

UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:)	
)	Chapter 11
ALT Hotel, LLC,)	
)	Case No. 11-19401 (ABG)
Debtor.)	
)	Hearing Date: March 26, 2012
)	Hearing Time: 10:00 a.m.

FIRST AMENDED DISCLOSURE STATEMENT FOR PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE PROPOSED BY THE DEBTOR

THE BANKRUPTCY COURT HAS APPROVED THIS FIRST AMENDED DISCLOSURE STATEMENT (THE "DISCLOSURE STATEMENT") AND HAS FOUND THAT IT CONTAINS INFORMATION THAT IS ADEQUATE TO ENABLE A CREDITOR OF THE DEBTOR OR A HOLDER OF AN EQUITY INTEREST IN THE DEBTOR TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN OF REORGANIZATION (AS MAY BE AMENDED, THE "PLAN"). THE DEBTOR HAS PROVIDED THE INFORMATION THAT IS SET FORTH HEREIN TO ENABLE ITS CREDITORS AND INTEREST HOLDERS TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN. CREDITORS AND INTEREST HOLDERS SHOULD NOT RELY UPON THE DISCLOSURE STATEMENT FOR ANY PURPOSE OTHER THAN THE PURPOSE OF MAKING AN INFORMED JUDGMENT ABOUT THE PLAN AND DECIDING HOW TO VOTE ON THE PLAN.

THIS DISCLOSURE STATEMENT DOES NOT CONTAIN ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. ANY PERSON THAT FEELS THAT HE, SHE, OR IT MUST HAVE SUCH ADVICE IN ORDER TO MAKE A JUDGMENT ABOUT THE PLAN SHOULD CONSULT HIS, HER, OR ITS OWN ATTORNEYS, ACCOUNTANTS, AND/OR ADVISORS.

THE MANAGEMENT OF THE DEBTOR AND EXPERT CONSULTANTS THAT HAVE BEEN EMPLOYED BY THE DEBTOR HAVE PROVIDED ALL OF THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, WITH THE EXCEPTION OF INFORMATION FOR WHICH MANAGEMENT HAS IDENTIFIED ANOTHER SOURCE. THE DEBTOR HAS NOT AUTHORIZED ANY PARTY TO MAKE ANY REPRESENTATIONS ABOUT THE DEBTOR'S BUSINESS AND FINANCIAL AFFAIRS AND/OR ITS PLAN OTHER THAN THOSE REPRESENTATIONS THAT ARE MADE IN THIS DISCLOSURE STATEMENT AND THE ACCOMPANYING DOCUMENTS AND EXHIBITS.

IN DETERMINING HOW TO VOTE UPON THE PLAN, HOLDERS OF CLAIMS AND/OR INTERESTS SHOULD NOT RELY UPON ANY REPRESENTATIONS OR INDUCEMENTS OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT.

THE DEBTOR HAS BEEN CAREFUL TO MAKE ACCURATE STATEMENTS IN THIS DISCLOSURE STATEMENT WITH RESPECT TO ALL MATERIAL MATTERS. THE DEBTOR BELIEVES THAT THE CONTENTS OF THIS DISCLOSURE STATEMENT ARE COMPLETE AND ACCURATE IN ALL MATERIAL RESPECTS. HOWEVER, THE DEBTOR CANNOT AND DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT INACCURACY. IT IS ESPECIALLY IMPORTANT THAT ALL HOLDERS OF CLAIMS AND/OR INTERESTS UNDERSTAND THAT EVENTS AND CIRCUMSTANCES THAT THE DEBTOR DOES NOT CURRENTLY FORESEE MAY MATERIALLY ALTER THE FINANCIAL PERFORMANCE OF THE DEBTOR.

TO ALL PARTIES IN INTEREST:

On May 5, 2011 (“Petition Date”), ALT Hotel, LLC (the “Debtor”) filed a voluntary petition under Chapter 11 of the Bankruptcy Code. The Debtor is presently acting as a debtor in possession. The Debtor’s case is pending in the above-captioned court (the “Bankruptcy Court”).

This Disclosure Statement is submitted by the Debtor and contains information with respect to the Debtor’s proposed Plan, which is attached hereto as Exhibit A. Pursuant to section 1125 of the Bankruptcy Code, this Disclosure Statement is being distributed to you together with a copy of the proposed Plan to allow you to make an informed decision in exercising your right to accept or reject the proposed Plan. In the event that there are any inconsistencies between the Plan and the Disclosure Statement, the terms of the Plan shall control. The Court’s approval of this Disclosure Statement does not constitute an endorsement by the Court of the proposed Plan.

The Debtor urges you to vote to accept the proposed Plan and to promptly return your completed ballot in order to assure that your vote will be counted.

ARTICLE I

DEFINITIONS

Terms that are employed in this Disclosure Statement and that are not specifically defined herein or in the Bankruptcy Code shall be defined in accordance with the Plan (as may be amended). In some instances, capitalized terms that are used in the Plan are included herein in the lower case, such as the term “Claim”. Use of the lower case is not intended to alter the definition of the subject term.

ARTICLE II

BACKGROUND INFORMATION

A. The Debtor.

The Debtor is a limited liability company. The Debtor's sole asset is an operating hotel that is located in Chicago, Illinois and that is named The Allerton Hotel (the "Hotel"). The Hotel is located on what is often referred to as Chicago's "Magnificent Mile," at the intersection of North Michigan Avenue and East Huron Street. It has 443 guest rooms, a building area of approximately 243, 200 square feet, a restaurant and lounge, and meeting and banquet facilities.

The Hotel is an iconic and historic fixture in Chicago. It has been in operation for nearly 90 years, having first opened its doors in 1924, during the "Roaring Twenties." One of the first high-rises to be located on Michigan Avenue, its beautiful Northern Italian Renaissance architecture initially stood in stark contrast to the then-prevalent Georgian and Tudor revival cityscape. By the 1940s, when the Hotel's famous (and still extant) "Tip Top Tap" sign was first illuminated, the Hotel had achieved recognition as a social and political "in spot."

The Hotel gained nationwide attention during the 1950s when radio personality Don McNeil broadcast his popular daily radio program, "Don McNeil's Breakfast Club," from the Tip Top Tap. Such Hollywood legends as Bob Hope, Marilyn Monroe, Danny Kaye, Frank Sinatra, Lucille Ball, Jerry Lewis, Ginger Rogers, and James Stewart were featured guests on the show.

The Hotel is today included on the National Register of Historic Places. In June of 1998, the City of Chicago designated the Hotel as an historic landmark.

In 1998, the Hotel launched a \$60 million renovation program. The renovations were completed in July of 2008. The renovations were well received. The Hotel was awarded the "Best Guestroom Design" by *Hotel World Magazine* and was a finalist in the ratings for best restaurant, lounge and public space design.

Unfortunately, however, the newly-refurbished Hotel reopened at the onset of the 2008 recession and Chicago's worst hotel market downturn ever recorded. Revenue per available room (or RevPar) dropped by approximately twenty-nine percent (29%) in the year after the Debtor completed the renovations. Occupancy rates at the Hotel have significantly improved since then, although they have not yet returned to the levels the Hotel had achieved prior to the 2008 recession.

B. Ownership of the Debtor and Secured Indebtedness.

On November 9, 2006, the Debtor entered into that certain Loan Agreement (the "Senior Loan Agreement") with Column Financial, Inc. ("Column") in the original principal amount of \$79 million, containing Tranche A and B portions. The Senior Loan Agreement was secured by a Mortgage and Security Agreement (the "Mortgage"), which purportedly created a senior lien position on substantially all of the Debtor's property, including a mortgage on the Hotel property and a security interest in a lockbox account into which all revenues associated with the operation

of the Hotel are deposited. Column, based on a series of transactions beginning in March 2007, indirectly assigned the Tranche A portion of the senior loan to U.S. Bank National Association (as successor-in-interest) to Wells Fargo Bank, N.A. (“Wells Fargo”), as Trustee for the Beneficial Holders of the Credit Suisse First Boston Mortgage Securities Corp., Commercial Mortgage Pass-Through Certificates, Series 2007-TLF1 (the “Wells Fargo Securitization Trust”). The remaining portion of the senior loan (Tranche B) was assigned to Wells Fargo.

On May 24, 2010, subsequent to the commencement of a foreclosure lawsuit that is discussed below, the Wells Fargo Securitization Trust and Wells Fargo assigned their respective interests under the Senior Loan Agreement, the Mortgage and related documents to DiamondRock Allerton Owner LLC (“Secured Lender”), an affiliate of DiamondRock Hospitality Company (“DRH” and together with Secured Lender, “DiamondRock”), a publicly held real estate investment trust. As of the Petition Date, the principal balance that was nominally due and owing under the Senior Loan Agreement was \$69 million, subject to the Debtor’s claim objection and equitable subordination adversary proceeding.

On March 21, 2007, the parent company of the Debtor, Alt Hotel Mezz, LLC (“Mezz Borrower”) entered into a mezzanine loan agreement in the principal amount of \$10 million (the “Mezz Loan”) with Column pursuant to a Mezzanine Loan Agreement. Column and the Debtor entered into the Mezz Loan Agreement to allow the Debtor to pay down the Tranche A portion of the senior loan by \$10 million. The Mezz Loan was secured by a Pledge and Security Agreement also dated March 21, 2007 (the “Pledge Agreement”), whereby Mezz Borrower, a bankruptcy remote, special purpose entity, pledged one hundred percent (100%) of the membership interests in the Debtor to Column as security for the Mezz Loan. The Mezz Loan was subsequently assigned to Hotel Allerton Mezz, LLC (“Mezz Lender”).

In June 2010, after Wells Fargo refused to extend the maturity of the Senior Loan and declared a default under the Senior Loan Agreement, Mezz Lender, as a means of protecting its interests in the Hotel, foreclosed on the membership interests in the Debtor through a credit bid by the Mezz Lender in the amount of \$8.4 million. The credit bid was made at a publicly noticed sale pursuant to Article 9 of the Uniform Commercial Code in effect in the State of New York as of the date of the sale (the “Foreclosure”). As a result of the Foreclosure, the Mezz Lender succeeded to the ownership of the membership interests in the Debtor.

C. Events Leading to Bankruptcy.

During the fall of 2009, the Debtor sought to extend the maturity date of the Senior Loan Agreement which was otherwise due to mature on January 9, 2010. However, notwithstanding the fact that the Debtor was contractually entitled to the requested extension, Wells Fargo refused to approve the extension. Wells Fargo had approved a similar extension in the previous year and had provided the Debtor with good reason to believe that yet another one-year extension would be approved.

On April 2010, Wells Fargo, in its dual capacities as special servicer under the Wells Fargo Securitization Trust and holder of the Tranche B debt, declared a default under the Senior Loan Agreement. On April 30, 2010, Wells Fargo initiated a foreclosure lawsuit in the Circuit Court of Cook County, Illinois, which was captioned *Wells Fargo, et al. v. ALT Hotel LLC*, and

designated Case No. 10-CH-18859 (the "Foreclosure Case"). The Debtor and Mezz Lender strongly dispute the claims that any default occurred under the Senior Loan Agreement and that the Senior Lender is entitled to foreclose its mortgage on the property.

In an effort to protect the Debtor's substantial equity in the Hotel, the Debtor initiated the above-captioned bankruptcy case (the "Case") on the Petition Date.

D. Significant Events in Bankruptcy Case.

Employment of Debtor's Bankruptcy Counsel. On June 1, 2011, the Bankruptcy Court entered an order authorizing the Debtor to employ Neal Wolf & Associates, LLC ("NW&A") as counsel to the Debtor, effective as of the Petition Date. NW&A files monthly invoices and quarterly applications for allowance of attorneys' fees and reimbursement of expenses in this Case. On November 2, 2011, the Bankruptcy Court entered an order granting, in part, NW&A's first interim application for allowance of its compensation and reimbursement of its expenses.

Schedules and Statement of Financial Affairs. On June 11, 2011, the Debtor filed its Statement of Financial Affairs and Schedules. Electronic copies of these documents, which list and categorize the assets and liabilities of the Debtor as well as a considerable amount of additional current and historical information about the Debtor, and which are voluminous, will be provided to parties in interest by NW&A upon written request.

Claims Bar Date Established. On November 16, 2011, the Bankruptcy Court entered an order establishing December 16, 2011 (the "Bar Date") as the deadline by which holders of unsecured prepetition claims were required to submit proofs of claim.¹

Cash Collateral/Post-Petition Financing. On May 9, 2011, the Bankruptcy Court authorized the Debtor to use the cash collateral of the Secured Lender on an interim basis. The Bankruptcy Court extended the Debtor's use of cash collateral in orders entered on May 18, 2011, May 23, 2011, June 27, 2011, October 5, 2011, December 21, 2011 and March 12, 2012 (the March 12, 2012 order being hereinafter referred to as the "Seventh Interim Order"). The Debtor's use of cash collateral is currently approved through March 25, 2012. The specific limitations of, and terms related to, the Debtor's use of cash collateral are more specifically set forth in the Seventh Interim Order. The next hearing on the Debtor's use of cash collateral is scheduled to take place on March 26, 2012. On February 22, 2012, the Bankruptcy Court granted the Debtor authority to obtain as much as \$800,000 of postpetition financing from Secured Lender to cover then anticipated liquidity needs during the "slower," winter season. However, no portion of the approved postpetition financing was funded.

Valuation Motion. On May 27, 2011, the Debtor filed a motion (the "Valuation Motion") seeking entry of an order establishing pre-hearing procedures and deadlines, and scheduling a hearing, for the purpose of determining the value of the Hotel. Upon stipulation of the Debtor and Secured Lender, and pursuant to an order entered by the Bankruptcy Court on November 14,

¹ Creditors holding claims based on the rejection of their executory contracts or unexpired leases, or claims added by the Debtor through subsequent amendment to the Debtor's schedules, are provided with additional time to file a proof of claim beyond the Bar Date.

2011, the hearing on the Valuation Motion has been continued so that it can be conducted concurrently with the hearing on confirmation of the Plan. The confirmation hearing and hearing on the Valuation Motion are currently set for July 23, 2012 through July 28, 2012 (to the extent necessary).

Claim Objection and Equitable Subordination Litigation. On July 8, 2011, the Debtor and Mezz Lender filed an adversary proceeding in the Bankruptcy Court against the Secured Lender, captioned *ALT Hotel, LLC and Hotel Allerton Mezz, LLC v. DiamondRock Allerton Owner, LLC*, and designated Adv. No. 11-01469-ABG (the "Claim Objection and Equitable Subordination Litigation"). In the Claim Objection and Equitable Subordination Litigation, the Debtor and Mezz Lender seek, among other things, entry of an order disallowing that portion of the Secured Lender's claim comprising default interest and subordinating a portion of the Secured Lender's claim based on breach of contract and other legal and equitable theories. The Debtor and Mezz Lender have amended their complaint three times in the Claim Objection and Equitable Subordination Litigation, most recently on November 15, 2011. Secured Lender has filed a motion seeking entry of an order dismissing the Claim Objection and Equitable Subordination Litigation. A hearing on such motion to dismiss is currently set for May 16, 2012. The Debtor has expressly reserved all rights with respect to its claims related to the Claim Objection and Equitable Subordination Litigation and to raising new claims against the Secured Lender in the Claim Objection and Equitable Subordination Litigation or through a separate action.

Removed Litigation. On August 3, 2011, Mezz Lender filed a notice removing to the Bankruptcy Court certain claims against DiamondRock and Wells Fargo that were brought by the Mezz Lender in the Foreclosure Case. The removal notice created new Adv. No. 11-01651-ABG (the "Removed Litigation"). The Debtor is not a party to the Removed Litigation. Mezz Lender has sought to consolidate the Removed Litigation and the Equitable Subordination Litigation. The Bankruptcy Court has raised issues with respect to the proposed consolidation and has also questioned whether the Bankruptcy Court has subject matter jurisdiction over the Removed Litigation. The Bankruptcy Court has indicated that it will decide these issues on May 16, 2012.

Guaranty Litigation. On August 9, 2011, the Secured Lender filed a lawsuit in the Supreme Court of the State of New York, County of New York, against PS CDO Manager, LLC, that is captioned *DiamondRock Allerton Owner, LLC v. PS CDO Manager, LLC*, and designated as Index No. 652224/2011 (the "Guaranty Litigation"), pursuant to a demand made under that certain Guaranty, dated as of October 1, 2010 (the "Guaranty"). PS CDO Manager, LLC subsequently moved to dismiss, or in the alternative, stay the Guaranty Litigation. Secured Lender filed a cross-motion for summary judgment for liability only as to legal fees allegedly incurred thus far by Secured Lender. On January 31, 2012, the court overseeing the Guaranty Litigation denied PS CDO Manager, LLC's motion to dismiss and granted Secured Lender's cross-motion for summary judgment on liability. The parties are currently negotiating a stipulation to refer the matter to a referee for a ruling on damages.

Disclosure Statement and Plan of Reorganization. On December 16, 2011, the Debtor filed the Plan. On January 25, 2012, the Debtor filed a motion to approve its *Disclosure Statement for Plan of Reorganization Under Chapter 11 of the Bankruptcy Code Proposed by the*

Debtor (filed as Exhibit 2 thereto). On March 19, 2012, the Debtor filed the Amended and Restated Loan Agreement, Amended and Restated Mortgage and Security Agreement, Assignment of Lease and Rents, and Guaranty Agreement (the “New Guaranty”). The Debtor did not file amended and restated versions of certain other ancillary documents, such as the Environmental Liability, Operations & Maintenance Agreement, Manager Recognition Agreement, Cash Management Agreement and Lockbox Account Agreement. If it appears that the Secured Lender is prepared to negotiate in good faith with respect to the Amended and Restated Loan Documents, or a similar refinancing of the Secured Claim, the Debtor would be prepared to file such additional proposed amended and restated documents.

ARTICLE III

ASSETS AND LIABILITIES OF DEBTOR

A. Assets.

On August 19, 2011, the New York City, New York-based firm of LW Hospitality Advisors LLC, in an engagement commissioned by the Debtor, issued an opinion that the market value of the fee simple interest in the Debtor’s property, in its “as-is condition,” as of August 1, 2011, was \$94,000,000. The opinion was set forth in a detailed report that was entitled *Self-Contained Appraisal of the Allerton Hotel Chicago on Magnificent Mile* by LW Hospitality Advisors, LLC, dated August 19, 2011 (the “Appraisal”). The Debtor believes that the fair market value of the Hotel is equal to or greater than that set forth in the Appraisal.

The Secured Lender disputes the Debtor’s asserted valuation of the Hotel, claiming that the value of the Hotel is less than the amount of the Secured Indebtedness.

In addition to the fee simple interest that was valued in the Appraisal, the Debtor owns [i] accounts receivables totaling approximately \$734,650, [ii] inventory (linens, food, beverages, glassware, silver and related inventory) totaling approximately \$123,362, and [iii] potential claims against the Secured Lender and Wells Fargo.

B. Liabilities.

Asserted Secured Claim of Secured Lender. The Secured Lender has filed a proof of claim in this Case asserting a secured Claim of not less than \$73,049,185.77 (the “Secured Lender Claim”). The Debtor and Mezz Lender dispute both the amount and priority of the Secured Lender Claim, and filed the Claim Objection and Equitable Subordination Litigation seeking the partial disallowance and re-characterization of the Secured Lender Claim. The Debtor currently estimates the Claim of the Secured Lender at \$66,800,000, based on the accrual of interest at the non-default rate under the Senior Loan Agreement and the exclusion of late charges. The primary difference between the Debtor’s calculation and the Secured Lender Claim appears to be the Secured Lender’s inclusion of interest charges at the default rate and certain late charges, both as set forth in the Senior Loan Agreement, in its calculation of the Secured Lender Claim. The Debtor and Mezz Lender strongly dispute that certain defaults occurred under the Senior Loan Agreement and that the Senior Lender was at any point, or currently is, entitled to interest at the default rate or any late charges under the Senior Loan Agreement.

Further details on the parties' respective positions on the occurrence of a default under the Senior Loan Agreement are set forth in pleadings filed in the Claim Objection and Equitable Subordination Litigation. In summary, it is the Debtor's position that Wells Fargo improperly failed to grant an extension of the maturity date under the Senior Loan Agreement at a time when the Debtor satisfied the test required for such an extension. It is also the Debtor's position that any default under the Senior Loan Agreement related to the Debtor seeking a protective advance from Wells Fargo, to the extent a default could even properly be claimed under the circumstances, was not a material default. Consequently, the Secured Lender Claim improperly includes default interest and late charges under the Senior Loan Agreement. The Secured Lender, on the other hand, disputes that the Debtor was entitled to an extension of the maturity date under the Senior Loan Agreement, and disputes any characterization of the Debtor's request for a protective advance as anything other than a material default under the Senior Loan Agreement. Therefore, the Senior Lender alleges that it is entitled to default interest under the Senior Loan Agreement from and after the first event of default, and to certain late charges. As indicated, the Debtor disputes any such entitlement. For purposes of the Plan, Claims held by the Senior Lender will be estimated at \$66,800,000.

Other Asserted Secured Claims. No other Secured Claims were scheduled in the Debtor's bankruptcy schedules. As of the date hereof, three creditors have filed proofs of claim alleging Secured Claims against the Debtor, totaling \$701,219.48. The Debtor disputes the assertion that any of these Claims is secured and also disputes the amounts of these Claims, but is in the process of further reviewing such Claims and may file and prosecute claim objections with respect to the three proofs of claim. The Debtor believes at this time that the amount of these disputed Other Secured Claims that will become allowed Other Secured Claims is minimal, if any.

Priority Claims. Scheduled and asserted Priority Claims, to date, total \$355,314.13. Such Claims are held by Taxing Agencies or are Claims asserting priority under sections 503(b)(9), 507(a)(2), 507(a)(4) and/or 507(a)(5) of the Bankruptcy Code. However, certain proofs of claim of such asserted Priority Claims may be subject to valid Claim objections, which the Debtor will be filing and prosecuting to settlement or adjudication. Further, the Debtor may revise its bankruptcy schedules to reduce certain scheduled Priority Claims. The Debtor believes that actual allowed Priority Claims will equal not more than approximately \$331,687.78. The only anticipated Priority Claims that will be Allowed Claims are Claims arising under sections 507(a)(2), 507(a)(3) or 507(a)(8) of the Bankruptcy Code. Such Claims are not required to be classified and are therefore not separately classified in the Plan.

General Unsecured Claims. Scheduled and asserted General Unsecured Claims, to date, total approximately \$5,535,819.54. In arriving at this aggregate amount, for purposes of the Disclosure Statement, the Debtor has used the greater of the scheduled or claimed amount, where a creditor's Claim was scheduled and such creditor also filed a proof of claim. However, by far the largest of such Claims, in the amount of \$4,902,820 (the "Unite Here Claim"), was filed by Unite Here National Retirement Fund, The Unite Here Claim is a contingent Claim which would arise only in the event that the Hotel were to cease operations, permanently close its doors, and cease making contributions to the relevant union pension funds. Such a scenario is so unlikely that the Debtor believes the only reasonable approach is to estimate the Unite Here Claim at zero for purpose of voting on the Plan. Further, a number of the remaining General Unsecured

Claims are subject to valid Claim objections, which the Debtor intends to file and prosecute to settlement or adjudication. Furthermore, certain scheduled General Unsecured Claims may be subject to amendment. Consequently, the Debtor anticipates that actual allowed General Unsecured Claims will aggregate not more than approximately \$484,725.

Equity Holder's Deficiency Claim. The Equity Holder has filed a proof of claim asserting a Secured Claim of not less than \$3,503,633.90. The Debtor disputes the Equity Holder's Claim as to both amount and priority. Based on discussions with the Equity Holder, designation of the Equity Holder's Claim as a secured claim is a scrivener's error.

ARTICLE IV

SUMMARY OF PROPOSED PLAN OF REORGANIZATION

A. Explanation of Impaired and Unimpaired Claims and Interests.

A claim or interest is "impaired" under a plan of reorganization if the legal, equitable, or contractual rights of the holder of such claim or interest is altered under the plan. Any and all Allowed Claims in Classes 1, 3 and 4 are impaired under the Plan. Because of this impairment, the holders of Claims in Classes 1, 3 and 4 are entitled to vote to accept or reject the Plan.

The term "unimpaired" refers to classes of creditors or interest holders whose legal, equitable, and contractual rights remain unaltered by the Plan. Because of the treatment afforded to such classes, they are deemed to have accepted the Plan. It is not necessary to solicit acceptances from the holders of Claims or Interests in unimpaired Classes. Allowed Claims in Class 2 are unimpaired under the Plan. The Allowed Interest of the Equity Interest Holder in Class 5 is unimpaired under the Plan

B. Classification of Claims and Interests.

All Claims, as defined in section 101(5) of the Bankruptcy Code, against the Debtor are classified as set forth herein. A Claim is in a particular Class only to the extent it qualifies within the definition of such Class and is in a different Class to the extent it qualifies within the definition of such different Class.

- Unclassified Claims: Claims arising under sections 507(a)(2), 507(a)(3) and 507(a)(8) of the Bankruptcy Code.
- Class 1: Secured Claim of Secured Lender, the amount and priority of which is in dispute.
- Class 2: Other Secured Claims, if any.
- Class 3: General Unsecured Claims.
- Class 4: Equity Holder's Deficiency Claim, the amount and priority of which is in dispute.

- Class 5: Interest of Equity Holder.

ARTICLE V

PROVISIONS FOR SATISFYING CLAIMS AND SPECIFYING TREATMENT OF EACH CLASS UNDER THE PLAN

The treatment of all Allowed Claims and Interests shall be as follows:

A. Unclassified Claims.

Administrative Expense Claims. Pursuant to section 1129(a)(9)(A) of the Bankruptcy Code, each allowed Administrative Expense Claim shall be paid in full on or before the Effective Date, or as otherwise agreed by the holder of such Claim.

Priority Claims. Pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, each Allowed Claim of a government unit for real property taxes, soft drink taxes, city telecom taxes, movie taxes, hotel accommodation and restaurant taxes, amusement taxes, sales and use taxes, MPEA taxes, hotel room taxes, state telecommunication and state telecom infrastructure taxes, and other taxes held by a government unit that remain due and unpaid as of the Effective Date, shall be paid in full on or before the Effective Date, or as otherwise agreed to by the government unit holding such Priority Tax and Duty Claim. To the extent other Claims of governmental units become Priority Tax and Duty Claims, such Priority Tax and Duty Claims will be paid in full on the later of the Effective Date or on the date such claims of any such governmental units become a Priority Tax and Duty Claim.

Unclassified Claims: Each holder of a Priority Tax and Duty Claim shall be paid in full, or as otherwise agreed by the holder of such Claim, on or before the Effective Date or upon entry of a Final Order allowing such Claim, whichever shall occur later.

B. Treatment of Classified Claims and Interests.

1. Class 1: Secured Claim of Secured Lender.

The Class 1 Secured Claim of the Secured Lender, which is impaired under the Plan, shall be treated as follows:

(a) The Secured Lender will retain all of its liens and security interests in property of the Debtor, which liens and security interests will have the same priority and validity as the Pre-Petition liens and security interests of the Secured Lender, unless the validity and priority of such liens and security interests have been altered by a Final Order of the Bankruptcy Court or any other court of competent jurisdiction.

(b) The amount of the Allowed Secured Claim of the Secured Lender, which the Debtor currently estimates to be \$66,800,000, will constitute the new principal balance of the Secured Claim of the Secured Lender (the "New Principal Balance").

(c) The New Principal Balance will bear interest at the rate of 4.625 percent per annum, which interest will be payable to the Secured Lender monthly, for a period of sixty (60) months, commencing upon the first Business Day of the calendar month following the later to occur of (i) the Effective Date or (ii) the date upon which a Final Order is entered allowing the Secured Claim of the Secured Lender (the "Secured Loan Payment Commencement Date"). The interest rate was determined in consultation with FTI Consulting, Inc., the Debtor's financial advisor, and LW Hospitality Advisors, LLC, the entity that conducted the last appraisal of the Hotel at the Debtor's request. The Debtor determined that this interest rate was appropriate in order to ensure that the Secured Lender receives deferred cash payments equal to not less than the present value of the Secured Lender Claim, as required by section 1129(b) of the Bankruptcy Code, based on current and expected market conditions, including projected inflation and projected changes in interest rates and yields. Further, the Debtor believes that the sixty (60) month-term is reasonable under the circumstances.

(d) The New Principal Balance, together with any accrued and unpaid interest, from and after the Secured Loan Payment Commencement Date, will be repaid in full upon the date of payment of the final installment of interest provided for immediately above (the "Maturity Date").

(e) The New Principal Balance, together with payment of all accrued and unpaid interest, if any, as of the date of the prepayment, may be prepaid at any time prior to the Maturity Date, without penalty. The Debtor believes that this prepayment provision is reasonable under the circumstances as it requires the payment of accrued and unpaid interest.

(f) The Foreclosure Case will be dismissed with prejudice.

(g) The Guaranty Litigation will be dismissed with prejudice, the claims asserted in the Guaranty Litigation will be released, and the Guaranty will be replaced and superseded by the New Guaranty, which will contain the same substantive terms as the Guaranty. The guarantor under the New Guaranty will remain as the guarantor under the Guaranty.

(h) Amended and Restated Loan Documents will be executed, delivered, and (where appropriate) recorded in order to memorialize and give effect to the provisions of the Plan insofar as such provisions relate to the treatment of the Secured Lender under the Plan. In many material respects, the Amended and Restated Loan Documents are substantially similar to Senior Loan Agreement and the other pre-petition documents evidencing the Secured Claim, including numerous provisions that the Debtor believes will assist in facilitating an agreement with the Secured Lender, such as securitization provisions, certain reserves, and requirements that the Debtor provide extensive information to the Secured Lender. The Amended and Restated Loan Documents also contain certain material changes to account for the present circumstances and to make the Amended and Restated Loan Documents function more efficiently between the Debtor and Secured Lender. Such changes include the introduction of new transferee provisions, removal of certain waivers, removal of certain reserves which were previously funded or

fully utilized for their intended purposes and for which no replenishment was required, modification of certain lockbox requirements to reflect the pre-event of default reality, removal of certain condition precedent deliverables, modification of certain insurance requirements and modification of certain disclosure requirements. At Secured Lender's request, the Debtor provided the Secured Lender with blacklines of the Amended Loan Documents run against the respective pre-petition documents.

2. Class 2: Other Secured Claims.

These Claims, if any, are unimpaired under the Plan. The holders of the Allowed Other Secured Claims, if any, shall retain, unaltered, the legal, equitable and contractual rights (including any liens that secure such Claim) to which the holders of such claims are entitled, and such Allowed Claims shall be reinstated as of the Effective Date.

3. Class 3: General Unsecured Claims.

These Claims are impaired under the Plan. Each holder of an General Unsecured Claim that is an Allowed Claim shall receive fifty percent (50%) of the amount of such holder's Allowed Claim on the Effective Date and fifty percent (50%) of the balance of such holder's Allowed Claim, together with interest computed at the rate of five percent (5%) per annum, one hundred eighty (180) days after the Effective Date. If a holder of such an Allowed Claim also holds other Claims separately classified, those Claims will be treated as set forth with respect to the applicable Class or Classes.

4. Class 4: Equity Holder's Deficiency Claim.

This Claim is impaired under the Plan. The Equity Holder's Deficiency Claim shall accrue interest at the rate of seven percent (7%) per annum commencing upon the Effective Date. Each month, commencing upon the first Business Day of the month following the month in which the Effective Date occurred, the holder of the Equity Holder's Deficiency Claim, to the extent the Equity Holder's Deficiency Claim is an Allowed Claim, shall receive a payment equal to the amount of Excess Cash Flow, if any, which shall be applied first to accrued and unpaid interest and second to principal, until the Equity Holder's Deficiency Claim, to the extent it is an Allowed Claim, together with all interest that has accrued thereon, has been paid in full.

5. Class 5: Interest of Equity Holder.

The Interest of the Equity Holder is unimpaired under the Plan.

ARTICLE VI

MEANS FOR EXECUTION OF THE PLAN

A. Comments on Financial Projections.

As set forth in the Monthly Cash Flow Projections (the "CF Projections"), attached hereto as Exhibit B, the Debtor has the means to execute the Plan. Such projections reflect anticipated cash flows for the first approximately five (5) years after the Effective Date, and indicate that the

Debtor reasonably anticipates the receipt of revenue sufficient to meet its debt service obligations under the Amended and Restated Loan Agreement, Amended and Restated Promissory Note and related documents. The CF Projections herein are derived from the forecasts set forth in the Appraisal.

The Appraisal contained cash flow forecasts based upon projections of future revenues and expenses, relying on historical performance, analysis of the Chicago market, and benchmarking of competitive properties and asset classes. A more specific explanation of the various aspects of the projections is set forth below.

B. Revenues.

The occupancy of the Hotel has been forecasted based on its relative competitiveness with other hotels in the market and its respective “penetration rate” among the market supply. That is, how much of its “fair share” of market occupancy does the property achieve given its number of rooms, amenities, and the supply and demand in the market.

The Hotel accounts for 19.9% of the 2,230 total rooms within the competitive set identified in the appraisal.² Historically, the property has achieved just over 100% penetration of its fair share of occupied room nights. Due to its strategic location in the center of Michigan Avenue and virtually across the street from the Peninsula and Ritz Carlton hotels and its proximity to demand generators and nearby amenities, the property is expected to maintain its historical penetration rates. Despite projected increases in demand which would increase occupancy to over 80% during the projection period by holding penetration rates constant, the projections forecast stabilized occupancy of 75% beginning in the second year of the projections.³ According to the appraiser’s projections, penetration levels for the subject property are estimated at around 100% as of the stabilized year of 2012.

Based on supply and demand relationships projected for the market, inflationary pressures and other factors, the projections anticipate rising ADR levels continuing through the end of 2011 and into 2012 and following years, followed by a period of stabilization in the long term. ADR for the property is forecasted to be \$138.60 in year 1 of the projections.

Other departmental revenues (i.e. Food & Beverage, Minibar, Telephone and Other) are derived from data from the “HOST Report” (a respected industry study of the consolidated results of all US hotels produced by Smith Travel Research), the Hotel’s historical performance, and overall industry averages.

C. Expenses.

Expenses were forecasted by the appraiser using a computer model based on the theory that each expense item has an independent fixed component and a variable component that

² The competitive set consists of the 277 room Ambassador East, 222 room Whitehall Hotel, 417 room Wyndham Chicago Downtown, the 215 room Affina Chicago, the 305 room Millennium Knickerbocker and the 351 room Crowne Plaza Hotel.

³ The projections are based on a year ending July 31. Year one commenced on August 1, 2011.

fluctuates based on occupancy of the property. The fixed portion is then increased at the assumed inflation rate, and the variable portion fluctuates based on both inflation and occupancy.

Based on this assumption, the forecast for rooms expense is 32.7% of rooms revenue in year one of the projections, decreasing to 26.6% of rooms revenue in the stabilized year. These results were then benchmarked against industry averages and historical performance of the hotel to ensure that they are within a reasonable range. An identical methodology was used for the remaining departmental expenses, with food & beverage, telecommunications and other departmental expenses 90.3%, 64.3% and 27.2% in year one, and 89.3%, 63.5% and 27.0% in the stabilized year, respectively.

Undistributed operating expenses, including administrative & general, sales & marketing, energy costs, operating & maintenance, property taxes and insurance, were estimated in a similar manner, based on the historical performance of the property and benchmarking to the industry averages provided by the HOST report.

	Actual		Forecast			Benchmarking			
	Allerton		Allerton		Stabilized Year (Deflated)	East North			300 to 500 Rooms
	2010	Year One	Independent	Chicago		Urban	Upscale		
Rooms (% of Revenue)	40.1%	32.7%	26.6%	29.6%	29.6%	28.8%	28.0%	28.1%	
Food & Beverage (% of Revenue)	92.2%	90.3%	89.3%	78.4%	73.2%	79.2%	78.8%	75.6%	
Telecommunications (% of Revenue)	65.7%	64.3%	63.6%	174.5%	115.8%	124.4%	169.4%	152.4%	
Other Departmental (% of Revenue)	27.5%	27.2%	27.0%	n/a	n/a	n/a	n/a	n/a	
Administrative & General (\$ per available room)	\$ 4,180	\$ 4,370	\$ 4,579	\$ 6,658	\$ 4,140	\$ 5,638	\$ 4,103	\$ 5,381	
Sales & Marketing (\$ per available room)	\$ 2,762	\$ 2,971	\$ 3,145	\$ 4,005	\$ 3,568	\$ 4,492	\$ 3,338	\$ 4,427	
Energy (\$ per available room)	\$ 1,238	\$ 1,309	\$ 1,330	\$ 2,780	\$ 1,952	\$ 2,605	\$ 2,246	\$ 2,587	
Operations & Maintenance (\$ per available room)	\$ 2,425	\$ 2,619	\$ 2,799	\$ 3,487	\$ 2,535	\$ 3,038	\$ 2,386	\$ 2,980	
Property Taxes (\$ per available room)	\$ 2,086	\$ 2,133	\$ 2,115	n/a	n/a	n/a	n/a	n/a	
Insurance (\$ per available room)	\$ 410	\$ 430	\$ 427	\$ 984	\$ 334	\$ 642	\$ 522	\$ 675	

The projections incorporate a forecast of general price inflation equal to 3% per year over the projection period. This assumption is indented to reflect an average long-term trend rather than an inflation forecast for a specific period of time.

D. Extrapolation of Annual Forecast into Monthly Results.

The appraisal provides estimated *annual* cash flows for the property beginning August 1, 2011. However, to demonstrate the property’s ability to service debt on a monthly basis, these cash flows have been converted to monthly cash flows beginning April 1, 2012.

In order to create detailed monthly projections from the annual figures contained in the Appraisal, we relied upon the historical seasonality of the property from August 2009 through July 2011 (i.e. the two year period immediately preceding the start of the Appraisal projections). The Chicago lodging market is somewhat seasonal, with higher occupancies and average daily rates achieved during the spring, summer and fall seasons, and with weaker occupancies and average daily rates in the winter season.

By analyzing the historical seasonality trends, we calculated the expected percentage of each line item that could be expected to occur in each month (e.g. over the prior two years, approximately 8.8% of total rooms revenue for the year was generated in August of each

respective year. Therefore, to estimate August rooms revenue for year one of the projections, we multiplied the forecasted year one rooms revenue by 8.8%. An identical methodology was followed for each line item in the P&L).

In addition, the property manager has provided a monthly budget for 2012, and we are therefore able to compare the results under the extrapolation methodology to the forecast created by the party with the most intimate knowledge of day to day operations, booking pace and market trends. However, the property manager has not produced any forward looking projections subsequent to the 2012 budget year, so the appraisal forecasts have been utilized.

	2012 Forecast	
	Actual/ Budget ¹	Appraisal Extrapolation
Revenues	\$ 23.6	\$ 21.7
Expenses	\$ 13.9	\$ 17.0
NOI After FF&E	\$ 4.7	\$ 4.7

¹ Includes actual results for January and February, and budgeted results for March through December.

As illustrated, the property manager has forecasted higher revenues and total NOI in line with the figures derived from our extrapolation of the appraisal, which only lends further support for the feasibility of this Plan and the reasonableness of the approach.

ARTICLE VII

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Except for any unexpired lease or executory contract that the Debtor rejects or designates as being subject to rejection on or before the Effective Date, all executory contracts and unexpired leases not previously assumed by the Debtor pursuant to section 365 of the Bankruptcy Code shall be deemed to have been assumed by the Debtor and the Plan shall constitute a motion to assume such executory contracts and unexpired leases to which the Debtor is a party. Subject to occurrence of the Effective Date, entry of a Confirmation Order by the Bankruptcy Court shall constitute approval of such assumption of unexpired leases and/or executory contracts pursuant to section 365(a) of the Bankruptcy Code and finding by the Bankruptcy Court that each such assumption(s) is/are in the best interests of the Debtor, the Estate and all parties in interest in the Reorganization Case. With respect to each such executory contract and/or unexpired lease assumed by the Debtor, unless otherwise determined by the Bankruptcy Court pursuant to a Final Order, or agreed to by the parties on or before the Effective Date, any default by the Debtor with respect to any such assumed executory contract or unexpired lease existing as of the Effective Date, shall be cured in the ordinary course of the business of the Reorganized Debtor promptly after any such default becomes known to the Debtor or Reorganized Debtor and, if disputed, established pursuant to applicable law by the Bankruptcy Court, and the assumed executory contracts and/or unexpired leases shall be binding and enforceable upon the parties thereto, subject to the rights and defenses existing under each such executory contract and/or unexpired lease.

Notwithstanding the foregoing, the Debtor reserves the right to reject any executory contract or unexpired lease listed on an exhibit to be provided to the Bankruptcy Court and served on all creditors and other parties in interest no later than five (5) Business Days prior to the Confirmation Hearing. Any such exercise of the right to reject an unexpired lease of real property under which the Reorganized Debtor is a lessor shall entitle the lessee to all rights under section 365(h) of the Bankruptcy Code, unless otherwise agreed to in writing by the Reorganized Debtor and the particular lessee.

The Debtor currently anticipates assumption of all **executory** contracts related to trade vendors. Under existing case law, assumption of executory contracts and unexpired leases requires that existing monetary defaults be cured at the time of assumption and thus precludes preference actions to recover payments within the ninety-day period set forth in section 547(a) of the Bankruptcy Code. Thus, the Debtor does not contemplate bringing preference actions against its current trade vendors whose executory contracts are being assumed pursuant to Article VI of the Plan. However, the Debtor otherwise expressly reserves the right to bring preference and other avoidance actions against parties subject to such actions. Section 3.b and Attachment 3.b of the Debtor's Statement of Financial Affairs [Docket No. 73] lists all payments made within the ninety-day preference payment period.

ARTICLE VIII

LIQUIDATION ANALYSIS

The Bankruptcy Code requires that a creditor with a right to vote either accept the Plan or that such creditor receive under the Plan at least as much as it would receive if the Debtor's assets were liquidated in, and the proceeds distributed under, a Chapter 7 liquidation case. This is generally known as the "best interest of creditors" test. To apply the test, one must value the Debtor's assets at the dollar amount that would be generated from a liquidation in the context of a Chapter 7 case. Based in part upon the Appraisal, it is the opinion of the Debtor that, under the Plan, the holders of allowed claims and interest will receive payment in full and will receive not less than they would receive in a Chapter 7 case. The Plan thus complies with the "best interest of creditors" test.

ARTICLE IX

RISK FACTORS

By far the most significant risk factor for the Debtor and its holders of claims and interests is the risk that, for any reason (including but not limited to reasons outside the control of the Debtor), the Debtor will not meet or exceed its financial projections.

Another risk is the foreclosure of the Hotel by Secured Lender. The Amended and Restated Loan Documents provide for substantially similar rights and remedies as the prepetition Senior Loan Agreement. While the Debtor believes that it will be able to fully comply with the Amended and Restated Loan Documents at all times, there is a risk that a material default could occur under the Amended and Restated Loan Documents, which could result in Senior Lender taking certain enforcement actions, including initiating a foreclosure proceeding against the

Hotel. Consequently, another risk factor is that the Debtor's rights related to, or ownership of, the Hotel could be affected by any such enforcement actions. Nonetheless, while there is some risk of default by every borrower under every loan agreement, the Debtor believes that it will fully comply with the Amended and Restated Loan Documents, and that no material default will occur which could result in a successful foreclosure action against the Hotel. Similarly, while the Debtor believes that the possibility is unlikely, there is nonetheless a risk that the Debtor will be unable to satisfy and maintain, to the extent relevant, all representations and warranties, affirmative covenants and negative covenants as required by the Amended and Restated Loan Documents. However, to the extent any such potential default is not material and adverse to the Hotel or the Secured Lender, it is unlikely that the Secured Lender could pursue a foreclosure proceeding.

Other risks that could impact recovery to certain of the holders of Claims and/or Interests include restrictions on payments to Mezz Lender upon a default under the Amended and Restated Loan Documents (further discussion of such risk is set forth above), and the risk of no excess cash flow, or insufficient excess cash flow, to pay the allowed Equity Holder's Deficiency Claim.

ARTICLE X

TAX CONSEQUENCES

EVERY PARTY POTENTIALLY AFFECTED BY THE PLAN IS STRONGLY ADVISED TO CONSULT WITH HIS, HER, OR ITS OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN.

The confirmation and execution of the Plan will have no material impact upon the Debtor. The Debtor does not express an opinion regarding any impact it will have upon creditors or the Equity Holder.

ARTICLE XI

CONFIRMATION OF THE PLAN

A. Voting Procedures.

A ballot to be used for voting your acceptance or rejection of the Plan is being mailed to you together with this Disclosure Statement and the Plan. Holders of claims should read the instructions carefully, complete, date and sign the ballot, and transmit it in the envelope enclosed. IN ORDER TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED AT THE INDICATED ADDRESS NOT LATER THAN 4:00 P.M. (PREVAILING CENTRAL TIME) ON _____, 2012. FAILURE TO VOTE OR A VOTE TO REJECT THE PLAN WILL NOT AFFECT THE TREATMENT TO BE ACCORDED A CLAIM OR INTEREST IF THE PLAN NEVERTHELESS IS CONFIRMED.

If more than one-half in number of claimants voting and at least two-thirds in amount of the Allowed Claims of such claimants in each Class of Claims vote to accept the Plan, such

Classes will be deemed to have accepted the Plan. If at least two-thirds in amount of the membership interests voted in a Class of Interests are voted to accept the Plan, such Class will be deemed to have accepted the Plan. For purposes of determining whether a Class of Claims or Interests has accepted or rejected the Plan, only the votes of those who have timely returned their ballots will be considered.

B. Hearing on Confirmation of Plan.

The hearing on confirmation of the Plan has been set for July 23, 2012 at 10:30 a.m. (prevailing Central Time) before the Honorable A. Benjamin Goldgar, United States Bankruptcy Court for the Northern District of Illinois, Eastern Division. The hearing may continue through July 28, 2012. The Bankruptcy Court shall confirm the Plan at that hearing only if certain requirements, as set forth in section 1129 and other sections of the Bankruptcy Code, are satisfied.

C. Feasibility.

The Debtor must also establish that confirmation of the Plan is not likely to be followed by the Reorganized Debtor's liquidation, or the need for further financial reorganization. To the extent necessary, the Debtor will present testimony and other evidence with respect to feasibility at the hearing on confirmation of the Plan. The Debtor strongly believes that the Plan is feasible (regardless of the ultimate allowed amount of the claim of the Secured Lender) and that the Bankruptcy Court will so find. A Bankruptcy Court finding of feasibility does not, however, guarantee that the Debtor will fully meet or comply with all of its obligations under the Plan. Further explanation related to the feasibility of the Plan is set forth in Article VI herein.

D. Treatment of Dissenting Classes of Creditors.

The Bankruptcy Code requires the Bankruptcy Court to find that the Plan does not discriminate unfairly, and is fair and equitable, with respect to each Class of Claims that is impaired under, and has not accepted, the Plan. Upon such a finding, the Bankruptcy Court may confirm the Plan despite the rejection of a dissenting Class. The Debtor has requested that the Court confirm the Plan even if creditors holding Claims in impaired Classes do not accept the Plan.

E. Effect of Confirmation.

Confirmation of the Plan shall operate on the Effective Date as a discharge of the Debtor from all claims and indebtedness that arose before the Effective Date, except for those unclassified claims that the Reorganized Debtor agrees to pay as a continuing obligation. All such discharged claims and indebtedness shall be satisfied by the cash payment or other consideration provided under the Plan. Upon Confirmation, all property of the Estate shall be free and clear of all claims and interests of creditors, except as otherwise provided in the Plan or the order of the Bankruptcy Court confirming the Plan. On the Effective Date, the Reorganized Debtor shall be vested with all assets of the Estate. The provisions of the Plan shall bind the Debtor, the Reorganized Debtor, and all other parties in interest, including any creditor or Interest holder of the Debtor, whether or not such creditor or Interest holder is impaired under the Plan and whether or not such creditor has accepted the Plan.

F. Consequences of the Failure to Confirm the Plan.

In the event the Court declines to confirm the Plan, for any reason, the Debtor may propose a new or revised plan of reorganization, the case may be dismissed, or the case may be converted to a Chapter 7 case.

ARTICLE XIII

SATISFACTION OF INDEBTEDNESS, DISCHARGE OF CLAIMS AND RELATED PROVISIONS

A. Satisfaction of Indebtedness and Discharge of Claims.

The distribution made to the various Classes of creditors as provided for in this Plan shall be in full and complete satisfaction of their Allowed Claims. Except to the extent provided for in this Plan, Confirmation shall operate, upon the Effective Date, as a discharge of any and all debts and claims (as defined in section 101(5) of the Bankruptcy Code) against the Debtor, or the Debtor in its capacity as Debtor in Possession, that arose at any time prior to Confirmation. The discharge of the Debtor and the discharge of claims against the Debtor, whether asserted against the Debtor or the Debtor in Possession, shall be effective as to each Claim, regardless of whether or not (a) the Claim was scheduled, (b) a proof of claim was filed, (c) the Claim is an Allowed Claim or (d) the holder thereof voted to accept the Plan.

B. Release of Liabilities under Guaranty and Related Injunction.

AS OF THE EFFECTIVE DATE, AND IN CONSIDERATION FOR PS CDO MANAGER, LLC'S AGREEMENT TO ACT AS GUARANTOR UNDER THE NEW GUARANTY, THE SECURED LENDER SHALL BE DEEMED TO HAVE FOREVER RELEASED, WAIVED AND DISCHARGED ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DEMANDS, DEBTS, CAUSES OF ACTION AND LIABILITIES SECURED LENDER MAY HAVE AGAINST PS CDO MANAGER, LLC WITH RESPECT TO THE GUARANTY AND SHALL BE PERMANENTLY ENJOINED FROM ANY ACTION TO ENFORCE THE GUARANTY.

C. Exculpation.

As of the Effective Date, the Debtor and the Equity Holder, and each of their respective present or former officers, members, employees, accountants, advisors, attorneys, consultants, experts or other agents, shall not have or incur any liability to any entity for any act or omission taken on or after the Petition Date in connection with or arising out of the negotiation of the Plan or other related document, the pursuit of Confirmation, the consummation of the Plan, the administration of the Plan or the property to be distributed under the Plan. The Debtor and the Equity Holder shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan and any related document. In no event shall any party exculpated from liability under this section be exculpated from liability in the case of gross negligence, fraud or willful misconduct.

D. No Liability for Solicitation or Participation.

Pursuant to section 1125(e) of the Bankruptcy Code, the Confirmation Order will provide that all of the persons who have solicited acceptances or rejections of the Plan (including the Debtor and the Equity Holder, and each of their respective present or former officers, members, employees, accountants, advisors, attorneys, consultants, experts or other agents) have acted in good faith and in compliance with the applicable provisions of the Bankruptcy Code, and are not liable on account of such solicitation or participation or for violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan.

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RESPECTFULLY SUBMITTED this 21st day of March 2012.

ALT Hotel, LLC

By: Hotel Allerton Mezz, LLC, Sole Member of ALT Hotel, LLC

By: /s/ Neal L. Wolf
One of its Attorneys

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