, plus any unpaid expenses incurred by the Debtor during the chapter 11 case that would be allowed in the chapter 7 case, such as compensation for attorneys, financial advisors, or other professionals, and costs and expenses of members of any statutory committee of unsecured creditors appointed by the U.S. Trustee. In a chapter 7 case, there might be additional claims that arise due to a breach or rejection of obligations incurred and executory contracts or unexpired lease entered into by the Debtor prior to, and during the pendency of, the chapter 11 case. As required by the Bankruptcy Code, the foregoing costs, Claims, expenses, fees and other such claims that might arise in a chapter 7 case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay any priority claims and unsecured claims arising prior to the Petition Date. Under the absolute priority rule, no junior creditor would receive any distribution until all senior creditors are paid in full, and no equity holder would receive any distribution until all creditors are paid in full.

The Debtor believes that the Plan satisfies the Best Interest of Creditors Test. The Plan would, among other things, (i) include certain additional funds that would be made available by way of a contribution from Allegria (a Plan sponsor that is agreeing to (i) allow the revenue of the Allegria Hotel to be used to fund the distributions to be made to Holders of General Unsecured Claims, (ii) be jointly liable for payment of the Reorganized Debtor's obligations under the Plan and (iii) termination of the Allegria Lease) and the principals of the Debtor (who have funded the Real Property Tax Fund to be used to make distributions on the Real Property Tax Claims and who will fund the \$2,400,000 payment required to be made to BFSB on the Effective Date of the Plan) which would not otherwise be available in a chapter 7 case for the Holders of General Unsecured Claims, and (ii) provide for the restructuring of the Debtor's secured debt to BFSB. A liquidation under Chapter 7 is not likely to yield any funds available for distribution to unsecured creditors because the value of the Property that is the Debtor's primary asset is substantially less than BFSB's first priority mortgage liens. In addition, a conversion of the case to a case under chapter 7 case would result in the incurrence of additional costs that may be substantial and that must be paid in full before any distributions could be made for priority claims and unsecured claims arising prior to the Petition Date while also eroding the value of assets due to the forced sale of such assets through a liquidation process. For these reasons, the Debtor submits that confirmation of the Plan will provide each Holder of an Allowed Claim or Membership Interest with a recovery that is not less than such Holder would receive in a liquidation under chapter 7 of the Bankruptcy Code.

3. Feasibility of Plan

Confirmation of the Plan also requires that it be feasible as well. Under section 1129(a)(11) of the Bankruptcy Code, in order to be deemed feasible, the Debtor must show that confirmation of the Plan is not likely to be followed by a need for further reorganization or a liquidation.

The Debtor submits that the Plan is feasible because a substantial portion of the funds required to be paid pursuant to the Plan, including the Real Property Tax Fund and almost all of the \$2,400,000 prepayment of interest required to be paid to BFSB on the Effective Date of the Plan are already on hand

and have been reserved. With respect to distributions to be made Holders of Allowed General Unsecured Claims, the Plan is feasible because the projections for Allegria's operations submitted in connection with this Disclosure Statement as Exhibit B demonstrate that the Allegria will earn sufficient revenue from the operation of its hotel to permit it to make the payments required under the Plan, and to the extent Litigation Proceeds are recovered by the Plan Administrator, it is possible that Holders of Allowed General Unsecured Claims may ultimately receive their full distributions to which they are entitled to under the Plan over a shorter period of time than sixteen (16) months. Moreover, during the two-year period over which distributions will be made to Holders of Allowed General Unsecured Claims, the Reorganized Debtor will not be required to make any payments to Investors Bank under the Note and Mortgage because the Reorganized Debtor is pre-paying, on the Effective Date, all of the interest required to be paid during the two-year initial term of the Note. Allegria's revenue has grown each year since it opened its hotel for business and reasonably expects its revenue to continue to grow.

4. Confirmation of Plan Without Acceptance of All Impaired Classes

Even if all Impaired Classes do not accept the Plan, the Plan may still be confirmed by the Court at the request of the Debtor as the Plan proponent. In such a circumstance, section 1129(b) of the Bankruptcy Code requires that at least one Impaired Class accept the Plan and that the Plan does not discriminate unfairly and is fair and equitable with respect to each Impaired Class that has not accepted the Plan.

No Unfair Discrimination

The Plan does not discriminate unfairly with respect to a non-accepting Impaired Class so long as the treatment for such Class is fair in comparison to the treatment provided to other Classes having the same legal rights as the non-accepting Impaired Class.

Fair and Equitable

The Plan is fair and equitable with respect to a non-accepting Impaired Class so long as either (i) such each Holder of an Allowed Claim or Membership Interest in an Impaired Class receives or retains under the plan property of a value as of the Effective Date in an amount equal to at least the allowed amount of such Claim or Membership Interest, or (ii) if the non-accepting Impaired Class does not receive such an amount, then no class junior in priority to the non-accepting Impaired Class will receive a distribution under the Plan.

VIII. RISK CONSIDERATIONS

HOLDERS OF CLAIMS AND INTERESTS IN IMPAIRED CLASSES UNDER THE PLAN SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HERewith AND/OR INCORPORATED HEREIN BY REFERENCE), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

Although the Debtor believes the Plan satisfies the requirements for confirmation by the Court, the Debtor can provide no assurances that the Court will reach the same conclusion. There are no assurances that modifications of the Plan will not be required in order to be confirmed by the Court or that

such modifications would not necessitate the resolicitation of votes on the Plan.

The Plan also sets forth conditions to confirmation of the Plan and the occurrence of the Effective Date, which, if are not satisfied, could result in the prevention of the Plan being confirmed and delay or non-occurrence of the Effective Date of a confirmed Plan. The Debtor anticipates the necessary conditions to confirmation of the Plan and the occurrence of the Effective Date set forth in the Plan and described in this Disclosure Statement will be satisfied.

The Confirmation Order may be subject to an appeal. If an appeal could be, and is, taken (and such appeal would not be rendered moot because the Plan has been substantially consummated), and the Confirmation Order is vacated on appeal, then the Plan would no longer be in effect and would fail.

There are also factors that may affect recoveries under the Plan. These factors include, among other things, the risk that the Plan might not be consummated, the risks of unfavorable outcomes on legal matters, and the risk of dilution of recoveries and that distributions will be less than estimated by the Debtor because of Disputed Claims becoming Allowed Claims, as well as the associated costs of litigation in connection with this Case, including litigation involving the confirmation of the Plan or Causes of Action.

Finally, there are no assurances that the Reorganized Debtor, even with the contributions to be made by the Debtor's principals, and the agreement by Allegria to be jointly responsible payment of all distributions, will obtain enough cash from Allegria's operations after the Effective Date to permit it to timely pay all distributions required to be made to Holders of Allowed General Unsecured Claims. The revenue generated by Allegria's operations after the Effective Date, to a certain extent, is subject to general economic, business, financial, competitive, legislative, regulatory and other factors that are beyond the control of the Reorganized Debtor, which may affect such timely distributions under the Plan. If the Reorganized Debtor defaults on its obligations under the Plan, and is unable to cure the defaults within the period permitted under the Plan, BFSB would be permitted to declare a default under the Note and Mortgage and exercise its rights and remedies thereunder, including the right to release from escrow and to record the deed for the Property the Debtor will be delivering to Investors Bank on the Effective Date of the Plan. However, absent this grant of right and remedy to BFSB to release from escrow and to record the deed for the Property, among other things, there would be no agreement between the Debtor and BFSB allowing for the restructuring of the Debtor's pre-petition obligations. Without such an agreement between the Debtor and BFSB, there would be no distributions to Holders of Allowed General Unsecured Claims as set forth in the Plan.

IX. ALTERNATIVES TO THE PLAN

The Debtor believes the Plan provides Holders of Claims and Membership Interests with the potential for the greatest realization of value under the circumstances, and as such, is in the best interests of its creditors.

As discussed above regarding the "Best Interests of Creditors Test", liquidation under chapter 7 of the Bankruptcy Code would not result in distributions greater than what is proposed in the Plan. In fact, due to the attendant costs of liquidating under chapter 7, it is possible that distributions could ultimately be less than what the Debtor is proposing in the Plan. The Plan provides for substantial contributions from Allegria pursuant to the Plan and substantial funds from Allen Rosenberg have been placed in escrow for the payment of real property taxes and water charges attributable to the Property. The Plan also addresses the asserted BFSB Secured Claim. In contrast, the contribution from Allegria

pursuant to the Plan would not be available in a chapter 7 liquidation, and because BFSB is significantly undersecured, it is very unlikely that there would be any proceeds available for distribution to junior creditors following a chapter 7 liquidation. While BFSB would be entitled to share in any distributions being made to other Holders of Allowed General Unsecured Claims because of the undersecured portion of the BFSB Secured Claim, the Debtor, through extensive negotiations with BFSB, has set forth a Plan in which BFSB has agreed to waive its entitlement to its share in any distributions for Holders of Allowed General Unsecured Claims, and thus, the remaining Holders of Allowed General Unsecured Claims will receive a greater distribution under the Plan. There would be no such benefit to these same Holders of Allowed General Unsecured Claims in a chapter 7 case.

It is also possible that an alternative form of a chapter 11 plan could be proposed. However, the Debtor believes such plan alternatives would be less attractive than the Plan. Other plan alternatives could involve diminished recoveries for creditors, significant delay in distributions, and substantial additional administrative costs.

X. FEDERAL INCOME TAX CONSEQUENCES

The federal, state, local and other tax consequences of the Plan to the Holders of Claims and Membership Interests may vary based on the individual circumstances of each Holder. No representations are made regarding the tax consequences of the Plan. Holders of Claims and Membership Interests are urged to consult their own tax advisors regarding the federal, state, local and other tax consequences of the Plan.

XI. CONCLUSION

The Debtor believes the Plan is in the best interest of all creditors and recommends the confirmation and implementation of the Plan. The Debtor urges all Holders of Allowed Claims in Impaired Class 3, Impaired Class 5, and Impaired Class 6 to vote to accept the Plan, and to evidence such acceptance by returning their ballots so that they will be received no later than the Voting Deadline.

Dated: February 15, 2012
New York, New York

ALROSE KING DAVID LLC
Debtor and Debtor in Possession

By: /s/ Allen Rosenberg
Allen Rosenberg
Managing Member