THE FOLLOWING DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT OR ANY OTHER GOVERNMENTAL AUTHORITY.

UNITED STATES BANKRUPTCY COURT
THE SOUTHERN DISTRICT OF NEW YORK

In re:	Chapter 11
MADISON 92ND STREET ASSOCIATES, LLC,	Case No. 11-13917 (SMB)
Debtor.	

DISCLOSURE STATEMENT FOR CHAPTER 11 PLAN OF REORGANIZATION[1]

OLSHAN GRUNDMAN FROME
ROSENZWEIG & WOLOSKY LLP
Adam Friedman
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65 East 55th Street
New York, New York 10022

Proposed Special Counsel for the Debtor and Counsel for Robert Gladstone, Co-Managing Member of Madison 92nd Street Associates, LLC

Dated: December 14, 2011

[1] Capitalized terms not defined herein shall have the meanings ascribed to them in Article I(B) of the Chapter 11 Plan of Reorganization.

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

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 4:00 P.M. _____, 2012.
PREVAILING EASTERN TIME, UNLESS THE DEBTOR EXTENDS THE VOTING DEADLINE. TO BE COUNTED, THE VOTING AND CLAIMS AGENT MUST ACTUALLY RECEIVE YOUR BALLOT ON OR BEFORE THE VOTING DEADLINE.

PURSUANT TO THE TERMS OF THE EXAMINER ORDER (DEFINED BELOW), ROBERT GLADSTONE, AS CO-MANAGER OF THE DEBTOR (THE "PROPONENT") IS PROVIDING THE INFORMATION IN THE DISCLOSURE STATEMENT FOR THE CHAPTER 11 PLAN OF THE DEBTOR TO HOLDERS OF CLAIMS AND INTERESTS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE PLAN. YOU SHOULD NOT RELY UPON OR USE THE INFORMATION IN THE DISCLOSURE STATEMENT FOR ANY OTHER PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN.

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 4:00 P.M. (PREVAILING EASTERN TIME) ON _____, 2012 UNLESS EXTENDED BY THE DEBTOR (THE "VOTING DEADLINE"). TO BE COUNTED, BALLOTS MUST BE RECEIVED BY THE DEBTOR ON OR BEFORE THE VOTING DEADLINE.

THE DISCLOSURE STATEMENT HAS BEEN PREPARED PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(B) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND IS NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS. THE PROPONENT BELIEVES THAT THE SOLICITATION OF VOTES ON THE PLAN MADE BY THE DISCLOSURE STATEMENT.

THE PROPONENT WILL BE FILING A PLAN SUPPLEMENT ON OR BEFORE FIVE (5) DAYS PRIOR TO THE VOTING DEADLINE, UNLESS OTHERWISE ORDERED BY THE BANKRUPTCY COURT.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AGAINST, AND HOLDERS OF INTERESTS IN, THE DEBTOR (INCLUDING, WITHOUT LIMITATION, THOSE HOLDERS OF CLAIMS OR INTERESTS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

THE DISCLOSURE STATEMENT MAY CONTAIN "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS CONSIST OF ANY STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY," "EXPECT," "ANTICIPATE," "ESTIMATE" OR "CONTINUE" OR THE NEGATIVE THEREOF OR

OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. THE READER IS CAUTIONED THAT ALL FORWARD-LOOKING STATEMENTS ARE NECESSARILY SPECULATIVE AND THERE ARE CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE REFERRED TO IN SUCH FORWARD-LOOKING STATEMENTS. THE DISTRIBUTION PROJECTIONS AND OTHER INFORMATION CONTAINED HEREIN AND ATTACHED HERETO ARE ESTIMATES ONLY, AND THE TIMING AND AMOUNT OF ACTUAL DISTRIBUTIONS TO HOLDERS OF ALLOWED CLAIMS MAY BE AFFECTED BY MANY FACTORS THAT CANNOT BE PREDICTED. THEREFORE, ANY ANALYSES, ESTIMATES OR RECOVERY PROJECTIONS MAY OR MAY NOT TURN OUT TO BE ACCURATE. DUE TO THESE UNCERTAINTIES, READERS CANNOT BE ASSURED THAT ANY FORWARD-LOOKING STATEMENTS WILL PROVE TO BE CORRECT. NEITHER THE DEBTOR NOR THE PROPONENT IS UNDER AN OBLIGATION TO (AND EXPRESSLY DISCLAIM ANY OBLIGATION TO) UPDATE OR ALTER ANY FORWARD-LOOKING STATEMENTS WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE, UNLESS INSTRUCTED TO DO SO BY THE BANKRUPTCY COURT.

NO LEGAL OR TAX ADVICE IS PROVIDED TO YOU BY THE DISCLOSURE STATEMENT. EACH HOLDER OF A CLAIM OR AN INTEREST IS URGED TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX OR BUSINESS ADVICE IN REVIEWING THE DISCLOSURE STATEMENT, THE PLAN AND EACH OF THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF DISCLOSURE CONTAINED IN THE DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE MERITS OF THE PLAN.

IT IS THE PROPONENT'S POSITION THAT THE DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION OR WAIVER. RATHER, HOLDERS OF CLAIMS AND INTERESTS AND OTHER ENTITIES SHOULD CONSTRUE THE DISCLOSURE STATEMENT AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS.

NO RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR CAUSE OF ACTION, CLAIM OR PROJECTED OBJECTION TO A PARTICULAR CLAIM IS, OR IS NOT, IDENTIFIED IN THE DISCLOSURE STATEMENT. THE DEBTOR MAY SEEK TO INVESTIGATE, FILE AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THE DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS. THE PLAN RESERVES FOR THE DEBTOR THE RIGHT TO BRING CAUSES OF ACTION (DEFINED IN THE PLAN) AGAINST ANY ENTITY OR PARTY IN INTEREST EXCEPT THOSE SPECIFICALLY RELEASED.

THE DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS IN THE DEBTOR'S' CHAPTER 11 CASE AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE. ALTHOUGH THE PROPONENT BELIEVES THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THE SUMMARIES DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THE DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR'S' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED.

THE PROPONENT HAS REVIEWED THE FINANCIAL INFORMATION PROVIDED IN THE DISCLOSURE STATEMENT. ALTHOUGH THE PROPONENT HAS USED REASONABLE BUSINESS JUDGMENT TO ENSURE THE ACCURACY OF THIS FINANCIAL INFORMATION, NO ENTITY HAS AUDITED THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THE DISCLOSURE STATEMENT.

THE PROPONENT IS MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE PROPONENT MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THE DISCLOSURE STATEMENT, THE DEBTOR HAS NO AFFIRMATIVE DUTY TO DO SO. HOLDERS OF CLAIMS AND INTERESTS REVIEWING THE DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THE PROPONENT FILED THE DISCLOSURE STATEMENT. HOLDERS OF CLAIMS AND INTERESTS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN MUST RELY ON THEIR OWN EVALUATION OF THE DEBTOR AND THEIR OWN ANALYSIS OF THE TERMS OF THE PLAN, INCLUDING, WITHOUT LIMITATION, ANY RISK FACTORS CITED HEREIN, IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN.

PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER OF A CLAIM OR INTEREST IN A VOTING CLASS SHOULD CONSIDER CAREFULLY ALL OF THE INFORMATION IN THE DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN GREATER DETAIL HEREIN.

ALL CAPITALIZED TERMS IN THE DISCLOSURE STATEMENT NOT OTHERWISE DEFINED HEREIN HAVE THE MEANINGS GIVEN TO THEM IN THE PLAN, ATTACHED TO THE DISCLOSURE STATEMENT AS EXHIBIT A.

ALL HOLDERS OF CLAIMS WHOSE VOTES ARE BEING SOLICITED ARE URGED TO ACCEPT THE PLAN. THE PROPONENT BELIEVES THAT THE PLAN PROVIDES THE HIGHEST AND BEST RECOVERY FOR THE DEBTOR'S CREDITORS.

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND INTERESTS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THE DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS OR INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION RO MARKETING BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS AND INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

EXHIBITS

EXHIBIT A: Proposed Plan

EXHIBIT B: Organizational Chart Summary

EXHIBIT C: Liquidation Analysis

EXHIBIT D: Hotel Purchase Agreement

THE DEBTOR HEREBY ADOPTS AND INCORPORATES EACH EXHIBIT ATTACHED TO THIS DISCLOSURE STATEMENT BY REFERENCE AS THOUGH FULLY SET FORTH HEREIN.[2]

[2] Including all other agreements, documents and instruments at any time executed and/or delivered in connection with or related thereto, ancillary or otherwise, and all exhibits, attachments and schedules referred to therein, all of which are incorporated by reference into, and are an integral part of, this Disclosure Statement, as all of the same may be amended, restated, amended and restated, modified, replaced and/or supplemented from time to time prior to the Effective Date, including, without limitation, by the Plan Supplement, and following the Effective Date, in accordance with each Debtor's applicable constituent documents.

ARTICLE I.

SUMMARY

A. General

Robert Gladstone, Co-Managing Member of Madison 92nd Street Associates, LLC, as debtor and debtor in possession, hereby transmits the Disclosure Statement (as may be amended, supplemented or otherwise modified from time to time, the "Disclosure Statement") pursuant to section 1125 of title 11 of the United States Code, 11 U.S.C. §§ 101- 1532, as amended (the "Bankruptcy Code"), in connection with the Debtor's solicitation of votes (the "Solicitation") to confirm the Chapter 11 Plan of Reorganization dated as of December 14, 2011, a copy of which is attached hereto as Exhibit A (as may be amended, the "Plan").

The purpose of the Disclosure Statement is to set forth information concerning: (i) the history of the Debtor and the Debtor's business; (ii) the Chapter 11 Case; and (iii) the Plan and alternatives to the Plan. The Disclosure Statement also provides advice to Holders of Claims and Interests of their rights under the Plan, and assistance to Holders of Claims and Interests entitled to vote on the Plan, so they may make an informed judgment regarding whether they should vote to accept or reject the Plan.

Following careful consideration of all alternatives, the Debtor has determined that the commencement of the Chapter 11 Case was a prudent and necessary step to maximize the going concern value of the Debtor's business.

Through the commencement of this Chapter 11 Case, the Debtor intended to determine the best go forward course of action for Madison. It is the Proponent's belief that a Sale of the Hotel is in the best interests of the Debtor, the Debtor's estate, and the Debtor's creditors. In this regard, after extensive negotiations during this case, Robert Gladstone, as Co-Manager of the Debtor, has executed a contract of sale with CIM Group Acquisitions, LLC, a California limited liability company (the "Purchaser"), for the purchase and sale of the Hotel to the Purchaser for a purchase price of $84,100,000. The sale will be subject to competitive bidding and auction rules to be approved by the Court. The closing of the sale shall occur under the Plan, and is scheduled to close on or before April 16, 2012, time of the essence.

On _____, 2011, after notice and a hearing, the Bankruptcy Court entered an order: (i) approving the Disclosure Statement (the "Disclosure Statement Order") as containing "adequate information" to enable a hypothetical, reasonable investor typical of Holders of Claims against or Interests in the Debtor to make an informed judgment as to whether to accept or reject the Plan; and (ii) authorizing the Debtor to use the Disclosure Statement in connection with the solicitation of votes to accept or reject the Plan. **The Disclosure Statement Order establishes _____ at 4:00 p.m. (prevailing Eastern Time) as the deadline for the return of Ballots accepting or rejecting the Plan (the "Voting Deadline"). APPROVAL OF THE DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.**

The Disclosure Statement Order sets forth in detail the deadlines, procedures and instructions for voting to accept or reject the Plan, and for filing objections to confirmation of the Plan, the record date for voting purposes and the applicable standards for tabulating Ballots. In addition, detailed voting instructions accompany each Ballot. Each Holder of a Claim entitled to vote on the Plan should read the Disclosure Statement and the Exhibits hereto, including the Plan and the Disclosure Statement Order, as well as the instructions accompanying the Ballot in their entirety before voting on the Plan. These documents contain important information concerning the classification of Claims and Interests for voting purposes and the tabulation of votes. No solicitation of votes may be made except pursuant to the Disclosure Statement and section 1125 of the Bankruptcy Code. In voting on the Plan, Holders of Claims entitled to vote should not rely on any information relating to the Debtor and its business other than the information contained in the Disclosure Statement, the Plan and all Exhibits hereto and thereto.

THE DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN. THE DISCLOSURE STATEMENT IS INTENDED TO AID AND SUPPLEMENT THAT REVIEW. THE DESCRIPTION OF THE PLAN HEREIN IS ONLY A SUMMARY. HOLDERS OF CLAIMS AND INTERESTS AND OTHER PARTIES-IN-INTEREST ARE CAUTIONED TO REVIEW THE PLAN AND ANY RELATED EXHIBITS AND ATTACHMENTS FOR A FULL UNDERSTANDING OF THE PLAN'S PROVISIONS. THE DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN.

Additional copies of the Disclosure Statement (including the Exhibits hereto) are available upon written request made to the office of the Debtor's special counsel, Olshan Grundman Frome Rosenzweig & Wolosky LLP, Park Avenue Tower, 65 East 55th Street, New York NY 10022, Attention: Adam H. Friedman, Esq., (212) 451-2216 (phone) or (212) 451-2222 (facsimile). In addition, a Ballot for voting to accept or reject the Plan is enclosed with the Disclosure Statement for the Holders of Claims that are entitled to vote to accept or reject the Plan. If you are a Holder of a Claim entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning the procedures for voting on the Plan, you may contact the Debtor's special counsel at the address and phone number listed above.

Each Holder of a Claim entitled to vote on the Plan should read the Disclosure Statement, the Plan, the other Exhibits attached hereto and the instructions accompanying the Ballots in their entirety before voting on the Plan. These documents contain important information concerning the classification of Claims and Interests for voting purposes and the tabulation of votes.

The Plan organizes the Debtor's creditor and equity constituencies into groups called "Classes." For each Class, the Plan describes (a) the underlying "Claim" or "Interest," (b) the recovery available to the Holders of Claims or Interests in that Class under the Plan, (c) whether the Class is "Impaired" under the Plan, meaning that each holder will receive less than the full value on account of its Claim or Interest or that the rights of Holders under law will be altered in some way (such as receiving stock instead of holding a Claim) and (d) the form of consideration (*e.g.*, cash, stock or a combination thereof), if any, that such Holders will receive on account of their respective Claims or Interests.

The Proponent believes that the Plan provides the best recoveries possible for Holders of Allowed Claims and Interests and strongly recommend that, if such Holders are entitled to vote, they vote to accept the Plan.

B. Classification of Claims and Interests

Class	Treatment of Claims and Interests	Entitlement to Vote	Estimated Aggregate Amount of Allowed Claims or Equity Interests	Estimated Percentage Recovery of Allowed Claims[3]
Unclassified Claims	Each Holder of an Allowed Administrative Expense Claim, Professional Fee Claim, and Priority Tax Claim shall receive, in full and final satisfaction of such Claim, the amount of such Allowed Claim, in Cash, on or as soon as practicable following the Effective Date, plus interest from the Petition Date until the date of repayment at the lesser of (i) the rate established by the Bankruptcy Court or (ii) the rate set forth in any agreement between the Holder of the Claim and Madison unless such Holder consents to other treatment.	No - deemed to accept	$2 million	100%
Class 1: Priority Non-Tax Claims	Each Holder of an Allowed Priority Non-Tax Claim shall receive, in full and final satisfaction of such Priority Non-Tax Claim, the amount of such Allowed Priority Non-Tax Claim, in Cash, on or as soon as practicable following the Effective Date, plus interest from the Petition Date until the date of repayment at the lesser of (i) the rate established by the Bankruptcy Court or (ii) the rate set forth in any agreement between the Holder of the Claim and Madison unless such Holder consents to other treatment.	No - deemed to accept	None	100%

[3] For purposes of Classes 3, 4, and 5, the lower range of recovery cannot be determined at this time, because the Courtyard Rejection Claim has not yet been filed or liquidated. While the Debtor believes such claim will be less than $500,000 and that the Debtor will have affirmative claims against the Marriott Parties, no guarantees or assurances can be provided at this time. In the event such claim is allowed, for illustrative purposes only, in the amount of $15 million, Class 3 General Unsecured Creditors will not be paid in full. Similarly, in the event the reduced GECC Secured Claim is not accepted or approved by the Court, such a fact could materially impact recoveries to Classes 3, 4, and 5.

Class 2: GECC Secured Claims	The Holder of an Allowed GECC Secured Claim shall receive, in full and final satisfaction of such GECC Secured Claim, the Reduced GECC Allowed Secured Claim, in Cash, on or as soon as practicable following the Effective Date, plus interest from the Petition Date until the date of repayment at the lesser of (i) the rate established by the Bankruptcy Court or (ii) the rate of interest rate set forth in the Cash Collateral Order, unless such Holder consents to other treatment.	Yes	$74,007,716[4]	95.8%
Class 3: General Unsecured Claims	Each Holder of an Allowed General Unsecured Claim shall receive, in full and final satisfaction of such General Unsecured Claims, each Holder's Pro-Rata share, together with Class 4 Other Unsecured Claims, of the net excess Sale proceeds and Causes of Action, if any, after payment of Administrative Expense Claims, Priority Tax Claims, Priority Non-Tax Claims and the Reduced GECC Allowed Secured Claim, unless such Holder consents to other treatment. In the event all senior creditors are paid in full and there is sufficient cash on hand, Class 3 General Unsecured Claims shall be entitled to post-petition interest at the Federal Judgment Rate, unless such Holder consents to other treatment. For avoidance of doubt, Class 3 and Class 4 creditors have the same priority.	Yes	$1,390,862.85	Undetermined, but as high as 100%

[4] The Proponent and GECC are in the process of reconciling the exact amount of the GECC Secured Claim.

Class 4: Other Unsecured Claims	Each Holder of an Allowed Other Unsecured Claim (which includes the Courtyard Rejection Claim) shall receive, in full and final satisfaction of such Other Unsecured Claims, each Holder's Pro-Rata share, together with Class 3 General Unsecured Claims, of the net excess Sale proceeds and Causes of Action, if any, after payment of Administrative Expense Claims, Priority Tax Claims, Priority Non-Tax Claims and the Reduced GECC Allowed Secured Claim, unless such Holder consents to other treatment. In the event all senior creditors are paid in full and there is sufficient cash on hand, Class 4 Other Unsecured Claims shall be entitled to post-petition interest at the Federal Judgment Rate, unless such Holder consents to other treatment. For avoidance of doubt, Class 3 and Class 4 creditors have the same priority.	Yes	Undetermined	Undetermined, but as high as 100%
Class 5: Equity Interests	Each Holder of an Equity Interest shall receive, in full and final satisfaction of such interests, each Holder's Pro-Rata Share of the net excess Sale proceeds and Causes of Action after payment in full of Administrative Expense Claims, Priority Tax Claims, Priority Non-Tax Claims, Reduced GECC Allowed Secured Claim, General Unsecured Claims, and Other Unsecured Clailms, unless such Holder consents to other treatment.	Yes	n/a	Undetermined

C. Voting; Holders of Claims Entitled to Vote

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired and that are not deemed to have rejected a plan of reorganization are entitled to vote to accept or reject such proposed plan. Generally, a claim or interest is impaired under a plan if the holder's legal, equitable or contractual rights are altered under such plan. Classes of claims or equity interests under a chapter 11 plan in which the holders of claims or equity interests are unimpaired are deemed to have accepted such plan and are not entitled to vote to accept or reject the proposed plan. In addition, classes of claims or equity interests in which the holders of claims or equity interests will not receive or retain any property on account of their claims or equity interests are deemed to have rejected the plan and are not entitled to vote to accept or reject the plan.

In connection with the Plan:

- Claims in Classes 2, 3, 4 and 5 are Impaired, and as a result, the Holders of such Claims are entitled to vote to accept or reject the Plan; and

- Claims in Class 1 are Unimpaired. As a result, Holders of Claims in Class 1 are deemed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.

The Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. **Your vote on the Plan is important**. The Bankruptcy Code requires as a condition to confirmation of a plan of reorganization that each class that is impaired and entitled to vote under a plan vote to accept such plan, unless the provisions of section 1129(b) of the Bankruptcy Code are met.

The Proponent will be seeking confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. Section 1129(b) of the Bankruptcy Code permits the confirmation of a plan of reorganization notwithstanding the non-acceptance of a plan by one or more impaired classes of claims or equity interests, so long as at least one impaired class of claims or interests votes to accept the plan. Under that section, a plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and equitable" with respect to each non-accepting class.

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. The Disclosure Statement, the Exhibits attached hereto, the Plan and the related documents are the only materials the Debtor is providing to creditors for their use in determining whether to vote to accept or reject the Plan, and such materials may not be relied upon or used for any purpose other than to vote to accept or reject the Plan.

Please complete, execute and return your Ballot(s) to the Debtor's special counsel at the address below:

Olshan Grundman Frome Rosenzweig & Wolosky LLP
Attention: Adam H. Friedman
65 East 55th Street
New York, NY 10022
Tel. (212) 451-2216

TO BE COUNTED, YOUR ORIGINAL BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE ACTUALLY RECEIVED BY THE DEBTOR'S SPECIAL COUNSEL NO LATER THAN **4:00 P.M., PREVAILING EASTERN TIME**, **ON _____,** UNLESS EXTENDED BY THE DEBTOR. YOUR BALLOT MAY BE SENT VIA MAIL, OVERNIGHT COURIER OR MESSENGER. ALL BALLOTS MUST BE SIGNED.

The Ballots have been specifically designed for the purpose of soliciting votes on the Plan from the Classes entitled to vote with respect thereto. Accordingly, in voting on the Plan,

please use only the Ballots sent to you with the Disclosure Statement or provided by the Proponent.

The Proponent has fixed **4:00 p.m. (prevailing Eastern Time) on _____, 2011** (the "Voting Record Date"), as the time and date for the determination of Persons who are entitled to receive a copy of the Disclosure Statement and all of the related materials and to vote whether to accept or reject the Plan. Accordingly, only Holders of record of Claims as of the Voting Record Date that are entitled to vote on the Plan, will receive a Ballot and may vote on the Plan.

All properly completed Ballots received prior to the Voting Deadline will be counted for purposes of determining whether a voting Class of impaired Claims has accepted the Plan. The Proponent will prepare and file with the Bankruptcy Court a certification of the results of the balloting with respect to the Class entitled to vote.

THE PROPONENT BELIEVES THAT CONFIRMATION OF THE PLAN IS IN THE BEST INTERESTS OF ALL HOLDERS OF CLAIMS AND INTERESTS AND RECOMMENDS THAT ALL HOLDERS OF CLAIMS AND INTERESTS ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN.

The Proponent's legal advisors are Olshan Grundman Frome Rosenzweig & Wolosky LLP. They can be contacted at:

Olshan Grundman Frome
Rosenzweig & Wolosky LLP
65 East 55th Street
New York, NY 10022
Attention: Adam H. Friedman

D. Solicitation Process

The following documents and materials will constitute the Proponent's solicitation package (the "Solicitation Package"):

- Plan;
- Disclosure Statement;
- Order approving the Disclosure Statement and related Solicitation Procedures ("Disclosure Statement Order");
- Notice of the hearing at which confirmation of the Plan will be considered ("Confirmation Hearing Notice");
- Appropriate ballot and voting instructions; and
- Pre-addressed, postage prepaid return envelope.

The Proponent intends to distribute the Solicitation Packages no fewer than five calendar days before the Voting Deadline or on such other schedule as is approved by the Bankruptcy Court. The Proponent submits that distribution of the Solicitation Packages at least five calendar days prior to the Voting Deadline or on such other schedule as is approved by the Bankruptcy Court will provide the requisite materials to Holders of Claims entitled to vote on the Plan in compliance with Bankruptcy Rules 3017(d) and 2002(b).

The Solicitation Package will be distributed to Holders of Claims in Classes 2, 3, 4 and 5 as of the Voting Record Date and in accordance with the procedures described in the Disclosure Statement Order. The Solicitation Package (except the Ballots) may also be obtained by writing (sent via first class mail) to Olshan Grundman Frome Rosenzweig & Wolosky LLP, Park Avenue Tower, 65 East 55th Street, New York NY 10022, Attention: Adam H. Friedman, Esq.

Other parties entitled to receive the Solicitation Packages, including the IRS, will be served paper copies of the Disclosure Statement Order, the Disclosure Statement and all exhibits to the Disclosure Statement, including the Plan, and the Confirmation Hearing Notice.

E. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of the Plan.

The Confirmation Hearing will commence on at : 0 .m. prevailing Eastern Time, before The Honorable Stuart M. Bernstein, United States Bankruptcy Judge, in the United States Bankruptcy Court for the Southern District of New York. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

The Plan Objection Deadline is 4:00 p.m. prevailing Eastern Time on . All objections to the Plan must be filed with the Bankruptcy Court and served on the Debtor's special counsel and certain other parties in accordance with the Disclosure Statement Order on or before the Plan Objection Deadline. In accordance with the Confirmation Hearing Notice filed with the Bankruptcy Court, objections to the Plan or requests for modifications to the Plan, if any, must:

- Be in writing;
- Conform to the Bankruptcy Rules and the Local Bankruptcy Rules for the Southern District of New York;
- State the name and address of the objecting Creditor and the amount and nature of the Claim or Interest of such Creditor;
- State with particularity the basis and nature of the objection to the Plan and, if practicable, a proposed modification to the Plan that would resolve such objection; and

- Be filed, contemporaneously with proof of service, with the Bankruptcy Court and served so that it is **actually received** by the notice parties identified in the Confirmation Hearing Notice on or prior to the Plan Objection Deadline.

THE BANKRUPTCY COURT MAY NOT CONSIDER OBJECTIONS TO THE PLAN UNLESS THEY ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE PROCEDURES SET FORTH IN THE DISCLOSURE STATEMENT ORDER.

F. Important Matters

The Disclosure Statement contains projected financial information and certain other forward-looking statements, all of which are based on various estimates and assumptions and will not be updated to reflect events occurring after the date hereof. Such information and statements are subject to inherent uncertainties and to a wide variety of significant business, economic and competitive risks, including, among others, those described herein. Consequently, actual events, circumstances, effects and results may vary significantly from those included in or contemplated by such projected financial information and such other forward-looking statements. The projected financial information contained herein and in the Exhibits annexed hereto is, therefore, not necessarily indicative of the future financial condition or results of operations of the Debtor, which in each case may vary significantly from those set forth in such projected financial information. Consequently, the projected financial information and other forward-looking statements contained herein should not be regarded as representations by any of the Debtor, the Debtor's advisors, or any other Person that the projected financial conditions or results of operations can or will be achieved.

ARTICLE II.

BACKGROUND TO THIS CHAPTER 11 CASE

A. The Debtor's Business

1. The Debtor's Operations

On August 16, 2011, the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code.

The Debtor is a limited liability company formed on April 24, 2002 and organized under the laws of the State of Delaware. The Debtor owns the Courtyard New York Manhattan/Upper East Side (the "Hotel"). The Debtor's primary assets are the Hotel and its litigation claims against Marriott.

The Hotel operations are currently conducted pursuant to the terms of a certain Management Agreement, dated October 7, 2002, as amended by agreements dated June 23, 2003, May 4, 2004, July 20, 2004 and July 7, 2006 (the "Management Agreement") between the Debtor and Courtyard Management Corporation ("Courtyard"). Under the Management Agreement, Courtyard is to have exclusive supervision and control as operator of the Hotel and

to be, or cause one of its affiliates to be, the employer of all of the individuals working in the Hotel. Courtyard has responsibility for compliance with most legal requirements arising in the operation of the Hotel. As a result, the Debtor does not itself operate the Hotel, has no employees, is excluded from some aspects of the Hotel's operation, and must look to Courtyard to maintain books and records for the Hotel. Courtyard is responsible for collecting all revenues, maintaining books and records for the Hotel, and paying all expenses of the Hotel. In all of its roles Courtyard has a duty to act as a reasonable, prudent operator. In practice, Courtyard has abdicated that duty and acted in regard to the Debtor at the direction and control of its ultimate parent, Marriott, for the benefit of Marriott and its affiliates. This conflict of interest and abdication of duty is at the center of the Debtor's insolvency.

2. **The Debtor's Members**

Robert Gladstone ("Gladstone") was the co-founder of the Debtor, and is one of the co-Managing Members. Gladstone currently owns a 32.176% interest in the Debtor's profits. Gladstone is the single largest individual member interest.

92nd St. Hotel Associates LLC ("Hotel Associates"), controlled by Louis Taic ("Taic") is the other co-Managing Member. Hotel Associates currently owns a a 50% interest in the profits of the Debtor, which interest is split in half: 50% by a Trust for Taic's children and 50% by 92nd Street Equities Corp.

John Lesher ("Lesher") is a co-founder of the Debtor. Lesher currently owns an 8.569% interest in the Debtor's profits.

Lucille Gladstone ("L. Gladstone") is a member of the Debtor and currently owns a 5% interest in the Debtor's profits.

JKNY, LLC ("JKNY"), owned by Jeffrey Kosow is a member of the Debtor and currently owns a 3.255% interest in the Debtor's profits.

Andrew Harris ("Harris") is a member of the Debtor and currently owns a 1% interest in the Debtor's profits.

B. <u>Summary of Prepetition Indebtedness</u>

GECC holds a first mortgage ("Mortgage") on the Hotel, dated May 12, 2008, securing a promissory note in the original principal amount of sixty two million dollars ($62,000,000.00). Following an event of default under the Mortgage (which default the Debtor believes was directly caused by improper actions of the Marriott Parties as described below), in October 2009, GECC commenced a foreclosure proceeding against the Debtor. A final judgment of foreclosure and sale was entered on June 8, 2011 in the amount of $74,077,716.71. The impending foreclosure necessitated this bankruptcy filing.

Prepetition and since the opening of the Hotel, pursuant to the Management Agreement, all of the cash receipts from the operation of the Debtor's Hotel were to go into approved accounts maintained by Courtyard. In practice, Courtyard maintained only a few local or petty cash accounts. The majority of the cash management and accounting were surrendered to the

control of other Marriott Parties operating most recently under the name "Marriott Business Services." The accounts apparently controlled by this entity or division are collectively referred to as the "Marriott Operating Accounts." Marriott Business Services directs payment of all fees, payments to Marriott, and expenses of third parties charged to the Hotel from the Marriott Operating Accounts. The Management Agreement further provides that certain residual funds left after these payments are to be deposited into an account maintained by the Debtor (the "Proceeds Account").

ARTICLE III.

EVENTS LEADING TO THIS CHAPTER 11 CASE

A. Prepetition Events

The immediate cause of the Debtor's bankruptcy filing was the impending sale of the Hotel pursuant to the Foreclosure Judgment entered in the GECC foreclosure proceeding. However, the Debtor believes that the foreclosure was itself caused by a lack of profitability directly due to the malfeasance and self-dealing of Marriot as described in greater detail herein.

From 2002, the Debtor developed the Hotel and entered into the Management Agreement believing that its terms provided that the Debtor would own, and Courtyard would operate, a profitable hotel. The Debtor believed that paying a material share of net operating profits to Courtyard as an incentive management fee would act to align its interests with Marriott in that goal. Unbeknownst to the Debtor, however, Marriott's own goals were to use the position of its subsidiary Courtyard to control and exploit the Debtor's Hotel for Marriott's own greater benefit.

As the Debtor learned much later, Marriott's first goal in 2002 was to obtain protection from certain union obligations for hotels it considered to be more valuable to Marriott than the Debtor's Hotel. Within a month after signing the Management Agreement, Marriott proposed a letter agreement with the New York Hotel Trades Council (together with the New York Hotel & Motel Trades Council, AFC-CIO, the "Union"), and within four months signed the agreement, which provided that Marriott would facilitate the unionization of the Debtor's Hotel, the Brooklyn Marriott Hotel, and certain other hotels in New York City. In return, Marriott demanded that the Union protect from unionization the LaGuardia Marriott, the New York Marriott Marquis, the New York Marriott Financial Center (now the Marriott Downtown) and the New York Midtown East Courtyard. This protection was proposed to come from an undertaking by the Union not to enforce card check provisions in regard to these hotels.

The proposed agreement was in fact accepted and signed by the Union and Marriott in April 2003. The first draft proposed and *actually signed* by Marriott was dated November 5, 2002 (less than thirty days after the Debtor signed the Management Agreement). It remained hidden from the Debtor for six years and was revealed only by a subpoena to the Union in late 2009.

The hotel was finally opened in 2006. As agreed secretly between Marriott and the Union, the work force was unionized almost immediately upon the opening without any formal union election.

Even after the Debtor learned of that unionization, the Debtor was not told of additional agreements signed between the Union and Marriott. These agreements dealt with special staffing and other obligation to which Marriott had, again secretly, subjected the Hotel. To the contrary, the Debtor was repeatedly told by Marriott that no such agreements existed.

In its efforts to develop the Hotel, the Debtor had been encouraged by, and had relied upon, Marriott's repeated deliveries of projections and budgets which omitted the inevitable costs of unionization. Unknown to the Debtor, Marriott maintained a different set of projections for its own use, which it did not show to the Debtor until years later, and which anticipated unionization.

The negative impact of the secret Union agreements became much more obvious as the recession approached. Seeing the coming downturn, the Debtor sought to know Marriott's plans for reducing and containing costs in the face of an accelerating drop in revenues. The Debtor, however, found Marriott indifferent. In fact, operating costs increased in absolute terms through the recession. Cash flow to the Debtor was repeatedly disrupted and often inadequate, leading inevitably to fewer and smaller distributions to the Proceeds Account. That left the Debtor with cash insufficient to pay even the moderate debt service the Debtor had taken on.

At the heart of the Debtor's cash problems was gross overstaffing of the Hotel. The staffing projection in a 2002 Pro Forma used in the development of the Hotel had shown 47.5 employees. Despite plunging revenues, Courtyard was operating the Hotel in the depth of the recession with more than 70 employees on the payroll. The Union agreement in the form then known to the Debtor stated that the Hotel was permitted to make layoffs, yet none were made. The Debtor was referred by Courtyard to Marriott to address this, and Marriott refused to approach the Union to discuss such prudent concessions as staffing reductions. Eventually it was admitted by Marriott that there were secret agreements with the Union, and that these undisclosed arrangements effectively barred layoffs.

Desperate to control costs and maintain cash flow, the Debtor began to look as closely as it could at other areas of possible costs savings. On subjects as varied as the charges to the Hotel from Marriott's captive insurance program, to the terms on which the Hotel subsidized the Marriott Rewards frequent guest program, Marriott refused to account to the Debtor for what was happening at and to the Hotel. Most particularly, Marriott refused to provide information about its own potentially self-dealing transactions and programs.

In the first half of 2009, the financial situation had become dire. The Debtor had used its cash reserves and raised substantial additional amounts from its investors, but the cash flow continued to deteriorate and Marriott continued to obstruct the Debtor's efforts to deal with the deterioration. The Debtor realized that Courtyard budgets showing more cash flow were at best fantasy. The impact on the cash flow of the Union arrangements and abusive Marriott programs, even to the limited extent then known, was millions of dollars per year. The Debtor thus began to consider litigation to seek an accounting, access to its own information, and remedies for the already visible breaches of the Management Agreement.

In July 2009, the Debtor was shocked to find that its bank account had been liened by the New York State tax authority for sales tax assessments. The lien prevented debt service

payments to GECC, as the Debtor's lender. The tax liens were shocking because the Debtor had never owed or filed sales tax returns, nor had it any role in handling the trust funds involved in collection of sales taxes. Under the terms of the Management Agreement, this was exclusively Marriott's responsibility. The taxpayer address on the notice of liens was a location of Marriott Business Services; however, it bore the Debtor's tax identification number. While the liens on the account were eventually released, Marriott refused to answer questions about or provide copies of what it had signed using the Debtor's name or tax identification number.

1. **The Courtyard Action.**

In September 2009, the Debtor commenced suit against Courtyard in *Madison 92nd Street Associates, LLC v. Courtyard Management Corporation,* New York Supreme Court, Index No. 602762/2009 (as may be amended, the "Courtyard Action"). The Courtyard Action alleges in greater detail what is described above to the extent the Debtor then knew the details. It alleged how Courtyard abused its management position under the Management Agreement, engaged in self-dealing with affiliates, signed tax returns and purported to be the Debtor's agent without authority, and otherwise failed to manage the Hotel to the promised standard of a reasonable prudent operator. The complaint sought, inter alia, an accounting and findings of breaches of the contract and the covenant of good faith and fair dealing. The complaint further sought an accounting and damages, but did not seek termination.

Courtyard moved to dismiss. The motion was decided in July 2010, and affirmed the Debtor's right to proceed on the accounting and pursue the breaches described above, and dismissing certain other claims. Courtyard was required to answer, and discovery was scheduled. With the knowledge that the Debtor was moving toward a bankruptcy, Courtyard filed a further motion in a transparent effort to delay the proceedings.

2. **Further Union Revelations.**

As set out above, Marriott had entered into contracts with the Union in 2003 which were never disclosed by Marriott to the Debtor, and clearly deliberately concealed. In connection with the Courtyard Action, the Debtor served a subpoena on the Union requesting, among other items, the agreements under which the Hotel had been unionized by card check. The Union then produced the April 2003 letter agreement signed by both Marriott and the Union and the November 2002 draft signed only by Marriott, as well as numerous drafts and transmittals showing the exchange of the drafts between the Union and Marriott.

Some of these documents referred to arrangements made between Marriott and the Union prior to 2002, raising a strong suggestion of misrepresentation to the Debtor in the original inducement of the Management Agreement.[5] It is self evident that Marriott "served up" the Debtor's Hotel to the Union to protect its more important hotels from unionization, as set forth in

[5] The Union has reinforced that suggestion by its contentions, reported recently by the Examiner in the Examiner's Report that the arrangement between it and Marriott to unionize the Hotel dated back to agreements reached in the 1990s. While no such agreement was produced or such contention made when the Union was subpoenaed, the assertion does suggest more evidence of fraud in the inducement of the Management Agreement in 2002 and after, when it was repeatedly represented to the Debtor that the Hotel would operate non-union. The Proponent intends to apply for an order under Bankruptcy Rule 2004 in this regard.

the letter agreement. The protected hotels are The Marriott Marquis, the Midtown East Courtyard Marriott, the LaGuardia Marriott Hotel and the New York Marriott Financial Center Hotel. The workforce at these hotels is many times larger than the workforce at the Debtor's Hotel: a great coup for Marriott, and a death knell for the Debtor.

3. **Further State Tax Revelations.**

Another area in which Marriott's involvement and malfeasance has become apparent is its ongoing dealings with the New York State Department of Tax (the "NYS Tax Department") over hotel room, use, and sales taxes. From the opening of the Hotel, Marriott (acting primarily through Marriott Business Services) has been misrepresenting to the NYS Tax Department that various Marriott affiliates had the Debtor's power of attorney to deal with the hotel, use, and sales tax audits, assessment, and refund applications. Marriott Business Services and its representatives delivered to the NYS Tax Department dozens of instruments and reports falsely signed, attested, and notarized. In these, the Debtor purportedly gave Marriott employees and outside professionals such a power. Not only did the Debtor not provide Marriott, Marriott Business Services, or such professional with any such powers of attorney, the Debtor has repeatedly refused Marriott's many requests for such powers, and had instructed Courtyard and Marriott never to sign as the Debtor. The Debtor also issued a notice of default to Courtyard regarding this misconduct. The period for cure of that default has expired.

When the Debtor began to suspect Marriott's misrepresentations, the Debtor was refused information by Marriott and Courtyard. The Debtor finally initiated its own contact with the NYS Tax Department. The Debtor was initially blocked from information by Marriott. Finally, the Debtor formally appointed its own representative and attorney in fact. The Debtor discovered and revoked the false Marriott powers of attorney. Nonetheless, an assessment addressed to the Debtor and sent to a Marriott address was issued in the amount of $679,581 dated May 26, 2011. The Debtor also then learned that Marriott had been dealing with a series of audits by the NYS Tax Department for several years. Marriott had also made an application in the Debtor's name for a refund, intended to be paid to Marriott, hiding the application from the Debtor. In the face of the Debtor's refusals to grant the power of attorney or to provide waivers of the statute of limitations, it appears Marriott had simply made up and signed a power of attorney and signed the waivers, both in the Debtor's name. Documents turned over by the NYS Tax Department also showed evidence of substantial accounting irregularities and material differences from information provided to the Debtor by Courtyard.

On June 9, 2011, Marriott sent to the Debtor the May 26, 2011 tax assessment notice, for the first time addressing it to the Debtor itself. To date, Marriott continues to refuse to disclose and turnover all of the documents which Marriott, Marriott Business Services, and Courtyard have signed or delivered using the Debtor's name and/or tax identification number.

The NYS Tax Department has filed an unsecured priority proof of claim against the Debtor in the total amount of $692,761.97. The Proponent believes that, under the circumstances, particularly considering the bad acts of Marriott and Courtyard which underlie the assessment, Courtyard is solely liable for the assessment. The Proponent intends to object to the claim of the NYS Tax Department.

4. **The Foreclosure Action.**

Courtyard's conduct in regard to the Hotel has burdened Debtor with substantial unnecessary expenses which caused the Debtor to be unable to remain current with GECC on its mortgage. Thereby, Courtyard's misconduct underlies the GECC's foreclosure action.

As discussed above, GECC is the Debtor's prepetition lender pursuant to a May 2008 promissory note in the principal amount of $62 million, secured by all of the assets of the Hotel (the "Promissory Note"). Based upon the Debtor's inability to make payments due under the Promissory Note, on June 8, 2011, a Foreclosure Judgment in the amount of $74,007,716 was entered in the New York State Supreme Court permitting the auction sale of the Hotel condominium property upon proper public notice (*General Electric Capital Corp. v. Madison 92nd Street Associates, LLC; 92nd Street Hotel Associates LLC, et al;* Index No. 603324/2009). Under the Foreclosure Judgment, the Debtor had agreed to sell the Hotel and pay the net sale proceeds to GECC.

B. Events Leading to the Formulation of the Plan

Consistent with the agreements of the Debtor in the Foreclosure Judgment, prior to the Petition Date, the Debtor's Co-Managing Members agreed to sell the Hotel. After a sale contract was negotiated and the buyer had tendered its signature pages, then Debtor's counsel invited the co-Managing Members to counsel's office to execute it. Taic, on behalf of Hotel Associates, refused to go forward with the contract, and the sale was off.

With the Debtor's members deadlocked, Gladstone, Lesher, L. Gladstone, and Harris (together, the "Gladstone Group") commenced a derivative action (the "Delaware Action") against Hotel Associates asserting breach of fiduciary duty for Hotel Associates' failure to sign the sale contract and abuse of its position as co-Managing Member of the Debtor.

At this time, Hotel Associates began to engineer the ouster of Gladstone as co-Managing Member. On August 15, 2011, in order to carry out their takeover, Taic, purporting to act on behalf of the Debtor, caused to be delivered to the Gladstone Group a Notice of Special Meeting to, inter alia, remove Gladstone as Co-Manager and replace him with JKNY. The meeting was scheduled for the next day at 3:00 p.m. Gladstone sent a responsive letter objecting to all of the proposed actions as being in violation of the Debtor's Operating Agreement and applicable law.

The next communication received by the Gladstone Group was on the Petition Date, informing them that the alleged Co-Managing Members had removed Gladstone as co-Managing Member and had, in contravention of Gladstone's objection, filed the Chapter 11 Case.

In response, the Gladstone Group filed the *Motion For Dismissal, Appointment Of A Chapter 11 Trustee Or Appointment Of A Chapter 11 Examiner* (the "Dismissal Motion").[6] On the hearing date, the parties entered into the *Stipulation Resolving Motion for Dismissal, Appointment of a Chapter 11 Trustee or Appointment of a Chapter 11 Examiner by the Appointment of an Examiner*, pursuant to which Gladstone was reinstated as co-Managing

[6] Additional background to this case is provided in the Dismissal Motion.

Member, and the Examiner was appointed in the Debtor's chapter 11 case (the Dismissal Motion is discussed in greater detail in Section IV(B)(1) below).

AS EXPLAINED BELOW, PURSUANT TO THE TERMS OF THE EXAMINER ORDER (AS DEFINED BELOW), BOTH GLADSTONE AND HOTEL ASSOCIATES ARE EACH ALLOWED TO FILE THEIR OWN PLANS OF REORGANIZATION ON BEHALF OF THE DEBTOR, SUCH THAT THERE MAY BE TWO COMPETING PLANS OF THE DEBTOR FOR CREDITORS AND PARTIES TO REVIEW AND COMPARE.

ARTICLE IV.

ADMINISTRATION OF THE CHAPTER 11 CASE

A. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize its business for the benefit of itself, its creditors and its equity interest holders. In addition to permitting the rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the Petition Date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the bankruptcy court makes the plan binding upon the debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor. Subject to certain limited exceptions, the order approving confirmation of a plan discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes the obligations specified under the confirmed plan.

In general, a chapter 11 plan of reorganization (a) divides claims and equity interests into separate classes, (b) specifies the property, if any, that each class is to receive under the plan, and (c) contains other provisions necessary to the reorganization of the debtor and that are required or permitted by the Bankruptcy Code.

Pursuant to section 1125 of the Bankruptcy Code, acceptance or rejection of a plan may not be solicited after the commencement of a chapter 11 case until such time as the court has approved the Disclosure Statement as containing adequate information. Pursuant to section 1125(a) of the Bankruptcy Code, "adequate information" is information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding the plan. To satisfy applicable disclosure requirements, the Debtor submits the

Disclosure Statement to Holders of Claims that are Impaired and not deemed to have rejected the Plan.

B. Relevant Case Background

On August 16, 2011, the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Honorable Stuart M. Bernstein is presiding over the Chapter 11 Case. The Debtor continues to operate its business as debtor and debtor in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

The following is a brief description of certain significant events that have occurred during the pendency of the Chapter 11 Case.

1. Appointment of the Examiner

As a result of the actions of Hotel Associates and JKNY, described in Section III(B) above, on August 23, 2011, one week after the Petition Date, counsel to Gladstone Group filed the Dismissal Motion, arguing that the Debtor's other members, Hotel Associates and JKNY, (a) filed the Debtor's bankruptcy case without corporate authority in direct contravention of the provisions of the Debtor's operating agreement, and (b) had breached their fiduciary duty to the Debtor and its members by knowingly violating the Debtor's operating agreement, by Hotel Associates reneging on its commitment to sign a fully-negotiated $86 million stalking horse sale contract which could have paid creditors in full and engaging in a strategy to "squeeze" the members of the Gladstone Group to sell their membership interest at a steep discount.

On September 8, 2011, Hotel Associates and JKNY responded to the Dismissal Motion.

On September 14, 2011, the Bankruptcy Court entered an *Order Pursuant To 11 U.S.C. § 1104(C) Directing The Appointment Of An Examiner*, pursuant to which the examiner would conduct an investigation of, among other things, the best reorganization strategy to be pursued by the Debtor, with a recommendation as to whether the Debtor's refinancing, sale or some other option is in the overall best interests of the Debtor, its estate, its creditors and its equity holders. All of the parties entered into a stipulation on September 20, 2011 resolving the Dismissal Motion (the "Examiner Order"), and on September 22, 2011 Thomas R. Slome was appointed as the Debtor's examiner (the "Examiner").

On October 14, 2011, the Bankruptcy Court approved a *Stipulation and Order Deferring Portion of the Examiner's Investigation* (the "Second Stipulation"), pursuant to which the parties to the Stipulation agreed to defer that part of the examiner investigation relating to (i) evaluating the disinterestedness of both Goldberg Weprin Finkel Goldstein LLP and Olshan Grundman Frome Rosenzweig & Wolosky LLP, and (ii) recommending whether each firm should be permitted to continue in their respective roles, to November 28, 2011.

On November 14, 2011, the Bankruptcy Court Approved a *Stipulation and Order Extending Deadline for Filing of the Examiner's Report* (the "Third Stipulation") which further extended the deadline for the Examiner to file his report to December 12, 2011

On November 29, 2011, the Bankruptcy Court Approved a *Stipulation and Order Further Extending Deadline for Filing of the Examiner's Report* (the "Fourth Stipulation") which further extended the deadline for the Examiner to file his report to December 31, 2011, while settlement negotiations continued.

2. **The Examiner's Report**

After entry of the Examiner Order, each faction of the Debtor met with the Examiner to provide rationales and business justification for their plan strategies for the Debtor. The Examiner issued his report (the "Examiner's Report") on December 12, 2011.[7]

While the Examiner suggests a hybrid auction of either the Hotel assets or the equity of the Debtor, neither Co-Manager suggested such an approach. Importantly, however, the Examiner made clear his recommendation of supporting a sale plan (like this Plan) as opposed to a refinance plan, which may be proposed by Hotel Associates. The Examiner's Report makes the following findings and conclusions:

"The Refi Approach alone is simply too problematic. I have not seen a concrete plan for a refinancing of this Hotel and any such plan appears to me to be far from moving forward." (Examiner's Report at page 10)
"Assuming that the two equity factions will not agree to the Hybrid Approach or better yet, one agree to buy the other out, I recommend that the Debtor pursue only the Sale Approach. Pursuit solely of the Sale Approach will still get the Debtor the full benefit of a united approach against Marriott. The Sale Approach is more concrete." (Examiner's Report at page 11)
"Accordingly, for the best interests of both factions (and ultimately the estate), I recommend that the Sale Approach proceed alone if the two factions cannot get behind the Hybrid Approach. This way the Debtor can push forward unimpeded by a competing refi plan." (Examiner's Report at page 11)
"I also recommend the Sale Approach over the Refi Approach because the secured and unsecured creditors of the Debtor have expressed to me a preference for an auction sale of the Hotel." (Examiner's Report at page 12)
"The two large unsecured creditors who filed papers in support of the Dismissal Motion brought by the Gladstone Group told me that they favor an auction sale of the Hotel over a refi approach, because they believe that a sale is more of a sure thing and more likely to happen faster than a refi." (Examiner's Report at page 13)
"I also recommend that the Debtor pursue the Sale Approach over the Refi Approach

[7] Parties are urged to review the Examiner's Report in its entirety, as only a summary of the Examiner's findings are presented herein.

because it is more equitable to the owners as a whole. Again, I have not seen a refi plan but it would likely require the Debtor's members to put up new capital in order to have a substantial chance at realizing value from the Hotel in the future." (Examiner's Report at page 13)
"As further support for the unfairness to the Gladstone Group of having to contribute funds and stay locked in with partners who it no longer trusts, I note that outside of bankruptcy and under applicable Delaware law, the deadlock between management and ownership would likely be resolved through a sale of the business, including through the appointment of a liquidation trustee. See, e.g., Del. C. §18-103; Villa v. BVWebties LLC, 2010 WL 3866098 (Del. Ch. 2010) (granting judicial dissolution and appointing liquidation trustee to dispose of the assets)." (Examiner's Report pages 13-14)
"Finally, particularly with the Refi Approach not yet formulated, I and RSR Consulting are concerned about the current high cost of capital for hotel deals (much worse than even six months ago) and the risks of what happens when new investors look to be repaid in some period of time, such as three years, when the hotel industry might be in decline." (Examiner's Report at page 14)
"Absent the Debtor pursuing such a hybrid sale approach, I recommend that the Debtor get behind one approach rather than the other, and I recommend that it be the Sale Approach, because it is more concrete, further along, more easily confirmable if done under a plan, saves transfer taxes, and is fairer to the equity holders than an as-of-yet unformulated Refi Approach." (Examiner's Report at page 17)

3. **Retention of Professionals**

On September 9, 2011, the Debtor filed with the Bankruptcy Court an application seeking entry of orders authorizing the Debtor to retain Goldberg Weprin Finkel Goldstein LLP as their counsel (Docket No. 37). Pursuant to the terms of the Fourth Stipulation, the hearing on the motion to retain Goldberg Weprin Finkel Goldstein LLP has been adjourned to December 31, 2011.

On September 20, 2011, the Debtor filed with the Bankruptcy Court an application seeking entry of an order authorizing the Debtor to retain Katten Muchin Rosenman LLP and KC McDaniel PLLC as special counsel to the Debtor (Docket No. 43). The Bankruptcy Court entered an order (Docket No. 67) approving the application on October 21, 2011. These counsel had been involved in the Courtyard Action and related investigations.

On September 29, 2011, the Debtor filed with the Bankruptcy Court an application seeking entry of an order authorizing the Debtor to retain RSR Consulting, LLC as financial consultant to the Debtor (Docket No. 50). The Bankruptcy Court entered an order (Docket No. 57) approving the application on October 6, 2011.

On September 29, 2011, the Examiner, filed with the Bankruptcy Court an application seeking entry of an order authorizing the Examiner to retain Meyer, Suozzi, English & Klein, P.C. as counsel to the Examiner (Docket No. 51). The Bankruptcy Court entered an order (Docket No. 56) approving the application on October 6, 2011.

On October 20, 2011, the Debtor filed with the Bankruptcy Court an application seeking entry of an order authorizing the Debtor to retain Olshan Grundman Frome Rosenzweig & Wolosky LLP as special counsel to the Debtor (Docket No. 66). Pursuant to the terms of the Fourth Stipulation, the hearing on the motion to retain Olshan Grundman Frome Rosenzweig & Wolosky LLP has been adjourned to December 31, 2011.

4. **The Rejection Motion and Courtyard Rejection Damages**

On November 10, 2011, the Debtor filed a motion to reject the Management Agreement (the "Rejection Motion"). As set forth in the Rejection Motion, and for the reasons described above, the Debtor determined to reject the Management Agreement because it was highly burdensome to the Debtor and its estate in the fees charged, and also in costs and burdens which Courtyard had imposed or allowed its affiliates to impose on the Hotel. These actions, however characterized, severely damaged the Debtor and dramatically reduced the value of the Hotel in the eyes of prospective lenders and investors. The Debtor determined that removal of Courtyard and rejection of the burdens the Management Agreement imposed on the Hotel was in the best interests of the estate.

The Debtor further believes that rejection damages, if any, can be anticipated to be inconsequential to the estate. Further, any Courtyard Rejection Claim which might be asserted by Courtyard will be more than fully offset by the recoveries of the Debtor for its claims against Courtyard on the basis of already-established breaches, including the fully-matured notice of default in regard to state tax matters and the failure of Courtyard to achieve required performance hurdles under the Management Agreement. However, even if there is an allowed Courtyard Rejection Claim, the Debtor reserves the right to equitably subordinate any claim of a Marriott Party. Additional claims against Marriott Parties discovered or newly arisen since that Courtyard Action and indeed since the filing of this case will also add to recoveries in favor of the Debtor's estate against Courtyard specifically and others of the Marriott Parties. It should be noted that "Marriott Parties" is not limited to subsidiaries of Marriott itself, but extends to those entities which may have been unjustly enriched by, e.g., secret agreements by Marriott for their protection and to those entities which may claim a right, benefit, or entitlement against the Debtor based on a Marriott Party's misconduct.

Courtyard will have the burden of proof in establishing its loss of profits from rejection. The Proponent considers Courtyard unlikely to carry this burden. Since the commencement of this case in August, Courtyard has performed approximately $1 million below its own projection of cash flow performance at this Hotel. In the strong New York City hotel market, the projections for this Hotel have been cut repeatedly through the year. The Hotel is underperforming similar properties not tied to Marriott and operating at a rate significantly lower than other Courtyards in Manhattan. Courtyard now projects that it will have failed for two years at the end of 2011 to reach the minimum required cash flow levels specified for this Hotel in the Management Agreement. Over 1000 new Courtyard rooms were reported to be in

planning or permitting in Manhattan in early 2011, and a further large Courtyard project in Manhattan was announced just prior to the commencement of this proceeding. These will compete within the central Marriott reservation system with hundreds of other Marriott-affiliated rooms also announced as being added in New York City, in some of which Marriott has a substantial financial stake.

A condition of Courtyard oversupply is now visible and more supply is still anticipated. Declining profitability of Courtyard hotels, and indeed other Marriott-affiliated hotels, is being attributed to that oversupply, and also to a growing problem in Marriott's group-wide policies. Marriott has dictated that marketing at the hotel level be restricted or even ended, and has required hotels to pay for marketing centralized at remote locations and in Marriott's own hands. The Hotel is projected to have negative cash flow in the first quarter of 2012. Far from losing profits by rejection, Marriott can be anticipated to use the rejection as an opportunity to redirect its business to other hotels which are suffering from the oversupply and weak marketing that Marriott is imposing.

A hearing with respect to the Rejection Motion (the "Rejection Hearing") is scheduled for January 12, 2012.

5. **The Cash Collateral Order**

On October 13, 2011, the Bankruptcy Court entered the Cash Collateral Order agreed to by the Debtor, GECC and Courtyard. No final order has yet been entered and the final hearing on the use of cash collateral is scheduled for January 12, 2012. The Cash Collateral Order, *inter alia,* provides for payment to GECC of 98% of the funds deposited by Courtyard into the Debtor's account pursuant to the Management Agreement. Pursuant to the terms of the Cash Collateral Order, the Debtor has reserved the right to challenge the application of these payments.

6. **The Hotel Purchase Agreement**

In furtherance of its strategy to sell the Hotel, after Hotel Associates refused to proceed with the agreed upon strategy to sell the Hotel, Gladstone continued to seek out buyers. After extensive efforts, Gladstone and CIM Group Acquisitions, LLC (the "Purchaser") executed the Hotel Purchase Agreement. A copy of the Hotel Purchase Agreement is annexed hereto as Exhibit D. The Hotel Purchase Agreement requires the Bankruptcy Court to reject the Management Agreement, approve sale procedures such that the Hotel can be sold free and clear of all liens, claims, encumbrances and other interests. A separate sale motion will be filed to approve sale procedures, assumption and rejection of executory contracts, and approval of the sale. The purchase price under the Hotel Purchase Agreement is $84,100,000.00, subject to higher or better bids.

7. **Notice to Marriott and Union**

The Rejection Motion and notice of the Rejection Hearing were provided to both Courtyard and counsel of record for the Union on November 10, 2012. The filing of the Hotel Purchase Agreement contemplates a closure of the hotel prior to sale and for a closing of the sale of the vacant hotel in or around March 30, 2012.

Courtyard is the legal employer and operator of the Hotel. The Debtor has no information indicating that Courtyard has given notice to the Hotel employees under the federal WARN Act or otherwise of the potential closing of the Hotel. The Debtor recognizes that Courtyard may not or will not itself provide adequate notice to its employees, public authorities or others likely to benefit from advanced notification.

ALL PARTIES ARE HEREBY PUT ON NOTICE THAT UNDER THE TERMS OF THIS PLAN AND THE HOTEL PURCHASE AGREEMENT, THE OPERATIONS OF THE HOTEL SHALL BE REQUIRED TO CEASE AND COURTYARD SHALL BE REQUIRED TO LEAVE THE PROPERTY ON OR ABOUT APRIL 16, 2012. COURTYARD SHALL REMOVE ITS OWN PROPERTY AND EMPLOYEES AT OR PRIOR TO THAT DATE.

THE VACANT PROPERTY SHALL THEREAFTER BE SOLD AND TRANSFERRED PURSUANT TO THE PLAN AND THE PURCHASE AGREEMENT, FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES AND OTHER INTERESTS. THE FINAL PURCHASER HAS NOT YET BEEN IDENTIFIED BUT IS NOT EXPECTED TO BE AFFILIATED WITH THE DEBTOR.

ARTICLE V.

SUMMARY OF THE PLAN

THE FOLLOWING IS A SUMMARY OF SOME OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THE DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN AND THE EXHIBITS AND SCHEDULES THERETO.

A. Summary

The cornerstone of the Plan is the Sale of the Hotel and pursuit of Causes of Action. It is expected, but not guaranteed, that the net sale proceeds will be sufficient to pay all creditors in full. However, upon information and belief, Courtyard Marriott Corporation, the Manager of the Hotel, may attempt to assert a large rejection claim. While the Proponent believes that no such claim should be allowed, it believes that any such claim will be below $500,000, and possibly zero. Moreover, the Proponent believes that Courtyard Marriott and affiliates will owe the Debtor for damages resulting from its malfeasance, described above, in the Courtyard Action, and in the Rejection Motion. However, in the event that the Court approves a larger rejection claim than the Debtor expects, the Plan will not be held up and can still confirm, as the Plan essentially represents a "pot plan", whereby the net proceeds of the Sale of the Hotel shall be distributed to creditors in order of priority in accordance with the terms of the Plan.

The Plan classifies Claims and Interests separately in accordance with the Bankruptcy Code and provides different treatment for different Classes of Claims and Interests. Claims and Interests shall be included in a particular Class only to the extent such Claims or Interests qualify for inclusion within such Class. The Plan separates the various Claims (other than those that do not need to be classified) into five (5) separate Classes. These Classes take into account the

differing nature and priority of Claims against, and Interests in, the Debtor. Unless otherwise indicated, the characteristics and amounts of the Claims or Interests in the following Classes are based on the books and records of the Debtor.

The Plan is intended to enable the Debtor to conduct the Sale without the likelihood of a subsequent liquidation or the need for further financial reorganization. The Proponent believes that the Debtor will be able to perform its obligations under the Plan and meet its expenses after the Effective Date without further financial reorganization. Also, the Proponent believes that the Plan permits fair and equitable recoveries, while expediting the closing of the Chapter 11 Case.

The Confirmation Date will be the date that the Confirmation Order is entered by the Clerk of the Bankruptcy Court. The Effective Date will be the first Business Day on or after the Confirmation Date on which all of the conditions to the Effective Date specified in Article XII(B) herein have been satisfied or waived and the parties have consummated the transactions contemplated by the Plan.

The Proponent anticipates that the Effective Date will occur in March, 2012. Resolution of any challenges to the Plan may take time and, therefore, the actual Effective Date cannot be predicted with certainty.

Other than as specifically provided in the Plan, the treatment under the Plan of each Claim and Interest will be in full satisfaction, settlement, release and discharge of all Claims or Interests. The Debtor will make all payments and other distributions to be made under the Plan unless otherwise specified.

All Claims and Interests, except Administrative Expense Claims, Fee Claims, United States Trustee Fees and Priority Tax Claims, are placed in the Classes set forth in Article III of the Plan. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Fee Claims, U. S. Trustee Fees and Priority Tax Claims have not been classified, and the Holders thereof are not entitled to vote on the Plan. A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes.

B. Provisions for Treatment of Unclassified Claims

1. Administrative Expenses

(a) Administrative Expense Bar Dates; Treatment of Administrative Expense Claims

All Administrative Expense Claims (other than Professional Fee Claims) accruing through the Effective Date and not otherwise paid in the ordinary course of business shall be filed with the Bankruptcy Court by no later than the Administrative Expense Bar Date, and objections (if any) to such Administrative Expense Claims will be filed no later than forty-five (45) days after the Administrative Expense Bar Date. Any Holder of a Administrative Expense Claim (other than Professional Fee Claims) who fails to file a timely request for the payment of a Administrative Expense Claim that is required to be filed on or before the Administrative

Expense Bar Date: (a) shall be forever barred, estopped and enjoined from asserting such Administrative Expense Claim against the Debtor, any Purchaser or filing a request for the allowance thereof), and the Debtor, the Debtor's property, shall be forever discharged from any and all indebtedness or liability with respect to such Administrative Expense Claim; and (b) such Holder shall not be permitted to participate in any distribution under the Plan on account of such Administrative Expense Claim.

On the later to occur of (a) the Effective Date and (b) the date on which a Administrative Expense Claim shall become Allowed, the Debtor will (i) pay to each Holder of an Allowed Administrative Expense Claim, in cash, the full amount of such Allowed Administrative Expense Claim, or (ii) satisfy and discharge such Allowed Administrative Expense Claim on such other terms and conditions as may be agreed between the Holder of such Administrative Expense Claim, on the one hand, and the Debtor on the other hand.

Notwithstanding anything herein or in the Plan to the contrary, all Entities seeking awards by the Bankruptcy Court of Professional Fee Claims for compensation for services rendered or reimbursement of expenses incurred prior to the Effective Date will (a) File, on or before the date that is thirty (30) days after the Effective Date their respective applications for final allowances of compensation for services rendered and reimbursement of expenses incurred and (b) be paid in full by the Debtor, in Cash, in such amounts as are Allowed by the Bankruptcy Court, within five (5) Business Days of entry of such order. The Debtor is authorized to pay compensation for services rendered or reimbursement of expenses incurred after the Effective Date in the ordinary course of business and without the need for Bankruptcy Court approval.

(b) Professional Fee Applications; Treatment of Professional Fees

Notwithstanding anything herein or in any prior order of the Bankruptcy Court to the contrary, all Professional Fee Applications for Professional Fees through (i) the end of the immediately preceding month prior to the Effective Date shall be Filed at least two (2) business days before the Effective Date and (ii) the Effective Date, for Allowance on a final basis, shall be Filed on or before the date that is thirty (30) days after the Effective Date.

Within five (5) Business Days of entry of an order allowing and approving Professional Fees on a final basis, the Debtor shall pay to such Professional, in Cash, in such amounts as may be Allowed by the Bankruptcy Court.

The Debtor is authorized to pay compensation for services rendered and reimbursement of expenses incurred after the Effective Date in the ordinary course of business and without the need for Bankruptcy Court approval.

The payment of Professional Fees from the Estate shall be subject to and in accordance with the terms of the Examiner Order.

2. **Priority Tax Claims**

Each Holder of an Allowed Priority Tax Claim will, in full and final satisfaction of such Allowed Priority Tax Claim, be paid in full, in Cash, on the Effective Date, unless the Holder consents to other treatment.

C. Provisions for Treatment of Classified Claims

1. Summary

The categories listed below classify Claims against and Equity Interests in each of the Debtor for all purposes, including voting, confirmation and distribution pursuant hereto and pursuant to sections 1122 and 1123(a)(l) of the Bankruptcy Code. A Claim or Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that such Claim or Equity Interest is Allowed in that Class and has not been paid or otherwise satisfied prior to the Effective Date.

Summary of Classification and Treatment of Claims and Equity Interests

Class	Designation	Impaired	Entitled to Vote
Class 1	Priority Non-Tax Claims	No	No (Deemed to accept)
Class 2	GECC Secured Claim	Yes	Yes
Class 3	General Unsecured Claims	Yes	Yes
Class 4	Other Unsecured Claims	Yes	Yes
Class 5	Equity Interests	Yes	Yes

2. Classification, Treatment and Voting

(a) Class 1 –Priority Non-Tax Claims

Classification: Class 1 is composed of the Priority Non-Tax Claims.

Treatment: The Plan will not alter any of the legal, equitable and contractual rights of the Holders of Allowed Priority Non-Tax Claims. Each Holder of an Allowed Priority Non-Tax Claim shall receive, in full and final satisfaction of such Priority Non-Tax Claim, the amount of such Allowed Priority Non-Tax Claim, in Cash, on or as soon as practicable following the Effective Date, plus interest from the Petition Date until the date of repayment at the lesser of (i) the rate established by the Bankruptcy Court or (ii) the rate set forth in any agreement between the Holder of the Claim and Madison unless such Holder consents to other treatment.

Voting: Class 1 is Unimpaired, and Class 1 Creditors are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Class 1 Creditors are not entitled to vote to accept or reject the Plan.

(b) Class 2 – GECC Secured Claim.

Classification: Class 2 is composed of the GECC Secured Claim.

Treatment: The Holder of an Allowed GECC Secured Claim shall receive, in full and final satisfaction of such GECC Secured Claim, the Reduced GECC Allowed Secured Claim, in

Cash, on or as soon as practicable following the Effective Date, plus interest from the Petition Date until the date of repayment at the lesser of (i) the rate established by the Bankruptcy Court or (ii) the rate of interest rate set forth in the Cash Collateral Order, unless such Holder consents to other treatment.

Voting: Class 2 is Impaired, and the Class 2 Creditor is entitled to vote to accept or reject the Plan.

(c) Class 3 –General Unsecured Claims

Classification: Class 3 is composed of General Unsecured Claims.

Treatment: Each Holder of an Allowed General Unsecured Claim shall receive, in full and final satisfaction of such General Unsecured Claims, each Holder's Pro-Rata share, together with Class 4 Other Unsecured Claims, of the net excess Sale proceeds and Causes of Action, if any, after payment of Administrative Expense Claims, Priority Tax Claims, Priority Non-Tax Claims and the Reduced GECC Allowed Secured Claim, unless such Holder consents to other treatment. In the event all senior creditors are paid in full and there is sufficient cash on hand, Class 3 General Unsecured Claims shall be entitled to post-petition interest at the Federal Judgment Rate, unless such Holder consents to other treatment. For avoidance of doubt, Class 3 and Class 4 creditors have the same priority.

Voting: Class 3 is Impaired, and Class 3 Creditors are entitled to vote to accept or reject the Plan.

(d) Class 4 –Other Unsecured Claims

Classification: Class 4 is composed of Other Unsecured Claims. Other Unsecured Claims is defined as "any Unsecured Claim which is a lease or executory contract rejection claim, including without limitation the Courtyard Rejection Claim, and any other unliquidated claim as of the Voting Deadline."

Treatment: Each Holder of an Allowed Other Unsecured Claim shall receive, in full and final satisfaction of such Other Unsecured Claims, each Holder's Pro-Rata share, together with Class 3 General Unsecured Claims, of the net excess Sale proceeds and Causes of Action, if any, after payment of Administrative Expense Claims, Priority Tax Claims, Priority Non-Tax Claims and the Reduced GECC Allowed Secured Claim, unless such Holder consents to other treatment. In the event all senior creditors are paid in full and there is sufficient cash on hand, Class 4 Other Unsecured Claims shall be entitled to post-petition interest at the Federal Judgment Rate, unless such Holder consents to other treatment. For avoidance of doubt, Class 3 and Class 4 creditors have the same priority.

Voting: Class 4 is Impaired, and Class 4 Creditors are entitled to vote to accept or reject the Plan.

(e) Class 5 –Equity Interests

Classification: Class 5 is composed of the Equity Interests.

Treatment: Each Holder of an Equity Interest shall receive, in full and final satisfaction of such interests, each Holder's Pro-Rata Share of the net excess Sale proceeds and Causes of Action after payment in full of Administrative Expense Claims, Priority Tax Claims, Priority Non-Tax Claims, Reduced GECC Allowed Secured Claim, General Unsecured Claims, and Other Unsecured Claims, unless such Holder consents to other treatment.

Voting: Class 5 is Impaired, and Class 5 Equity Interest Holders are entitled to vote to accept or reject the Plan.

D. Acceptance or Rejection of the Plan

1. Each Impaired Class Entitled to Vote Separately

Each Impaired Class of Claims that is to receive a Distribution under the Plan will be entitled to vote separately to accept or reject the Plan. Except as provided herein, each Person that, as of the Voting Record Date, holds a Claim in an Impaired Class will receive a Ballot that will be used to cast its vote to accept or reject the Plan. In the event of a controversy as to whether any Class of Claims or Interests is Impaired under the Plan, the Bankruptcy Court shall, after notice and a hearing, determine such controversy.

2. Acceptance by a Class of Claims

An Impaired Class of Claims shall be deemed to have accepted the Plan if, not counting any Creditor designated pursuant to section 1126(e) of the Bankruptcy Code, (a) Creditors holding at least two-thirds in amount of the Allowed Claims held by Creditors actually voting in such Class have voted to accept the Plan and (b) Creditors holding more than one-half in number of the Allowed Claims held by Creditors actually voting in such Class have voted to accept the Plan.

An Impaired Class of Equity Interests shall be deemed to have accepted the Plan if Holders of such interests, other than any entity designated under Bankruptcy Code section 1126(e), that hold at least two-thirds in amount of the allowed interests of such Class held by Holders of such interests that have accepted or rejected the Plan.

3. Voting Classes; Presumed Acceptance and Rejection of Plan

Holders of Claims in Classes 2,3,4 and 5 are entitled to vote as a Class to accept or reject the Plan. Class 1 is Unimpaired and is deemed to accept the Plan and therefore, not entitled to vote on the Plan.

4. Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code or "Cramdown"

To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Proponent may request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. The Plan Proponent reserves the right to alter, amend, modify, revoke or withdraw the Plan or any document in the Plan Supplement, including to amend or modify it to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary.

ARTICLE VI.

PROVISIONS FOR IMPLEMENTATION OF PLAN

A. Sale of the Hotel

The Confirmation Order shall constitute an order of the Bankruptcy Court authorizing and directing the Debtor, without the need for any approval by the Debtor's members, on the occurrence of the Effective Date, to consummate the terms of the Hotel Purchase Agreement and sell the Hotel to the Purchaser for the Purchase Price, with all proceeds of the Sale and Residual Causes of Action to be paid to creditors in order of priority in accordance with the Plan and, after all creditors are paid under the Plan, to Equity Holders. The Sale shall occur pursuant to the sale procedures approved by the Court.

The Confirmation Order shall authorize the Debtor to:

(i) convey title prior to the Effective Date to the Hotel pursuant sections 363(f), 1123(a)(5)(D) and 1141(a) and (c) of the Bankruptcy Code, free and clear of all Liens, Claims, Encumbrances or interests (other than permitted Liens or Encumbrances and the Assumed Liabilities, if any, specified in the Hotel Purchase Agreement), to the Purchaser pursuant to the Plan and the Hotel Purchase Agreement;

(ii) if applicable, on the Closing Date, assign any or all of the Hotel Mortgage to the Purchaser's lender; and

(iii) pay all amounts required to Creditors and, as applicable Equity Holders, in accordance with the terms of the Plan.

B. Sources of Cash for Plan Distributions

All Cash necessary to make payments required pursuant to the Plan will be obtained from the proceeds of the Sale of the Hotel, Residual Causes of Action, and all assets not being sold to the Purchaser, including without limitation any reserves held by Courtyard or other third parties which are turned over to the Debtor. Cash payments to be made pursuant to the Plan will be made by the Disbursing Agent.

C. Cancellation of Agreements and Discharge of Obligations

Except as otherwise expressly provided for and preserved herein, upon the occurrence of the Closing Date, as the case may be, any mortgages, notes, bonds, agreements, instruments or documents, or otherwise, evidencing or creating any indebtedness, guaranties or other obligations of the Debtor that relate to Claims or Interests Impaired under the Plan and relating to the Hotel, shall be cancelled, and the obligations of the Debtor under each of the foregoing shall be discharged; provided, however, that the preceding proviso shall not affect the discharge of Claims or Interests pursuant to the Bankruptcy Code or the Plan or result in any expense or liability to the Debtor; provided further that, to the extent applicable, the Hotel Mortgage shall not be cancelled and shall instead be treated as set forth in the Hotel Purchase Agreement.

D. Release of Liens, Claims and Interests

Except as otherwise expressly provided for and preserved herein, upon the occurrence of the Closing Date, any Lien securing any secured Claim relating thereto shall be deemed released, and the Holder of such Claim shall be authorized and directed to release any collateral or other property of any Debtor held by such Holder and to take such actions as may be requested by the Debtor to evidence the release of such Lien, including the execution, delivery and filing or recording of such releases as may be requested by the Debtor.

E. Post-Closing Date Transactions

On or after the Closing Date, and prior to the Effective Date, the Disbursing Agent, on behalf of the Debtor, is hereby authorized to take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by or necessary to effectuate the transfer of the Hotel, including the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on, terms consistent with the terms of the Plan and having other terms for which the applicable parties agree. On or after the Closing Date the Purchaser is authorized but not required to incur financing in connection with the acquisition of the Hotel, including financing secured by a mortgage or other security instrument in the Hotel.

F. Post-Effective Date Transactions

Without in any way limiting Section VI(E) above, on or after the Effective Date, the Disbursing Agent, on behalf of the Debtor is hereby authorized to take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by or necessary to effectuate the Plan. The Post-Effective Date Transactions may include such dissolutions, transfers or liquidations as may be determined by the Debtor, in its sole discretion, to be necessary or appropriate. The actions to effect the Post-Effective Date Transactions may include:

(i) the execution and delivery of appropriate agreements or other documents of transfer, dissolution or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable state law and any other terms to which the applicable Entities may agree;

(ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree;

(iii) the filing of appropriate certificates of dissolution on terms consistent with the terms of the Plan pursuant to applicable state law;

(iv) all actions necessary to pursue and resolve the Residual Causes of Action; and

(v) all other actions that are necessary or appropriate, including making filings or recordings that may be required by applicable state law in connection with a Post-Effective Date Transaction.

G. Retention of Assets

Except as otherwise provided herein or in any agreement, instrument or other document relating thereto, on or after the Effective Date, all property of the Estate (including, without limitation, Causes of Action and Marriott Causes of Action) and any property acquired pursuant hereto shall remain with, and be preserved and reserved in, the Estate for distribution in accordance with the Plan or abandoned in the discretion of the Debtor pursuant to the Confirmation Order.

All books and records of the Debtor shall be secured, maintained, and under the control of the Disbursing Agent.

H. Corporate Governance

The Debtor shall continue in existence post-Confirmation subject to the following: upon the Confirmation Date or Effective Date, as applicable, all actions contemplated by the Plan (including all matters that would otherwise require approval of the members of the Debtor) shall be deemed to have been so authorized and approved in all respects pursuant to applicable law and without any requirement of further action by the members of the Debtor, or the need for any approvals, authorizations, actions or consents, whether such actions are to occur before, on or after the Confirmation Date or Effective Date, as applicable. All matters provided for in the Plan involving the corporate structure of the Debtor and any corporate action required by the Debtor in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the members of the Debtor.

The Disbursing Agent shall be authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements or documents and take such actions as may

be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan as it relates to the Debtor, without the need for any approvals, authorizations, actions or consents except for those expressly required pursuant hereto. To be clear, this includes making sale distributions to Holders of Allowed Claims and Equity Interests and pursuing all Residual Causes of Action.

I. General Settlement of Claims and Interests

As discussed in the Disclosure Statement and as provided for herein, pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases and other benefits provided under the Plan, and as a result of arm's-length negotiations, upon the Effective Date, the provisions of the Plan shall constitute a good-faith compromise and settlement of all Claims, Interests, controversies and issues resolved pursuant to the Plan arising from or based on the Chapter 11 Case.

ARTICLE VII.

RETENTION AND PRESERVATION OF CAUSES OF ACTION

A. Retention of Residual Causes of Action

Except as otherwise provided in the Plan, Residual Causes of Action shall, on the Effective Date, automatically and irrevocably vest in the Estate and the post-confirmation Debtor free and clear of Liens, Claims, Encumbrances and interests; provided, however, that, the automatic vesting in the post-confirmation Debtor of any Residual Cause of Action pursuant to the provisions hereof shall only occur to the extent that the vesting of such Residual Cause of Action in the post-confirmation Debtor will not materially impair the post-confirmation Debtor's ability under applicable law (notwithstanding the operation of section 1141 of the Bankruptcy Code) to assert such Residual Cause of Action for the benefit of the post-confirmation Debtor; provided further that, in the event any Residual Cause of Action does not automatically vest in the post-confirmation Debtor in accordance with the foregoing proviso, such Residual Cause of Action shall be liquidated, monetized or otherwise disposed of by the Disbursing Agent. The Disbursing Agent, on behalf of the Estate, shall have the exclusive right, authority, and discretion to institute, commence, pursue, prosecute, abandon, settle, or compromise any and all such Residual Causes of Action (under any theory of law, including, without limitation, the Bankruptcy Code, and in any court or other tribunal) without the consent or approval of any third party and without any further order of the Bankruptcy Court, except as otherwise provided herein.

From and after the Effective Date, the Disbursing Agent, in accordance with section 1123(b)(3) of the Bankruptcy Code, and on behalf of the post-confirmation Debtor, shall serve as a representative of the post-confirmation Debtor and shall retain and possess the sole and exclusive right to commence, pursue, settle, compromise or abandon, as appropriate, any and all Residual Causes of Action, whether arising before or after the Petition Date, in any court or other tribunal in accordance with the terms of the Plan.

B. Preservation of Residual Causes of Action

Except as otherwise provided in the Plan, the Debtor and, after the Effective Date, the Disbursing Agent on behalf of the post-confirmation Debtor, reserves all rights to pursue any and all Residual Causes of Action. Pursuant to the Plan, the Disbursing Agent has the sole right to pursue, administer, settle, litigate, enforce and liquidate consistent with the terms and conditions of the Plan:

(i) Any Residual Causes of Action, whether legal, equitable or statutory in nature, including without limitation the actions identified in a schedule to be filed with the Plan Supplement, if any, and

(ii) Any Unknown Causes of Action. The failure to list or describe any such Unknown Cause of Action herein is not intended to limit the rights of the Estate to pursue any Unknown Causes of Action.

Except as otherwise provided in the Plan, the Debtor (before the Effective Date) and the Disbursing Agent (upon and following the Effective Date), expressly reserve all Residual Causes of Action (including Unknown Causes of Action) for later adjudication, and, therefore, no preclusion doctrine or other rule of law, including, without limitation, any statute of limitations or the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Residual Causes of Action upon, after or as a result of the confirmation or Effective Date of the Plan, or the Confirmation Order. In addition, the Debtor and the Disbursing Agent and any successors-in-interest thereto, expressly reserve the right to pursue or adopt any Residual Causes of Action not so waived, relinquished, released, compromised or settled that are alleged in any lawsuit in which the Debtor is a defendant or an interested party, against any Entity including, without limitation, the plaintiffs and co-defendants in such lawsuits.

ARTICLE VIII.

PROCEDURES FOR RESOLUTION OF DISPUTED, CONTINGENT, AND UNLIQUIDATED CLAIMS

A. Prosecution of Objections to Disputed Claims

Upon the Effective Date, the Debtor, by the Disbursing Agent, shall (i) be responsible for pursuing any objection to the allowance of all Disputed Claims and (ii) receive all rights of setoff and recoupment and other defenses that any of the Debtor or the Estate may have with respect to any Disputed Claim.

Upon the Effective Date, the Debtor shall also have the authority to file, settle, compromise or withdraw any objections to any Disputed Claims without approval of the Bankruptcy Court.

Unless otherwise provided herein or ordered by the Bankruptcy Court, all objections to Disputed Claims shall be served and filed not later than one-hundred-eighty (180) days after the Effective Date.

B. Estimation of Claims

The Debtor shall have the right, but not the obligation, at any time to seek an order of the Bankruptcy Court, after notice and a hearing (which notice may be limited to the Holder of a Disputed Claim and the United States Trustee, and which hearing may be held on an expedited basis), estimating for final Distribution purposes any contingent, unliquidated, or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtor previously objected to such Claim. If the Bankruptcy Court estimates any contingent, Disputed or unliquidated Claim, the estimated amount shall constitute either the Allowed Amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court, including for purposes of the Disputed Claims Reserve; provided, however, that if the estimate constitutes the maximum limitation on such Claim, the Debtor may elect to pursue supplemental proceedings to object to any ultimate allowance of such Claim. On or after the Confirmation Date, Claims that have been estimated may be compromised, settled, withdrawn, or otherwise resolved subsequently, without further order of the Bankruptcy Court

C. Payments and Distributions on Disputed Claims

Notwithstanding any provision hereof to the contrary, any issuer of a distribution hereunder may, in its discretion, pay the undisputed portion of a Disputed Claim.

ARTICLE IX.

PROVISIONS REGARDING DISTRIBUTIONS

A. Administrative Expense Reserve

From and after the Effective Date, the Debtor will establish and maintain the Administrative Expense Reserve, a reserve account for the payment of, among other things, Administrative Expenses Allowed after the Effective Date.

The amount established in the Administrative Expense Reserve shall be sufficient for the payment of (i) Administrative Expenses and (ii) Administrative Expenses incurred after the Effective Date, including any Disputed Administrative Expenses.

Following the payment, satisfaction or resolution of all (i) Allowed Administrative Expenses and (ii) Administrative Expenses incurred after the Effective Date any amounts remaining in the Administrative Expense Reserve shall be transferred to the Debtor for payment to Holders of Administrative Expense Claims.

B. Time and Method of Distributions

1. **Cash Distributions to Holders of Allowed Claims**

On the Effective Date, Holders of Allowed Claims shall be paid in full in accordance with the Plan.

Whenever any distribution to be made in accordance with the foregoing is due on a day other than a Business Day, such distribution shall be made, without interest, on the immediately succeeding Business Day, but any such distribution shall have been deemed to have been made on the date due.

2. **Distributions**

The Distribution Agent or such other Entity as may be designated by the Disbursing Agent shall make the distributions under the Plan in accordance with the Plan. Whenever any distribution to be made under the Plan is due on a day other than a Business Day, such distribution shall be made, without interest, on the immediately succeeding Business Day, but any such distribution will have been deemed to have been made on the date due. The Disbursing Agent shall have the authority to make distributions as provided for under the Plan and administer and liquidate any of the assets of the Debtor remaining as of the Effective Date

C. Disputed Claims Reserves

From and after the Effective Date, and until such time as all Disputed Claims have been compromised, settled or determined by Final Order, the Debtor shall establish and maintain a reserve account (the "Unsecured Claims Reserve") necessary to ensure that each Holder of a Disputed Claim shall receive, payment in full in accordance with the provisions of the Plan in the event such Claim is Allowed in the maximum amount claimed.

At such time as, and to the extent that, any Disputed Claim becomes Allowed by Final Order, in whole or in part, the Debtor shall utilize amounts held by the Debtor to make payment to the Holder of such Claim as provided for herein.

Following the payment, satisfaction or resolution of all Disputed Claims any amounts remaining in the Unsecured Claim Reserve shall be transferred to the Disbursing Agent for distribution under the Plan.

D. Tax Treatment of Disputed Claims Reserves

Subject to the receipt of contrary guidance from the IRS or a court of competent jurisdiction, the Debtor shall (i) treat the Unsecured Claims Reserve as one or more disputed ownership funds for federal income tax purposes within the meaning of 26 C.F.R. § 1.468B-9(b)(1) and (ii) to the extent permitted by applicable law, report consistent with the foregoing for state and local income tax purposes. All Holders of Allowed Claims shall report for tax purposes, consistent with the foregoing.

E. Manner of Distribution under Plan

Any distribution in Cash to be issued under the Plan or any shall be made by check drawn on a domestic bank.

F. Delivery of Distributions

Subject to the provisions of Bankruptcy Rule 2002(g), and except as otherwise provided herein, distributions and deliveries to Holders of record of Allowed Claims and Equity Interests shall be made at the address of each such Holder set forth on the Debtor's books and records unless superseded by the address set forth on Proofs of Claim filed by any such Holders.

G. Application of Distributions

Any distributions under the Plan shall be applied first to repayment in full of principal and second to interest, if any.

H. Undeliverable Distributions

1. **Holding of Undeliverable Distributions**

If any distribution to the Holder of an Allowed Claim under the Plan is returned as undeliverable, no further distributions shall be made to such Holder unless and until the issuer of the distribution is notified in writing of such Holder's then-current address. Any Holder ultimately receiving a distribution that was returned as undeliverable shall not be entitled to any interest or other accruals of any kind on such distribution. Nothing contained in the Plan shall require the issuer of any distribution to attempt to locate any Holder of an Allowed Claim.

2. **Failure to Claim Undeliverable Distributions**

Any Holder of an Allowed Claim or Equity Interest that does not assert its rights pursuant to the Plan to receive a distribution within three (3) months from and after the date such distribution is returned as undeliverable shall have such Claim or Equity Interest for such undeliverable distribution discharged and shall be forever barred from asserting any such Claim against or Equity Interests in the Debtor, its professionals or the Claims Reserve. In such case, any consideration held for distribution on account of such Claim or Equity Interest shall belong to the estate for distribution in accordance with the terms of the Plan.

I. Compliance with Tax Requirements/Allocation

The issuer of any distribution under the Plan shall comply with all applicable tax withholding and reporting requirements imposed by any Governmental Unit, and all distributions pursuant to the Plan shall be subject to any such applicable withholding and reporting requirements. For tax purposes, distributions received in respect of Allowed Claims will be allocated first to the principal amount of such Claims, with any excess allocated to unpaid accrued interest, if any.

J. Time Bar to Cash Payments

Checks issued on account of Allowed Claims or Equity Interests shall be null and void if not negotiated within ninety (90) days from and after the date of issuance thereof. Requests for reissuance of any check shall be made directly to the issuer of the check by the Holder of the Allowed Claim or Equity Interests with respect to which such check originally was issued. Any

Claim or Equity Interest in respect of such a voided check shall be made within six (6) months from and after the date of issuance of such check. After such date, all Claims or Equity Interests in respect of voided checks shall be discharged and forever barred, and the estate shall be entitled to retain all monies related thereto for distribution in accordance with the terms of the Plan.

K. Distributions After Effective Date

Distributions made after the Effective Date to Holders of Claims or Equity Interests that are not Allowed as of the Effective Date, but which later become Allowed, shall be deemed to have been made on the Effective Date.

L. Fractional Dollars; De Minimis Distributions

Notwithstanding anything contained herein to the contrary, payments of fractions of dollars will not be made. Whenever any payment of a fraction of a dollar under the Plan would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest dollar (up or down), with half dollars being rounded down. No payment shall be made on account of any distribution less than twenty-five dollars ($25) with respect to any Allowed Claim unless a request therefor is made in writing to the issuer of such payment on or before ninety (90) days after the Effective Date.

M. Setoffs/Recoupment

Except as stated in the last sentence of this subparagraph, notwithstanding anything contained herein to the contrary, the Debtor may, pursuant to sections 502(d) or 553 of the Bankruptcy Code or applicable non-bankruptcy law, setoff or exercise recoupment against any Allowed Claim, Allowed Equity Interest or Allowed Administrative Expense and the distributions to be made pursuant to the Plan on account thereof (before any distribution is made) on account of the claims, rights and Causes of Action of any nature that the Debtor may hold against such Holder; provided, however, that neither the failure to effect such a setoff or recoupment nor the allowance of any Claim hereunder shall constitute a waiver or release of any such claims, rights and Causes of Action that the Debtor may possess against such Holder.

N. Preservation of Subordination Rights

Except as otherwise provided herein, all subordination rights and claims relating to the subordination by the Debtor or their successors of any Allowed Claim or Equity Interest shall remain valid, enforceable and unimpaired in accordance with section 510 of the Bankruptcy Code or otherwise.

O. Waiver by Creditors of All Subordination Rights

Except as otherwise ordered by the Bankruptcy Court, each Holder shall be deemed to have waived all contractual, legal and equitable subordination rights that they may have, whether arising under general principles of equitable subordination, section 510(c) of the Bankruptcy Code or otherwise, with respect to any and all distributions to be made under the Plan, and all such contractual, legal or equitable subordination rights that each Holder has individually and collectively with respect to any such distribution made pursuant to the Plan shall be discharged

and terminated, and all actions related to the enforcement of such subordination rights will be permanently enjoined unless such rights have been asserted prior to the Effective Date.

ARTICLE X.

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Prior to the Effective Date, the Debtor has rejected or filed a motion to reject all executory contracts or unexpired leases of the Debtor not previously (a) assumed and assigned, or (b) terminated or expired by their terms. Any executory contracts that were not expressly assumed and assigned, terminated or expired by their terms or rejected shall be deemed rejected upon entry of the Confirmation Order. To the extent not rejected by separate order of the Court, the Management Agreement shall be deemed rejected on the Effective Date of the Plan.

ARTICLE XI.

RELEASE, EXCULPATION, INJUNCTIVE AND RELATED PROVISIONS

A. Release by the Debtor

The term "Releasees" is defined in the Plan as "the Debtor's members and the Debtor's employees and consultants (and each of the Debtor's attorneys, financial advisors, investment bankers, accountants, and other professionals). In no event shall the term 'Releasees' be deemed to include any Marriott Party or any Entity claiming a right against or relationship with the Debtor by, through or under any Marriott Party or any instrument executed by a Marriott Party."

As of the Effective Date, the Debtor and its estate hereby waive, release and discharge the (i) Releasees, (ii) GECC and, (iii) upon satisfaction of the Purchaser's obligations under the Hotel Purchase Agreement, the Purchaser, from any Claim, obligation, right, Cause of Action or liability, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction or occurrence from the beginning of time through the Effective Date in any way relating to the Debtor, the Chapter 11 Case or the Plan. Notwithstanding anything to the contrary herein, in the event any Releasee opposes the sale of the Hotel or the transactions set forth in the Plan, such party shall not be entitled to the releases set forth in this paragraph. The releases herein shall be binding on any Chapter 7 Trustee in the event the case is converted to chapter 7. For purposes of this section, the term "Purchaser" shall specifically exclude any Marriott Party.

B. Releases by Holders of Claims

On and after the Effective Date for good and valuable consideration, including the services of the Releasees to facilitate the expeditious sale of the Hotel and the implementation of the Plan, each Holder of a Claim or Equity Security shall be deemed to have unconditionally released the Releasees from any and all claims, obligations, rights, suits, damages, remedies and liabilities whatsoever, including any claims that could be asserted on behalf of the Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such holder of a Claim or Equity Interest

would have been legally entitled to assert in its own right (whether individually or collectively), based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date, in any way relating or pertaining to (w) the purchase or sale, or the rescission of a purchase or sale, of any security of the Debtor, (x) the Debtor, (y) the Chapter 11 Case or (z) the negotiation, formulation and preparation of the Plan, or any related agreements, instruments or other document including, without limitation, the Hotel Purchase Agreement; provided, however, that these releases will have no effect on the liability of any Releasee arising from any act constituting fraud, gross negligence or willful misconduct. The Releases set forth in this paragraph shall be binding upon and shall inure to the benefit of any chapter 7 trustee in the event the Chapter 11 Case are converted to chapter 7. Notwithstanding anything to the contrary herein, in the event any Releasee opposes the sale of the Hotel or the transactions set forth in the Plan, such party shall not be entitled to the releases set forth in this paragraph.

C. Injunction

Except as otherwise expressly provided in the Plan, all Holders of Claims and Equity Interests shall be permanently enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind on any such Claim or Equity Interest against the Debtor, the Releasees or the Estate, unless a previous order modifying the stay provided under section 362 of the Bankruptcy Code was entered by the Court; (ii) enforcing, attaching, collecting or recovering by any manner or means of any judgment, award, decree or order against the Debtor, the Releasees or the Estate; and (iii) creating, perfecting, or enforcing any encumbrance of any kind against the property or interests in property of the Debtor, the Releasees or the Estate, in each case in respect of any Claims or Equity Interests arising prior to the Petition Date; provided, however, that nothing herein shall release any entity from any claims, obligations, rights, causes of action or liabilities arising out of such entity's fraud, gross negligence or willful misconduct. Notwithstanding anything to the contrary herein, in the event any Releasee opposes the sale of the Hotel or the transactions set forth in the Plan, such party shall not be entitled to the injunctions set forth in this paragraph.

D. Exculpation

The Debtor, the Estate, and the Releasees shall neither have nor incur any liability to any Entity (including any Holder of a Claim or Equity Interest) for any prepetition or postpetition act taken or omitted to be taken in connection with or related to the formulation, negotiation, preparation, dissemination, implementation, administration, confirmation or occurrence of the Effective Date of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with, or in contemplation of, restructuring of the Debtor. Notwithstanding the foregoing, such exculpations shall not extend to any damages, losses or claims arising from acts of fraud, gross negligence or willful misconduct. Notwithstanding anything to the contrary herein, in the event any Releasee opposes the sale of the Hotel or the transactions set forth in the Plan, such party shall not be entitled to the exculpations set forth in this paragraph.

ARTICLE XII.

CONDITIONS PRECEDENT TO CONFIRMATION AND EFFECTIVE DATE OF THE PLAN

A. Conditions Precedent to Confirmation

The following are conditions precedent to Confirmation of the Plan that must be (i) satisfied or (ii) waived in accordance with Section XII(C) below:

1. The Sale Order shall have been entered by the Bankruptcy Court, the Hotel Purchase Agreement approved in all material respects, and the Debtor shall have designated the Purchaser for the purchase of the Hotel;

2. An Order finding that the Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code shall have been entered by the Bankruptcy Court; and

3. The entry of the Confirmation Order in form and substance reasonably satisfactory to the Plan Proponent;

B. Conditions Precedent to Effective Date of Plan

The following are conditions precedent to the Effective Date of the Plan that must be (i) satisfied or (ii) waived in accordance with Section XII(C) below:

1. Confirmation shall have occurred and the Confirmation Order shall have been entered by the Bankruptcy Court;

2. The Confirmation Order shall have become a Final Order, unless the Bankruptcy Court waives the period set forth in Bankruptcy Rule 6004(h);

3. The Closing Date shall have occurred, the Purchase Price received by the Debtor, and title to the Hotel shall have been conveyed to the Purchaser in accordance with the Plan and the Confirmation Order free of all Liens, Claims, Encumbrances or interests (other than permitted Liens or Encumbrances and the Assumed Liabilities specified in the Hotel Purchase Agreement);

4. There shall not be in effect on the Effective Date any (i) Order entered by a U.S. court, (ii) order, opinion, ruling or other decision entered by any other court or governmental entity or (iii) United States or other applicable law staying, restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by the Plan; and

5. All other actions and documents necessary to implement the Plan shall have been effected or executed in form and substance satisfactory to the Proponent of the Plan.

C. Waiver of Conditions Precedent

Each of the conditions listed in Sections XII(A) or (B) may be waived by the Proponent of the Plan.

D. Effect of Non-Occurrence of Effective Date

If the conditions listed in Sections XII(A) or (B) are not satisfied or waived, the Plan shall be null and void in all respects and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a waiver or release of any Claims by or against or any Equity Interests in the Debtor; (2) prejudice in any manner the rights of the Debtor or any other party or (3) constitute an admission, acknowledgment, offer or undertaking by the Debtor.

ARTICLE XIII.

RETENTION OF JURISDICTION

A. Bankruptcy Court

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, and to the extent permitted by applicable law, the Bankruptcy Court shall retain such jurisdiction over any matter arising under the Bankruptcy Code, or arising in or related to the Chapter 11 Case or the Plan after the Effective Date, and any other matter or proceeding that is within the Bankruptcy Court's jurisdiction pursuant to 28 U.S.C. § 1334 or 28 U.S.C. § 157 including, without limitation, jurisdiction to:

1. Allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim, including the resolution of any request for payment of any Administrative Expense and the resolution of any and all objections to the allowance or priority of Claims;

2. Grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan, for periods ending on or before the Effective Date;

3. Ensure that distributions to Holders of Allowed Claims and Equity Interests are accomplished pursuant to the provisions hereof;

4. Resolve any issues related to the Hotel Purchase Agreement and the conveyance of title to the Hotel;

5. Decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters, including all Causes of Action and objections or estimations to Claims or Equity Interests, and grant or deny any applications involving the Debtor that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by (i) the Debtor (ii) Disbursing Agent or (iii) any other Entity after the Effective Date;

6. Enter such orders as may be necessary or appropriate to implement or consummate the provisions hereof and of all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan, Disclosure Statement, or Hotel Purchase Agreement;

7. Resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;

8. Issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation or enforcement of the Plan, except as otherwise provided herein;

9. Resolve any cases, controversies, suits or disputes with respect to the releases, injunctions and other provisions contained in Article X hereof and enter any orders that may be necessary or appropriate to implement such releases, injunctions and other provisions;

10. Enter and implement any orders that are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;

11. Determine any other matters that may arise in connection with or related to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order;

12. Resolve any issues that arise in connection with the administration of and distributions from the Estate; and

13. Enter an order and/or Final Decree concluding the Chapter 11 Case.

Notwithstanding any other provision in this article to the contrary, nothing herein shall prevent the Debtor or Disbursing Agent from commencing and prosecuting any Residual Causes of Action (including Unknown Causes of Action) before any other court or judicial body which would otherwise have appropriate jurisdiction over the matter and parties thereto, and nothing herein shall restrict any such courts or judicial bodies from hearing and resolving such matters.

ARTICLE XIV.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF CONFIRMATION

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

A. 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.

B. 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.

ARTICLE XV.

SUMMARY OF VOTING PROCEDURES

The Disclosure Statement, including all Exhibits hereto and the related materials included herewith, is being furnished to the Holders of Claims in Classes 2, 3, 4 and 5, which are the only Classes entitled to vote on the Plan.

All votes to accept or reject the Plan must be cast by using the ballot (the "Ballot") enclosed with the Disclosure Statement. No other votes will be counted. Consistent with the provisions of Bankruptcy Rule 3018, the Debtor has fixed _____, 201_ at 4:00 p.m. (prevailing Eastern Time) as the Voting Record Date. Ballots must be RECEIVED by the Debtor's special counsel at the address set forth below (or as otherwise directed) no later than 4:00 p.m. (prevailing Eastern Time) on _____, 201_, unless the Debtor, at any time, in its sole discretion, extends such date by oral or written notice, in which event the period during which Ballots will be accepted will terminate at 4:00 p.m. (prevailing Eastern Time) on such extended date.

If the Ballot is damaged or lost, you may contact the Debtor's special counsel at the number set forth below.

Ballots received by facsimile, telecopy or other means of electronic transmission will not be accepted.

Ballots previously delivered may be withdrawn or revoked at any time prior to the Voting Deadline by the beneficial owner on the Voting Record Date who completed the original Ballot. Only the person or nominee who submits a Ballot can withdraw or revoke that Ballot. A Ballot may be revoked or withdrawn either by submitting a superseding Ballot or by providing written notice to the Debtor's special counsel.

Acceptances or rejections may be withdrawn or revoked prior to the Voting Deadline by delivering a written notice of withdrawal or revocation to the Debtor's special counsel. To be effective, notice of revocation or withdrawal must: (a) be received on or before the Voting Deadline by the Debtor's special counsel at its address specified below; (b) specify the name of the Holder of the Claim whose vote on the Plan is being withdrawn or revoked; (c) contain the description of the Claim as to which a vote on the Plan is withdrawn or revoked; and (d) be signed by the Holder of the Claim who executed the Ballot reflecting the vote being withdrawn or revoked, in the same manner as the original signature on the Ballot. The foregoing procedures should also be followed with respect to a person entitled to vote on the Plan who wishes to change (rather than revoke or withdraw) its vote.

If you have any questions concerning voting procedures, you may contact the Debtor's special counsel at:

Olshan Grundman Frome Rosenzweig & Wolosky LLP
Attention: Adam H. Friedman
65 East 55th Street
New York, NY 10022
Tel. (212) 451-2216

ARTICLE XVI.

CERTAIN FACTORS TO BE CONSIDERED REGARDING THE PLAN

Holders of Claims and Interests against the Debtor should read and consider carefully the factors set forth below, as well as the other information set forth in the Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference), prior to voting to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation.

A. Certain Bankruptcy Considerations.

1. General.

Although the Plan is designed to minimize the length of time remaining in the Chapter 11 Case, it is impossible to predict with certainty the amount of time that the Debtor may spend in bankruptcy or to assure parties-in-interest that the Plan will be confirmed.

If the Debtor is unable to obtain confirmation of the Plan on a timely basis because of a challenge to confirmation of the Plan or a failure to satisfy the conditions to consummation of the Plan, the Debtor may be forced to continue the Chapter 11 Case for an extended period while the Debtor tries to develop a different reorganization plan that can be confirmed. That would increase both the probability and the magnitude of the potentially adverse effects described herein.

2. Failure to Close the Sale

As set forth above, implementation of the Plan is based principally on the successful Sale of the Hotel, and thus the Debtor's Creditors and Equity Holders are advised to read the Hotel Purchase Agreement, attached hereto as Exhibit D, and pay particular attention to the terms and conditions set forth therein.

While the Proponent will use its best efforts to achieve a closing of the Sale, any distributions based theron will be conditioned on the closing occurring within the time frame set forth in the Hotel Purchase Agreement.

3. The Courtyard Rejection Claim

Distribution may be materially impacted by the size of the rejection damages claim asserted by a Marriott Party on account of the Rejection Motion. While the Proponent believes that no such claim should be allowed, it believes that any such claim will be below $500,000. However, because Courtyard has not yet filed a rejection damages claim, no assurances as to timing and/or size of the potential rejection damages claim can be given.

Moreover, while the Proponent believes that it has significant offsets to any rejection claims and will obtain affirmative recoveries from the Marriott Causes of Action, no assurances or guarantees on the timing of such recoveries, or the size thereof, can be given. To the extent the Plan relies on the proceeds of the Courtyard Action to fund any distributions under the Plan, no guarantees or assurances as to the timing or size of such proceeds can be given.

4. **Failure to Receive Requisite Acceptances.**

Classes 2, 3, 4 and 5 are the only Classes that are entitled to vote to accept or reject the Plan. If the requisite acceptances are not received, the Debtor will not be able to seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code, because at least one Impaired Class will not have voted in favor of the Plan as required by section 1129(a)(10) of the Bankruptcy Code. Further, if the requisite acceptances are not received, the Debtor may seek to accomplish an alternative restructuring of their capitalization and obligations to creditors and obtain acceptances to an alternative plan of reorganization for the Debtor, or otherwise, the Debtor may be required to liquidate its Estate under chapter 7 or 11 of the Bankruptcy Code. There can be no assurance that the terms of any such alternative restructuring arrangement or plan would be similar to or as favorable to the Debtor's Creditors as those proposed in the Plan.

5. **Failure to Confirm the Plan.**

Even if the requisite acceptances are received, the Bankruptcy Court, which, as a court of equity may exercise substantial discretion, may decide not to confirm the Plan. Section 1129 of the Bankruptcy Code requires, among other things, a showing that confirmation of the Plan will not be followed by liquidation or the need for further financial reorganization of the Debtor, and that the value of distributions to dissenting Holders of Claims and Interests may not be less than the value such Holders would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. Although the Debtor believes that the Plan meets such test, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

Additionally, the contemplated solicitation must comply with the requirements of section 1125 of the Bankruptcy Code and the applicable Bankruptcy Rules with respect to the length of the solicitation period and the adequacy of the information contained in the Disclosure Statement.

6. **Failure to Consummate the Plan.**

One condition to consummation of the Plan is the entry of the Confirmation Order that will approve, among other things, the assumption of a substantial number of the majority of the Debtor's Executory Contracts and unexpired leases. As of the date of the Disclosure Statement, there can be no assurance that these or the other conditions to consummation will be satisfied or waived. Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and the restructuring completed.

7. **Objections to Classification of Claims.**

Section 1122 of the Bankruptcy Code provides that a plan of reorganization may place a claim or an interest in a particular class only if such claim or interest is substantially similar to

the other claims or interests in such class. The Debtor believes that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. However, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

B. Certain Tax Consequences of the Plan Raise Unsettled and Complex Legal Issues and Involve Factual Determinations.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtor currently does not intend to seek any ruling from the IRS on the tax consequences of the Plan. Even if the Debtor decides to request a ruling, there would be no assurance that the IRS would rule favorably or that any ruling would be issued before the Effective Date. In addition, in such case, there would still be issues with significant uncertainties, which would not be the subject of any ruling request. *Thus, there can be no assurance that the IRS will not challenge the various positions the Debtor has taken, or intends to take, with respect to the tax treatment in the Plan, or that a court would not sustain such a challenge.*

In addition, the contents of the Disclosure Statement should **not** be construed as legal, business or tax advice. Each Holder of a Claim or Interest should consult his, her, or its own legal counsel and accountant as to legal, tax and other matters concerning his, her, or its Claim or Interest.

The Disclosure Statement is **not** legal advice to you. The Disclosure Statement may **not** be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

ARTICLE XVII.

MISCELLANEOUS PROVISIONS

A. Plan Supplement

The Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court or its designee during normal business hours. Holders of Claims and Equity Interests may obtain a copy of the Plan Supplement by contacting Debtor's counsel in writing, Olshan Grundman Frome Rosenzweig & Wolosky LLP, 65 East 55th Street, New York, NY 10022, Attn: Adam H. Friedman, (afriedman@olshanlaw.com). The documents contained in the Plan Supplement are an integral part of the Plan and shall be approved by the Bankruptcy Court pursuant to the Confirmation Order.

B. Payment of Statutory Fees

All fees payable pursuant to section 1930(a) of title 28 of the United States Code shall be paid on the earlier of when due or the Effective Date, or as soon thereafter as practicable. From and after the Effective Date, the Debtor shall be liable for and shall pay the fees under 28 U.S.C. § 1930 until entry of an order converting, dismissing or closing the Chapter 11 Case, whichever occurs first. In addition, the Debtor shall file post-confirmation quarterly reports in conformity

with U.S. Trustee guidelines, until entry of an order closing or converting the Chapter 11 Case, whichever comes first.

C. Modification of Plan

Subject to the limitations contained in the Plan:

1. The Plan may be amended or modified by the Debtor (a) before the Confirmation Date, to the extent permitted by section 1127 of the Bankruptcy Code; (b) after the Confirmation Date and prior to substantial consummation of the Plan, as defined in section 1101(2) of the Bankruptcy Code, to the extent the Debtor institute proceedings in the Bankruptcy Court, pursuant to section 1127(b) of the Bankruptcy Code, to remedy any defect or omission or reconcile any inconsistencies in the Plan or the Confirmation Order or to accomplish such matters as may be necessary or appropriate to carry out the purposes and effects of the Plan; provided, however, that prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or orders of the Bankruptcy Court; or (c) after the entry of the Confirmation Order, upon order of the Bankruptcy Court in accordance with section 1127(b) of the Bankruptcy Code.

2. The Proponent of the Plan reserves the right to modify or amend the Plan upon a determination by the Bankruptcy Court that the Plan is not confirmable pursuant to section 1129 of the Bankruptcy Code to the extent permissible under section 1127 of the Bankruptcy Code without the need to re-solicit acceptances.

3. After the Effective Date, the Proponent of the Plan may amend or modify, upon order of the Bankruptcy Court, the Plan in accordance with section 1127(b) of the Bankruptcy Code or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

D. Revocation of Plan

The Proponent of the Plan reserves the right to revoke or withdraw the Plan prior to the Confirmation Date and to file subsequent plans of reorganization or liquidation. If the Proponent revokes or withdraws the Plan, or if Confirmation or the Effective Date does not occur, then (i) the Plan shall be null and void in all respects, (ii) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Equity Interest or Class of Claims or Equity Interests), assumption or rejection of executory contracts or leases effected by the Plan, and any document or agreement executed pursuant hereto, shall be deemed null and void, and without prejudice to any party, and (iii) nothing contained in the Plan shall (a) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtor or any other Entity, (b) prejudice in any manner the rights of the Debtor or any other Entity, or (c) constitute an admission of any sort by the Debtor or any other Entity.

E. Successors and Assigns

The rights, benefits and obligations of any Entity named or referred to herein shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such Entity.

F. Reservation of Rights

Except as expressly set forth herein, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order and the Effective Date shall occur. None of the filing of the Plan, any statement or provision contained herein, or the taking of any action by any Debtor entity with respect to the Plan, the Disclosure Statement or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor entity with respect to the Holders of Claims or Equity Interests prior to the Effective Date.

G. Section 1146 Exemption

Pursuant to section 1146(a) of the Bankruptcy Code, under the Plan, (i) the issuance, distribution, transfer or exchange of any debt, equity security or other interest in the Debtor; (ii) the creation, modification, consolidation or recording of any mortgage, deed of trust, or other security interest, or the securing of additional indebtedness by such or other means; (iii) the making, assignment or recording of any lease or sublease or (iv) the making, delivery or recording of any deed or other instrument of transfer under, in furtherance of or in connection with, the Plan, including any deeds, bills of sale, assignments or other instrument of transfer executed in connection with any transaction arising out of, contemplated by or in any way related to the Plan or the Sale shall not be subject to any document recording tax, mortgage recording tax, stamp tax or similar government assessment, and the appropriate state or local government official or agent shall forego the collection of any such tax or government assessment and accept for filing and recording any of the foregoing instruments or other documents without the payment of any such tax or government assessment, including without limitation the New York City Real Property Transfer Tax and New York State Documentary Tax.

All subsequent issuances, transfers or exchanges of securities, or the making or delivery of any instrument of transfer by the Debtor in the Chapter 11 Case, whether in connection with a sale pursuant to section 363 of the Bankruptcy Code, including the Sale, or otherwise, shall be deemed to be or have been done in furtherance of the Plan.

H. Further Assurances

The Creditors and Equity Interest Holders receiving distributions hereunder and all other parties in interest shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

I. Service of Documents

Any pleading, notice or other document required by the Plan to be served on or delivered shall be sent by first class U.S. mail, postage prepaid, as follows:

To the Debtor:

c/o Robert Gladstone
Madison Equities LLC
555 Fifth Avenue
New York, NY 10017

With a copy to:

Olshan Grundman Frome Rosenzweig & Wolosky LLP
65 East 55th Street
New York, New York 10022
Attn.: Adam H. Friedman, Esq.

J. Transactions on Business Days

If the date on which a transaction may occur under the Plan shall occur on a day that is not a Business Day, then such transaction shall instead occur on the next succeeding Business Day.

K. Filing of Additional Documents

On or before the Effective Date, the Debtor may file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and provisions hereof.

L. Post-Effective Date Fees and Expenses

From and after the Effective Date, the Debtor shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable and necessary fees and expenses incurred to implement the Plan in accordance with and from the funds provided for such use in the Plan.

M. Severability

The provisions of the Plan shall not be severable unless such severance would constitute a permissible modification of the Plan pursuant to section 1127 of the Bankruptcy Code.

N. Conflicts

To the extent any provision of the Plan, the Disclosure Statement or any document executed in connection therewith or any documents executed in connection with the Plan or Confirmation Order (or any exhibits, schedules, appendices, supplements or amendments to any of the foregoing) conflicts with, or is in any way inconsistent with, the terms of the Confirmation Order, the terms and provisions of the Confirmation Order shall govern and control.

To the extent any provision of the Disclosure Statement or any document executed in connection therewith or any documents executed in connection with the Plan (or any exhibits,

schedules, appendices, supplements or amendments to any of the foregoing) conflicts with, or is in any way inconsistent with, the terms of the Plan, the terms and provisions of the Plan and the Confirmation Order shall govern and control.

O. Term of Injunctions or Stays

Unless otherwise provided herein or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Case pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court and still extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order), shall remain in full force and effect until the closing of the Chapter 11 Case. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

P. Entire Agreement

The Plan and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings and representations on such subjects, all of which have become merged and integrated into the Plan.

Q. Closing of the Chapter 11 Case

The Debtor shall promptly, upon the full administration of the Chapter 11 Case, file with the Bankruptcy Court all documents required by the Bankruptcy Rules and any applicable orders of the Bankruptcy Court to close the Chapter 11 Case.

R. Change of Control Provisions

Any acceleration, vesting or similar change of control rights under any employment, benefit or other arrangements triggered by the consummation of the Plan shall be waived or otherwise cancelled under the Plan.

ARTICLE XVIII.

ALTERNATIVES TO CONFIRMATION UNDER THE PLAN

If the Plan is not consummated, the Debtor's capital structure will remain over-leveraged and the Debtor will remain unable to service its debt obligations. Accordingly, if the Plan is not confirmed and consummated, the alternatives include:

1. **The Alternative Proposed Plan**

As described in Article IV above, both the Proponent and Hotel Associates may be filing their own plans of reorganization on behalf of the Debtor, such that there may be two competing plans of the Debtor. The Proponent believes that Creditors will receive a significantly higher distribution under the Gladstone Plan, with greater certainty of execution and feasibility, than under any plan offered by Hotel Associates.

2. **Liquidation Under the Bankruptcy Code.**

The Debtor could be liquidated under chapter 7 of the Bankruptcy Code. The Proponent believes that liquidation would result in lower aggregate distributions being made to Creditors than those provided for in the Plan.

3. **Alternative Plan(s) of Reorganization.**

The Proponent believes that failure to confirm the Plan will lead inevitably to an expensive and protracted Chapter 11 Case. In formulating and developing the Plan, the Proponent has explored numerous other alternatives and engaged in an extensive negotiating process with GECC.

The Proponent believes that not only does the Plan fairly adjust the rights of various Classes of Claims, but also that the Plan provides superior recoveries to each of the Classes over any alternative capable of rational consideration (such as a chapter 7 liquidation), thus enabling many stakeholders to maximize their returns. Rejection of the Plan in favor of some alternative method of reconciling the Claims and Interests will require, at the very least, an extensive and time consuming process (including the possibility of protracted and costly litigation) and will not result in a better recovery for any Class of Claims or Interests.

THE PROPONENT BELIEVES THAT CONFIRMATION OF THE PLAN IS PREFERABLE TO ANY ALTERNATIVE BECAUSE THE PLAN MAXIMIZES THE AMOUNT OF DISTRIBUTIONS TO ALL HOLDERS OF CLAIMS AND INTERESTS AND ANY ALTERNATIVE TO CONFIRMATION OF THE PLAN WILL RESULT IN SUBSTANTIAL DELAYS IN THE DISTRIBUTION OF ANY RECOVERIES. **THEREFORE, IT IS RECOMMENDED THAT ALL HOLDERS OF IMPAIRED CLAIMS ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN.**

4. **Dismissal of the Debtor's Chapter 11 Case.**

Dismissal of the Debtor's Chapter 11 Case would have the effect of restoring (or attempting to restore) all parties to the status quo ante. Upon dismissal of the Debtor's Chapter 11 Case, the Debtor would lose the protection of the Bankruptcy Code, thereby requiring, at the very least, an extensive and time consuming process of negotiation with the creditors of the Debtor, and possibly resulting in costly and protracted litigation in various jurisdictions. The Debtor believes that these actions would seriously undermine its ability to obtain financing and could lead ultimately to the liquidation of the Debtor under chapter 7 of the Bankruptcy Code. Therefore, the Debtor believes that dismissal of the Debtor's Chapter 11 Case is not a viable alternative to the Plan.

ARTICLE XIX.

CONCLUSION

The Proponent believes that confirmation and implementation of the Plan is preferable because it will provide the greatest recovery to Holders of Claims. Other alternatives could involve significant delay, uncertainty and substantial administrative costs and are likely to reduce

any return to Creditors who hold Claims. All Holders of Impaired Claims in Classes 2, 3, 4 and 5 are urged to vote to accept the Plan and to evidence such acceptance by returning their Ballots to the Debtor's special counsel so that they will be received not later than 4:00 p.m. (prevailing Eastern Time) on _____, 2012.

Dated: New York New York
December 14, 2011

Respectfully submitted,

MADISON 92ND STREET ASSOCIATES, LLC
as Debtor and Debtor-in-possession

By: _____
Robert Gladstone, Co-Managing Member

Counsel:

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Proposed Special Counsel for the Debtor and Counsel for Robert Gladstone, Co-Managing Member of Madison 92nd Street Associates, LLC