UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

**Caption in Compliance with D.N.J. LBR 9004-2(c)**
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In re:

**LAFAYETTE YARD COMMUNITY DEVELOPMENT CORPORATION,**

Debtor.

Chapter 11
Case No. 13-30752 (MBK)

**LAFAYETTE YARD COMMUNITY DEVELOPMENT CORPORATION**
~~**DISCLOSURE STATEMENT DATED FEBRUARY 6, 2014**~~
**FIRST AMENDED DISCLOSURE STATEMENT DATED FEBRUARY 26, 2014**

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***Table of Contents***

## I. INTRODUCTION

This is the First Amended Disclosure Statement (the "Disclosure Statement") in the chapter 11 case of Lafayette Yard Community Development Corporation ("LYCDC" or the "Debtor"). This Disclosure Statement contains information about the Debtor and describes the First Amended Plan of ~~Reorganization~~Liquidation (the "Plan") filed by the Debtor on February ~~__~~26, 2014. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. ***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

The proposed distributions under the Plan are discussed at pages ~~8-12~~10-13 of this Disclosure Statement. General unsecured creditors are classified in Class 4, and not expected to receive any distribution of their allowed claims.

### A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- How the Plan proposes to treat claims of the type you hold (*i.e.*, what you will receive on your claim if the plan is confirmed~~),~~ and your claim is "allowed" within the meaning of the Plan),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,
- Why the Debtor believes the Plan is feasible, and how the treatment of your claim under the Plan compares to what you would receive on your claim in liquidation, and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

### B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

#### 1. *Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan*

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will take place on March __, 2014, at 11:00 a.m., in Courtroom #8 – 2nd Floor, at the United States Bankruptcy Court, District of New Jersey, 402 East State Street, Trenton, New Jersey 08608.

2. *Deadline For Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to DelBello Donnellan Weingarten Wise & Wiederkehr, LLP, Counsel for the Debtor, One North Lexington Avenue, White Plains, New York 10601, Attn: Julie Cvek Curley, Esq. See section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by March ____, 2014 or it will not be counted.

3. *Deadline For Objecting to the Adequacy of Disclosure and Confirmation of the Plan*

Objections to this Disclosure Statement or the confirmation of the Plan must be filed with the Court and served upon DelBello Donnellan Weingarten Wise & Wiederkehr, LLP, Counsel for the Debtor, One North Lexington Avenue, White Plains, New York 10601, Attn: Julie Cvek Curley, Esq by March __, 2014.

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact DelBello Donnellan Weingarten Wise & Wiederkehr, LLP, LLP, Counsel for the Debtor, One North Lexington Avenue, White Plains, New York 10601, Attn: Julie Cvek Curley, Esq.

C. **Disclaimer**

***The Court has conditionally approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until by March , 2014.***

## II. BACKGROUND

### A. Description of the Debtor and Events Leading to Bankruptcy

LYCDC was established as a non-profit corporation on June 8, 1998 to assist the City of Trenton (the "City") and State of New Jersey with a redevelopment project, i.e., the construction of a hotel in downtown Trenton. On September 6, 1999, LYCDC adopted Bylaws establishing financial oversight of the Hotel, select officers, and retain agents, including authority to select a management company to run the day-to-day operations. LYCDC consisted of a seven member Board of Trustees. The board has full authority to elect officers, employ agents, establish and appoint committees.

By Deed dated April 26, 2000, the ~~1 West Lafayette Street property, consisting of 3.7 acres of real property, designated Lot 106, Block 2, was conveyed by~~Debtor purchase the ~~City of Trenton, for itself and in its capacity as~~3.7 acre Hotel site from the City of Trenton and City of Trenton Parking ~~Utility to the LYCDC~~Authority for the sum of $675,000.~~00.~~ The Deed is recorded with the Mercer County Clerk on April 26, 2000 in Book 03810, Page 0060.

Subsequently, LYCDC obtained tax exempt bond funding and loans totaling $48 million to construct a 197 room hotel and conference center (the "Hotel"). The Bonds were issued by the Debtor pursuant to an *"Amended and Restated Resolution Authorizing the Issuance of Revenue Bonds of the Lafayette Yard Community Development Corporation"*, as amended and supplemented by a *"First Supplemental Resolution Authorizing the Issuance of not to Exceed $34,500,000 Hotel/Conference Center Project Revenue Bonds"* and a *"Second Supplemental Resolution Authorizing the Issuance of not to Exceed $16,500,000 Hotel/Conference Center Project Revenue Refunding Bonds"*, as the same may be further amended from time to time (collectively, the "Resolution"). Proceeds from the sale of the Bonds were used by the Debtor to refinance debt incurred to, inter alia, acquire, construct, furnish and equip the ~~Facility~~Hotel.

Debt financing for the construction and acquisition of the Hotel was also obtained by the following loans to LYCDC: $5,000,000.00 loan from the State of New Jersey; $2,789,722.00 Economic Development Authority loan; $697,436.00 Capital City Redevelopment Corps. (CCRC) loan; $675,000.00 State of New Jersey land loan; and $7,396,259.00 pursuant to a note payable to the Trenton Parking Authority.

The Hotel opened in April 2002 under a Marriott franchise known as the Trenton Marriott at Lafayette Yard. Additionally, LYCDC hired Acquest Reality Advisors, Inc., ("Acquest") from Bloomfield Hills, Michigan to serve as the asset manager with a 15 year contract effective April 26, 2000 to April 25, 2015.

Initially, the Hotel was managed by Marriott International. On May 29, 2008, LYCDC hired Waterford Hotel Group, Inc. of Waterford, Connecticut, to manage and operate the Hotel. Waterford continued in this role until June 15, 2013.

Prior to January 2013, LYCDC adopted plans to operate the Hotel under a Wyndham flag with a new management company. After a lengthy selection process, LYCDC selected Marshall Hotels and Resorts, Inc. ("Marshall") to manage the Hotel under a franchise agreement with Wyndham. It was universally agreed that the Hotel was in need of improvements because it had not been renovated since it opened in April 2002. Wyndham inspected the facility and offered to extend a franchise opportunity if the City would guarantee funding $2,500,000.00 in property improvements. In June 2013, LYCDC asked the City and State to provide $3,000,000.00 in bond funding; but the City did not pass a bond ordinance providing the loan approval. In the absence of additional funding, the Hotel could neither maintain the Marriott brand name nor affiliate with Wyndham.

The franchise agreement with Marriott was terminated ~~on~~effective June 15, 2013, and ~~since~~after that date, LYCDC operated the Hotel ~~has been operating~~ as an independent hotel known as ~~the~~ Lafayette Yard Hotel.

Marshall assumed management responsibilities upon termination of Waterford on June 15, 2013~~..~~. Further, on June 10, 2013, the Board voted to terminate the contract of Acquest as per its terms since it was hiring a new manager. Under the management agreement with Marshall, LYCDC owned the Hotel but it was operated exclusively by Marshall. Marshall was responsible for management of all employees including operations of the ~~facilities~~Hotel.

For many of the 12 years of its operations, the Marriott Trenton struggled to generate sufficient cash flow to adequately fund operations and pay required debt service payments. On several occasions, LYCDC made cash calls to the City for funds to cover operations, including as late as April 2013 for $295,000.00.

LYCDC has been struggling with its cash flow and to pay its expenses. LYCDC had met with City representatives and state officials regarding the financial needs but each had indicated that additional funding was not available from City or state sources for the Hotel. Due to the current economic conditions, the Hotel's significant long term debt of approximately $29.9 million and a sharp decline in operating revenues associated with the termination of the Marriott franchise agreement and failure to secure a new franchise agreement with Wyndham, LYCDC determined that a Chapter 11 filing was the only way to protect the interests of the Hotel and to insure that an orderly and maximum value sale was possible. Accordingly, LYCDC filed for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of New Jersey on September 23, 2013.

### B. Significant Events During the Bankruptcy Case

On September 23, 2013, the Debtor filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of New Jersey (Trenton Division) and continued in possession of its property and management of its affairs as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. The case was assigned to the Hon. Michael B. Kaplan, United States Bankruptcy Judge, for administration under the Bankruptcy Code.

At the outset of this case the Debtor retained DelBello Donnellan Weingarten Wise & Wiederkehr, LLP as its Bankruptcy counsel, and Wong Fleming as its Corporate counsel, to assist in the successful administration of the Debtor's bankruptcy case. The retention of DelBello Donnellan Weingarten Wise & Wiederkehr, LLP was approved by an Order of the Bankruptcy Court dated October 17, 2013, *nunc pro tunc* as of the filing date. The retention of Wong Fleming was approved by an Order of the Bankruptcy Court dated October 17, 2013, *nunc pro tunc* as of the filing date. Additionally, the Debtor retained FTI Consulting, Inc. as its financial advisor, which was approved by an Order of the Bankruptcy Court dated October 17, 2013, *nunc pro tunc* as of the filing date. Lastly, to assist with the sale of the Debtor's assets, the Debtor hired Sheldon Good & Company as its auctioneer, which was approved by Order of the Bankruptcy Court dated October 18, 2013.

From the outset of the case, on September 23, 2013, the Debtor filed various "First Day Motions" to ease the transition of the Debtor's operations into the bankruptcy proceeding, including (i) Motion to Use Cash Collateral, (ii) Motion for an Order Authorizing the Maintenance and use of Existing Bank Accounts and Business Forms, (iii) Motion for Order Authorizing (I) Payment of Prepetition Date Wages, Salaries, Commissions, Vacation Pay and Employee Benefits, and (II) Reimbursement of Employee Business Expenses; and (III) Providing that the Debtors Bank Honor any Check Issued Pre-Petition for Wages Paid to the Employees that Remained Outstanding as of the Petition Date Pursuant to 11 U.S.C. §§ 105, 363(b), 507(a)(4) and 507(a)(5), (iv) Motion for Continuation of Utility Service and Approval of Adequate Assurance of Payment to Utility Company Under Section 366(b); (v) Motion to Extend Time to File Missing Schedules; and (vi) Motion for Authority to Obtain Credit Under Section 364(b), Rule 4001(c) or (d). An interim hearing was held on September 25, 2013 on the First Day Motions, whereby the Debtor submitted to the Court consensual Orders. A final hearing was held on October 15, 2013, whereby the Debtor submitted to the Court consensual Orders.

On October 17, 2013, the Debtor filed its Schedules of Assets and Liabilities and Statements of Financial Affairs.

On November 7, 2013, the Debtor attended its Section 341(a) Meeting of Creditors and Initial Debtor Interview. The Debtor also appeared at the initial case conference in this Bankruptcy proceeding before the Hon. Michael B. Kaplan at the United States Bankruptcy Courthouse on November 4, 2013, as well as hearings on September 25, 2013, October 15, 2013, October 21, 2013, November 26, 2013, January 2, 2014, and January 27, 2014.

An Official Committee of Unsecured Creditors was formed on October 24, 2013, and retained Lowenstein Sandler, LLP as its counsel, and CBIZ Accounting as its financial advisors.

Pursuant to an Order of the Bankruptcy Court dated October 17, 2013 ("Bar Date Order"), the Court established November 29, 2013 as the last date by which creditors may file proofs of claim in the Chapter 11 Case, except as otherwise provided in the Bar Date Order. Pursuant to the Bar Date Order, notice of entry of the Bar Date Order was mailed, by first class mail, to all known creditors of the Debtor.

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### C. The Sale of the Hotel

Prior to the Filing Date, multiple parties had expressed an interest in buying the Hotel. However, due to the Debtor's lack of cash and revenue to maintain its operations, the Debtor found itself in a position where it could not sustain operations without an immediate infusion of cash. The Debtor had met with City representatives and state officials regarding the financial needs, but each had indicated that additional funding was not available from the City or state sources for the Hotel. Due to the Debtor's significant long term debt of approximately $29.9 million, the only circumstances in which the Debtor was able to obtain funding to maintain operations through the closing on a sale of its Assets was through lending in chapter 11 scenario, where the lender would be able to "prime" the existing $29.9 million of debt under Section

364(d) of the Bankruptcy Code. Thus, the Debtor filed its Chapter 11 petition with the principal objective to reorganize through the marketing and competitive sale of its assets and business as a going concern under Bankruptcy Code § 363.

The Debtor was able to obtain DIP funding in the amount up to $2 million, which the Debtor projected would be enough to sustain the Hotel's operations only through the end of the 2013 calendar year (due to careful cash management and cost savings measures implemented by the Hotel, only $0.7 million ~~if~~of this amount was actually borrowed prior to the sale of the Hotel). If the Debtor did not continue as an ongoing business, its current value will be greatly diminished, its employees terminated, and a forced liquidation in Chapter 7 would be likely unavoidable. Accordingly, the Debtor and its advisors concluded that an immediate sale or other strategic transaction was necessary in order to avoid a cessation of business operations and thereby irreparable harm to the creditors and the estate, respectively. The Debtor sought Court approval of an expeditious marketing and sale process, with a four (4) week marketing campaign, culminating with an auction on November 25, 2013, a sale hearing on November 27, 2013, or as soon as possible thereafter, and closing within ten (10) days of entry of the Sale Order.

To further the Debtor's marketing efforts and expand the field of potential suitors for the company, the Debtor retained Sheldon Good & Company as its auctioneers to, *inter alia*, market and sell the hotel, and FTI Consulting, Inc. as its financial advisor to, *inter alia*, develop and execute a sale of the Hotel, including communicating directly with potential purchasers, organizing and distributing relevant documents, addressing Hotel and other financial issues during the sale process, calculating pro-rations and adjustments to the sale price under the Amended Asset Purchase Agreement, and accessing FTI's network of potential purchasers.

On or about October 16, 2013, the Debtor negotiated, at arms' length, an Asset Purchase Agreement with Edison Broadcasting, LLC (or its assignee, the "Buyer") for purchase of the Hotel in the amount of $5,530,000, which was subject to this Court's approval of higher and/or better offers through an auction process.

On October 16, 2013, the Debtor filed its Motion For Order (i) Authorizing the Sale of Substantially all of the Debtor's Assets Free and Clear of all Liens, Claims, Interests, and Encumbrances, (ii) Authorizing the Assumption and Assignment and, Rejection, as Applicable, of Certain Executory Contracts and Leases in Connection Therewith, (iii) Granting the Successful Bidder Good Faith Status, (iv) Waiving the Fourteen Day Stay of the Sale Order, and (v) Granting Related Relief.

On October 25, 2013, the Court entered an order approving, among other things, Bidding Procedures, break-up fee in connection with proposed sale of substantially all assets of the estate, the form and manner of the sale notice, the scheduling of an auction and sale hearing, the scheduling of certain deadlines, and the procedures for determining cure costs.

The Debtor received a competing bid in the amount of $5,665,000 by VBCE. An outcry auction was conducted on November 25, 2013, with competing bids having taken place at that time. The increased bid of the Buyer in the amount of $6,000,000.00 was found to be the highest

and best bid, which was approved at a hearing held on November 26, 2013 pursuant an order entered on December 6, 2013.

The Sale closing occurred on December 16-17, 2013, realizing net proceeds from the Sale in the sum of $5,~~203,429.61 (inclusive of the $180,000 deposit held in escrow)~~023,429.61 subject to final adjustments to the sale price under the Amended Asset Purchase Agreement, which was deposited into the attorney escrow account maintained by Wong Fleming.

**D. Sale of the Hotel Art**

Under the Amended Asset Purchase Agreement, Section 1.2(b) title "Excluded Property", all original Thomas Malloy paintings and any artwork appearing on the conference room walls having a value of $1,000 or greater owned by Debtor were excluded from the Sale to Buyer. Further, as set forth in Section 1.2(b)(viii) of the Amended Asset Purchase Agreement, the Buyer had the option to purchase the Art from the Debtor.

The Buyer~~ had~~ reviewed and inventoried the art excluded from the Sale under Section 1.2(b)(viii) of the Amended Asset Purchase Agreement and ~~has~~ determined that twelve (12) pieces of art were excluded from the Sale (the "Art~~") and~~"). Buyer thereafter ~~the Sale~~informed LYCDC that it desired to purchase the Art for $26,000. This amount is consistent with a November 22, 2013 appraisal commissioned by LYCDC.

On January 1, 2014, the Debtor filed its Motion for Order (I) Authorizing a Private Sale of the Debtor's Art to Edison Holdings LLC Free and Clear of any and all Liens, Claims, Encumbrances and Other Interests, (II) Scheduling an Expedited Hearing on the Motion, and (III) Granting Related Relief. A hearing on the motion was held on January 27, 2014, whereby the court approved the Motion.

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**E. The Veolia Settlement**

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On or about November 15, 2001, the Debtor entered into an energy service agreement the "ESA") with Trigen-Trenton Energy Company, L.P., n/k/a Veolia Energy Trenton, L.P. ("Veolia") to provide hot water, chilled water and electricity to 1 West Lafayette Street, Trenton, New Jersey (which is defined as the Premises in the ESA) for a term of fifteen years, which was subsequently extended from 15 to 31 years pursuant to an amendment date March 1, 2012.

Under the Amended Asset Purchase Agreement, Section 1.6(a), the Debtor was required to file and prosecute a motion to extend its time to assume or reject all agreements relating to the ESA with Veolia for a period of three (3) months from the closing. The Buyer**,** under the Amended Asset Purchase Agreement, has been in contact with Veolia and its counsel to negotiate a new ESA for the Hotel, post- closing. However, the Buyer and Veolia were at an impasse and did not expect to reach an agreement prior to closing. Accordingly, the Debtor ~~file~~filed a motion to extend its time to assume or reject the ESA with Veolia to three months after the closing and to compel Veolia to continue providing the services thereunder.

Thereafter, the Debtor, the Buyer, and Veolia entered into a Stipulation to resolve the pending motion. The Stipulation provided, *inter alia*, that ~~the Parties agree that~~ (a) the total amount due from the Debtor to Veolia ~~pursuant~~ totals $242,393.95, and that the claim is an allowed claim against the Debtor and its chapter 11 estate, (b) Veolia shall be authorized to apply the $75,000 Utility Deposit to pay, in part, the claim, following which application the claim shall continue to be an allowed claim against the Debtor and its chapter 11 estate in the amount of $167,393.95, and (c) the Debtor agrees to and shall pay all post-Petition Date, but pre-Effective Date, expenses due and owing to Veolia within five (5) days after the Stipulation is ordered by the Court~~, (iv)~~. The Stipulation further provides that within ninety (90) days of the December 17, 2013 (the "90-Day Period"), the Buyer shall send written notice to Veolia and the Debtor directing the Debtor to (i) assume and assign the ESA to the Buyer in full which assumption shall include a payment to Veolia of $167,393.95 representing a full cure of the remaining Pre-Petition Claim (after application of the $75,000 Utility Deposit), provided however, in the event of such assumption and assignment of the ESA to the Buyer, the Buyer shall fund the remaining cure payment to Veolia in the amount of $167,393.95; or (ii) reject the ESA, and the Debtor shall file a motion with the Court seeking authority to assume or reject the ESA effective as of a date no later than the end of the 90-Day Period. ~~In~~The Stipulation also provides that in the event that the Buyer fails to provide such notice prior to the expiration of the 90-Day Period, the ESA shall be deemed rejected, pursuant to 11 U.S.C. § 365, and Veolia may immediately cease providing services to the Hotel, all without further Order of the Court. In the event that either the Debtor rejects the ESA or the ESA is deemed rejected by operation of the foregoing sentence, the Buyer shall be obligated to pay Veolia only for services provided by Veolia as of the effective date of such rejection under the terms set forth in the ESA.

### F. ~~Projected~~Possible Recovery of Avoidable Transfers

To the extent provided in the Cash Collateral Order, the Avoidance Actions are subject to the lien of the Bond Trustee~~.~~, which has been assigned to the City of Trenton. From and after the Effective Date, the City of Trenton shall have sole discretion as to the liquidation, prosecution or other disposition of the Avoidance Actions. The City of Trenton shall report on a quarterly basis to the Debtor, the State of New Jersey, and any other interest parties that request reporting, with respect to the prosecution and liquidation of the Avoidance Actions. The report shall include the demands and any state court action, the amount in controversy, the status of the matter and, if applicable, the amount recovered. All fees and costs for pursuing Avoidance Actions will solely be paid from ~~the~~any proceeds of the Avoidance Actions ~~all~~. All net proceeds from any of recoveries on the Avoidance Actions will be paid to the City of Trenton.

### G. Claims Objections

An objection to either the allowance of a Claim or an amendment to the Debtor's Schedules shall be in writing and may either be filed with the Bankruptcy Court or pursued and resolved by other means by the Debtor, at any time on or before the Effective Date, or for a period of 30 days thereafter, or within such other time period as may be fixed by the Bankruptcy Court. Except as otherwise set forth in this Plan, any Claim not filed with the Bankruptcy Court by November 29, 2013, unless specifically scheduled by the Debtor as nondisputed,

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noncontingent and liquidated is hereby deemed invalid for all purposes. The Debtor will object to and settle any Claims and shall settle, compromise or prosecute all Claims objections.

## III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS

### A. What is the Purpose of the Plan of Reorganization?

As required by the Bankruptcy Code, the Plan places claims in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

### B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Bankruptcy Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Bankruptcy Code. As such, the ~~Plan Proponent~~Debtor has *not* placed the following claims in any class:

#### 1. *Administrative Claims*

Administrative expenses are ~~cost~~costs or ~~expense~~expenses of administration in connection with the Chapter 11 Case, including, without limitation, any actual, necessary costs and expenses of preserving the Debtor's estate, and all fees and charges assessed against the Debtor's estate pursuant to 28 U.S.C. section 1930. The term Administrative Claim does not include Fee Claims, which are treated separately in this Plan. The only Administrative Claims outstanding on the Effective Date are quarterly fees owed to the Office of the U.S. Trustee, which the Debtor estimates in the amount of $10,400.

#### 2. *Fee Claims*

Fee Claims are Claims by any Professionals for compensation for legal and other services and reimbursement of expenses allowed or awarded under Bankruptcy Code sections 327, 328, 330(a), 331, 503(b) and/or 1103. The Debtor estimates that the total unpaid fee claims on the Effective Date to total approximately $375~~ thousand~~,000, representing professional fees incurred during the wind-down period and the 20% holdback of professional fees from the Petition Date through the Effective Date[1].

#### 3. *Priority Tax Claims*

[1] Note that this estimate assumes that 80% of professional fees and 100% of professional's expenses are paid in the ordinary course prior to the Effective Date.

Priority tax claims are unsecured income, employment, and other taxes described by §507(a)(8) of the Bankruptcy Code. Unless the holder of such a §507(a)(8) priority tax claim agrees otherwise, it will be paid in full, in cash, within thirty (30) days after the effective date. The Debtor estimates $0 priority tax claims on the Effective Date.

### C. Classes of Claims

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

#### 1. *Class 1: Hotel Revenue Bond Claims*

Hotel Revenue Bond Claims are the claims held by the Bond Trustee for the benefit of the holders of the Hotel Revenue Bonds evidenced by the Hotel Revenue Bonds Bond Documents, all other claims of the Bond Trustee pursuant to the Bond Documents, and all claims held by the Bond Trustee under the Cash Collateral Order for diminution in collateral existing for the Hotel Revenue Bonds as of the Petition Date.

The Bond Claims were Allowed under the terms of the Cash Collateral Order and are otherwise Allowed under this Plan. On or about January 10, 2014, the Bond Trustee received the Sale Proceeds Distribution in accordance with the Sale Order and Cash Collateral Budget in partial satisfaction of the Bond Claim. As a condition to the occurrence of the Effective Date, the Hotel Revenue Bonds will be redeemed in accordance with the terms of the Bond Documents based on the Sale Proceeds Distribution, monies provided by the City of Trenton under the Subsidy Agreement and other available monies under the Bond Documents. Notwithstanding any other provision of this Plan, all rights, liens and Claims of the Bond Trustee not satisfied from the Sales Proceeds Distribution shall be and are preserved from and after the Effective Date for the benefit of the City of Trenton, as subrogee. Class 1 is Unimpaired under the Plan, and therefore not entitled to vote on the Plan and deemed to accept the Plan.

#### 2. *Class 2: City of Trenton Claims*

City of Trenton Bond Claims are the reimbursement claims held by the City of Trenton against the Debtor under the Subsidy Agreement, and subrogation rights of the City of Trenton under the Bond Documents based on the City of Trenton's performance thereunder.

On the Effective Date, the City of Trenton will subrogate to all ~~rights, claims and liens~~Claims of the Bond Trustee under the Bond Documents. From and after the Effective Date, the City of Trenton shall be deemed to be the holder of all ~~liens, rights and~~ Claims of the Bond Trustee against the Debtor under the terms of the Bond Documents and the Cash Collateral Order, and the City of Trenton shall be entitled to receive all proceeds then held from any sale or other disposition of Assets, all Cash not otherwise necessary to fund the Wind Down Budget and all funds remaining after all costs and expenses set forth in the Wind Down Budget have been provided for or satisfied. From and after the Effective Date, the City of Trenton shall be entitled to direct the disposition of all other Assets~~, including Avoidance Actions,~~ that have not then been

monetized and such Cash generated from these Assets shall be paid to the City of Trenton. Class 2 is Impaired under the Plan, and therefore entitled to vote on the Plan.

3. *Class 3: Priority Claims*

Priority claims are claims other than an Administrative Claim that is entitled to priority under section 507 of the Bankruptcy Code.

All Allowed Class 3 Claims shall be paid in full in the ordinary course of the Debtor's operations and from the Sale Proceeds as set forth in the Cash Collateral Budget, or to the extent assumed by the Buyer under the APA, paid by the Buyer. Class 3 Claims are Unimpaired under the Plan, and therefore not entitled to vote on the Plan and deemed to accept the Plan.

4. *Class 4: Unsecured Claims*

Class 4 consists of the holders of all Allowed, non-priority Unsecured Claims against the Debtor, including the unsecured deficiency claims of the Bond Trustee, the City of Trenton, New Jersey Economic Development Association, and Capital City Redevelopment Corporation. Pursuant to Section 506(a) of the Bankruptcy Code the Secured Claims of the New Jersey Economic Development Association and Capital City Redevelopment Corporation are deemed Class 4 creditors as their lien claims are subordinate to the lien claims of the ~~Bond Trustee and the~~ City of Trenton, which will not be paid in full under the Plan.

Holders of Class 4 Unsecured Claims shall receive no distribution under this Plan on account of Class 4 Unsecured Claims. Class 4 Claims are impaired under the Plan. As they will receive nothing under the Plan on account of their Claims, holders of Class 4 Claims are deemed to reject the Plan.

5. *Class 5: Interests*

The Debtor is a not-for-profit corporation and the Debtor does not believe that there are any Interests in the Debtor. To the extent there are any Interests in the Debtor, they shall receive no distribution under this Plan on account of Class 5 Interests. As they will receive nothing under the Plan on account of their Interests, holders of Class 5 Interests are deemed to reject the Plan.

D. **Means of Implementing the Plan**

~~1.~~ *Source of Payments*

The Plan shall be funded from Cash held as of the Effective Date and all other remaining Assets of the Debtor. All matters provided under this Plan, including all corporate action to be taken or required to be taken by the Debtor, the execution of all necessary documents, and all action necessary in connection with the redemption of the Hotel Revenue Bonds, shall be deemed to have occurred and be effective as provided herein, and shall be authorized and approved in all respects without any requirement or further action by directors of the Debtor.

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E. **Risk Factors**

The proposed Plan poses minimal risks in that a sale of substantially all of the Debtor's assets has already occurred and monies required to consummate the Plan are already in the Debtor's possession.

F. **Executory Contracts and Unexpired Leases**

The Plan, in Section 7.1, states that any written lease or contract that is executory, in whole or in part, to which any of the Debtor is a party and which has not been assumed on or prior to the Confirmation Date pursuant to Sections 365 and 1123 of the Bankruptcy Code during the pendency of the Chapter 11 Case, or assumed pursuant to this Plan, shall be deemed rejected. , except for the contract between the Debtor and Veolia, which is subject to the treatment described in Article II, Paragraph E on pages 910 hereinabove.

G. **Tax Consequences of Plan**

***Creditors Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.***

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Confirmation may have federal income tax consequences for the Debtor and Creditors. The Debtor has not obtained, and does not intend to request, a ruling from the Internal Revenue Service (the "IRS"), nor has the Debtor obtained an opinion of counsel with respect to any tax matters. Any federal income tax matters raised by confirmation of the Plan are governed by the Internal Revenue Code and the regulations promulgated thereunder. Creditors are urged to consult their own counsel and tax advisors as to the consequences to them, under federal and applicable state, local and foreign tax laws, of the Plan. The following is intended to be a summary only and not a substitute for careful tax planning with a tax professional. The federal, state and local tax consequences of the Plan may be complex in some circumstances and, in some cases, uncertain. Accordingly, each holder of a Claim is strongly urged to consult with his or her own tax advisor regarding the federal, state and local tax consequences of the Plan, including but not limited to the receipt of cash and/or stock under this Plan.

1. *Tax Consequences to the Debtor*

The Debtor may not recognize income as a result of the discharge of debt pursuant to the Plan because Section 108 of the Internal Revenue Code provides that taxpayers in bankruptcy proceedings do not recognize income from discharge of indebtedness. However, a taxpayer is required to reduce its "tax attributes" by the amount of the debt discharged. Tax attributes are reduced in the following order: (i) net operating losses; (ii) general business credits; (iii) capital loss carryovers; (iv) basis in assets; (v) passive activity loss and credit carryovers; and (vi) foreign tax credit carryovers.

2. *Tax Consequences to Unsecured Creditors*

An unsecured creditor that receives cash in satisfaction of its Claim may recognize gain or loss, with respect to the principal amount of its Claim, equal to the difference between (i) the creditor's basis in the Claim (other than the portion of the Claim, if any, attributable to accrued interest), and (ii) the balance of the cash received after any allocation to accrued interest. The character of the gain or loss as capital gain or loss, or ordinary income or loss, will generally be determined by whether the Claim is a capital asset in the creditor's hands. A creditor may also recognize income or loss in respect of consideration received for accrued interest on the Claim. The income or loss will generally be ordinary, regardless of whether the creditor's Claim is a capital asset in its hands.

## IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Bankruptcy Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor at least as much as the creditor would receive in a chapter 7 liquidation case, unless the creditor votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

### A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor has a right to vote for or against the Plan only if that creditor has a claim that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the ~~Plan Proponent~~Debtor believes that ~~classes are~~there us a class impaired under the Plan and that ~~holders~~the holder of ~~claims~~the claim in ~~each of these classes are therefore~~this class is entitled to vote to accept or reject the Plan. The ~~Plan Proponent~~Debtor believes that classes are unimpaired and that holders of claims in each of these classes, therefore, do not have the right to vote to accept or reject the Plan.

#### 1. *What Is an Allowed Claim?*

Only a creditor with an allowed claim has the right to vote on the Plan. Generally, a claim is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim, unless an objection has been filed to such proof of claim. When a claim is not allowed, the creditor holding the claim cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

***The deadline for filing a proof of claim in this case was November 29, 2013 .***

2. *What Is an Impaired Claim?*

As noted above, the holder of an allowed claim has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Bankruptcy Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is **Not** Entitled to Vote*

The holders of the following five types of claims are *not* entitled to vote:

- holders of claims that have been disallowed by an order of the Court;
- holders of other claims that are not "allowed claims" (as discussed above), unless they have been "allowed" for voting purposes.
- holders of claims in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Bankruptcy Code;
- holders of claims in classes that do not receive or retain any value under the Plan; and
- administrative expenses.

***Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.***

4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. **Votes Necessary to Confirm the Plan**

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes, as discussed later in Section B.2.

1. *Votes Necessary for a Class to Accept the Plan*

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Bankruptcy Code. A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Bankruptcy Code allows the Plan to bind nonaccepting classes of claims if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Bankruptcy Code, does not "discriminate unfairly," and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

***You should consult your own attorney if a "cramdown" confirmation will affect your claim as the variations on this general rule are numerous and complex.***

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C. **Feasibility**

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The Debtor will have enough cash on hand on the effective date of the Plan to make all distribution contemplated under the Plan. The wind-down budget outlining all payments to be made is attached to this Disclosure Statement as Exhibit B.

***You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.***

## V. EFFECT OF CONFIRMATION OF PLAN

### A. DISCHARGE OF DEBTOR

Since the Plan provides for a distribution of the Debtor's liquidated assets, the Confirmation Order shall not operate as a discharge pursuant to Section 1141(d)(1) of the Bankruptcy Code.

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1. *Exculpation.*

Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur, and each Exculpated Party is hereby release and exculpated from, any Exculpated Claim, or obligation, cause of action or liability for any Exculpated Claim, and shall be entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. Each Exculpated Party and their respective affiliates, agents, directors, members, officers, employees, advisors and attorneys have, and upon the Effective Date shall be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code and applicable non-bankruptcy law and shall not be liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or distributions made pursuant to the Plan. From and after the Effective Date, a copy of the Confirmation Order and the Plan shall constitute and may be submitted as a complete defense to any claim or liability satisfied, enjoined or subject to exculpation pursuant to Article 11 of the Plan; provided, however, that nothing in the Plan shall, or shall be deemed to, release Debtor, the members of the Debtor's Board of Trustees, the Creditors' Committee, the

Bond Trustee, or the City of Trenton from, or exculpate the Debtor, the members of the Debtor's Board of Trustees, the Creditors' Committee, the Bond Trustee, or the City of Trenton with respect to, its obligations or covenants arising from bad faith, willful misconduct, gross negligence, breach of fiduciary duty, malpractice, fraud, criminal conduct, unauthorized use of confidential information that causes damages, and/or ultra vires acts. Upon confirmation of the Plan, Creditors will be unable to pursue any claims that are satisfied, enjoined or subject to exculpation under the Plan, but creditors may pursue claims against the Debtor that may arise in the future, or pursuant to the Plan. Any such liability against the Debtor's professionals will not be limited to their respective clients contrary to the requirement of DR 6-102 of the Code of Professional Responsibility.

*2. Release.*

As of the Effective Date and except as set forth in the Plan, each holder of a Claim or Interest shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged the Exculpated Parties from any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims assertable on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Person would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtor, the Hotel Revenue Bonds, the Debtor's restructuring, the Chapter 11 Case, the purchase, sale or rescission of the purchase or sale of any security of the Debtor, the subject matter of, or the transactions or events giving rise to, any Claim that is treated in this Plan, the business or contractual arrangements between any Debtor and any Exculpated Party, the restructuring of Claims and Interests before or during the Chapter 11 Case, the negotiation, formulation or preparation of the Plan, the Disclosure Statement, or related agreements, instruments or other documents (collectively, "Released Claims"), other than Released Claims against the Debtor or an Exculpated Party arising out of or relating to any act or omission of that party constituting willful misconduct or gross negligence. For the avoidance of doubt, no provision of the Plan, including without limitation, any release or exculpation provision, shall modify, release, or otherwise limit the liability of any Person in their capacity as a co-obligor, guarantor, or surety of the Debtor or an Exculpated Party or that otherwise is liable under theories of vicarious or other derivative liability.

*3. Confirmation Injunction.*

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

(a) Commencing, conducting or continuing in any manner, directly or indirectly, any suit, action, arbitration, or other proceeding of any kind against the Debtor;

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

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

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

4. Nothing in the Plan shall effect the terms and conditions of the Sale Order and all such terms and conditions shall be preserved and remain in full force and effect.

B. **Modification of Plan**

The Debtor reserves the right, in accordance with section 1127(a) of the Bankruptcy Code, to amend or modify the Plan prior to the Confirmation Date. After the Confirmation Date, the Debtor may, upon order of the Bankruptcy Court, in accordance with section 1127(b) of the Bankruptcy Code, remedy any defect or omission or reconcile and inconsistencies in the Plan in such manner as may be necessary to carry out the purposes and intent of the Plan.

C. **Final Decree**

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Debtor, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Notwithstanding, within 14 days following the distribution of any deposit required by the Plan or, if no deposit was required, upon the payment of the first distribution required by the plan, the ~~Responsible Party~~Debtor shall file a closing report and an application for a final decree

D. **Post-Confirmation Reports**

The Debtor shall be responsible for filing post-confirmation reports with the Bankruptcy Court and shall pay all quarterly fees required under 28 U.S.C. Section 1930 until the earlier of (a) conversion or dismissal of the Chapter 11 Case or (b) entry of a final decree closing the Chapter 11 Case.

Dated: Trenton, New Jersey
February ~~6,~~ __, 2014

LAFAYETTE YARD COMMUNITY
DEVELOPMENT CORPORATION

By: ~~*/s/ John Hatch*~~
John Hatch, Independent Trustee

**WONG FLEMING**
*Counsel to the Debtor and Debtor-in-Possession*

By: ~~*/s/ Gregory G. Johnson*~~ Formatte

Gregory G. Johnson, Esq.

-and-

**DELBELLO DONNELLAN WEINGARTEN WISE & WIEDERKEHR, LLP**
*Co-Counsel to the Debtor and Debtor-in-Possession*

By: ~~*/s/ Julie Cvek Curley*~~

Julie Cvek Curley, Esq.