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Caption in compliance with D.N.J. LBR 9004-2(c)

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David Edelberg, Esq. (DE-6258)
Proposed counsel for Petersburg Regency, LLC

In Re: Petersburg Regency, LLC, Debtor.	Chapter 11 Case No.: 15-17169(TBA)

DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE DESCRIBING DEBTOR'S FIRST AMENDED PLAN OF REORGANIZATION

PLEASE READ THIS DISCLOSURE STATEMENT CAREFULLY. THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THIS PLAN OF REORGANIZATION. THE PLAN PROPONENT BELIEVES THAT THIS PLAN OF REORGANIZATION IS IN THE BEST INTEREST OF THE CREDITORS AND THAT THE PLAN IS FAIR AND EQUITABLE. THE PROPONENT URGES THAT THE VOTER ACCEPT THE PLAN.

Petersburg Regency, LLC

Dated: August , 2015

Proponent: /s/Robert Harmon
Robert Harmon

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NTRODUCTION

torö) is a Debtor in a Chapter 11 bankruptcy case. On April 20, 2015, Debtor commenced a bankruptcy case by filing a Chapter 11 petition under the United States Bankruptcy Code (õCodeö), 11 U.S.C. §101, et seq. Chapter 11 of the Code allows Debtor, and under some circumstances, creditors and other parties in interest, to propose a plan of reorganization (õPlanö). Debtorøs First Amended Plan of Reorganization (the õPlanö) provides for the orderly distribution of Debtorøs Insurance Proceeds in the amount of in the amount of $10,230,626.64 (the õInsurance Proceedsö). Debtor is the party proposing the Plan sent to you in the same envelope as this document. THE DOCUMENT YOU ARE READING IS THE DISCLOSURE STATEMENT FOR THE PLAN WHICH IS ANNEXED HERETO AS EXHIBIT A.

This is a plan of orderly liquidation. In other words, the Proponent seeks to accomplish payments under the Plan by distributing the Insurance Proceeds in a fair and equitable manner. The Effective Date of the proposed Plan is fourteen (14) days following Court approval of same.

A. Purpose of This Document

This Disclosure Statement summarizes what is in the Plan, and tells you certain information relating to the Plan and the process the Court follows in determining whether or not to confirm the Plan.

READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO KNOW ABOUT:

(1) WHO CAN VOTE OR OBJECT,

(2) THE PROPOSED TREATMENT OF YOUR CLAIM (i.e., what your claim will

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OW THIS TREATMENT COMPARES TO WHAT YOU WOULD RECEIVE IN LIQUIDATION,

(3) THE HISTORY OF DEBTOR AND SIGNIFICANT EVENTS DURING THE BANKRUPTCY,

(4) WHAT THE COURT WILL CONSIDER WHEN DECIDING WHETHER TO CONFIRM THE PLAN,

(5) THE EFFECT OF CONFIRMATION, AND

(6) THE FEASIBILITY OF THE PLAN.

This Disclosure Statement cannot tell you everything about your rights. You should consider consulting your own lawyer to obtain more specific advice on how this Plan will affect you and what is the best course of action for you.

Be sure to read the Plan as well as the Disclosure Statement. If there are any inconsistencies between the Plan and the Disclosure Statement, the Plan provisions will govern.

Code Section 1125 requires a Disclosure Statement to contain õadequate informationö concerning the Plan. The term õadequate informationö is defined in Code Section 1125(a) as õinformation of a kind, and in sufficient detail,ö about a debtor and its operations õthat would enable a hypothetical reasonable investor typical of holders of claims or interestsö of Debtor to make an informed judgment about accepting or rejecting the Plan. The Bankruptcy court (õCourtö) has determined that the information contained in this Disclosure Statement is adequate, and it has approved this document in accordance with Code Section 1124.

This Disclosure Statement is provided to each creditor whose claim has been scheduled by Debtor or who has filed a proof of claim against Debtor and to each interest holder of record as of the date of approval of this Disclosure Statement. Under the Bankruptcy Code, your acceptance of the

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receive a copy of this Disclosure Statement prior to or concurrently with such solicitation.

B. Confirmation Procedures

Persons Potentially Eligible to Vote on the Plan

In determining acceptance of the Plan, votes will only be counted if submitted by a creditor whose claim is duly scheduled by Debtor as undisputed, non-contingent and unliquidated, or who, prior to the hearing on confirmation of the Plan, has filed with the Court a proof of claim which has not been disallowed or suspended prior to computation of the votes on the Plan. All shareholders of record as of the date of approval of this Disclosure Statement may vote on the Plan. The Ballot Form that you received does not constitute a proof of claim. If you are uncertain whether your claim has been correctly scheduled, you should check Debtorøs Schedules, which are on file at the office of the Clerk of the Bankruptcy court located at: United States Bankruptcy Court, U.S. Court will not provide this information by telephone.

THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT, IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE, HOWEVER, IF THE COURT LATER CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON DEBTOR AND ON ALL CREDITORS AND INTEREST HOLDERS IN THIS CASE.

1. Time and Place of the Confirmation Hearing

The hearing at which the Court will determine whether to confirm the Plan will take place on September ___, 2015 at the United States Bankruptcy Court, Martin Luther King, Jr. Federal Courthouse, 50 Walnut Street, Courtroom 3B, Newark, New Jersey 07102.

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2. Deadline For Voting For or Against the Plan

If you are entitled to vote, it is in your best interest to timely vote on the enclosed ballot and return the ballot in the enclosed envelope to David Edelberg, Esq., Sokol Behot, LLP 433 Hackensack Avenue, Hackensack, New Jersey, 07601.

3. Deadline For Objecting to the Confirmation of the Plan

Objections to the confirmation of the Plan must be filed with the Court and served upon David Edelberg, Esq. by September ___, 2015.

4. Identity of Person to Contact for More Information Regarding the Plan

Debtorøs counsel, David Edelberg, Esq., telephone 201-488-1300, email dedelberg@sokolbehot.com.

C. Disclaimer

The financial data relied upon in formulating the Plan and the information contained in this Disclosure Statement is provided by Debtor. The Plan Proponent represents that everything stated in the Disclosure Statement is true to the Proponentøs best knowledge.

PLEASE NOTE THAT THE APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A RULING ON THE MERITS, FEASIBILITY OR DESIRABILITY OF THE PLAN.

II BACKGROUND

1. Description and History of Debtorøs Business

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poration formed pursuant to the laws of the State of New Jersey. ness is located at 1319 North Broad Street, Hillside, New Jersey, 07205.

2. <u>Events Leading to Chapter 11 Filing</u>

Debtor formerly owned a 200 unit hotel located at 380 East Washington Street, Petersburg, Virginia (the õHotelö). On September 18, 2003, the Hotel was badly damaged by Hurricane Isabel. As a result, in 2003 an insurance claim arose on behalf of Debtor against Selective Insurance Company with respect to the extensive damage to the Hotel (the õInsurance Claimö).

Debtor instituted an action to pursue the Insurance Claim in the Superior Court of New Jersey, Law Division, Bergen County, captioned õ*Petersburg Regency, LLC v. Selective Way Insurance Company and John Does 1-5*, docket number BER-L-1279-04. (the õInsurance Litigationö).

During the course of the Insurance Litigation, Debtor was represented by the law firms of Steve M. Kalebic, Accardi & Mirda, and LeClairRyan.

<u>THE ARBITRATION OF THE INSURANCE LITIGATION</u>

The arbitration of the Insurance Litigation was conducted in Newark, New Jersey. The arbitration resulted in a final arbitration award on December 30, 2014, against Selective and in favor of Debtor in the amount of $10,230,626.64, i.e., the Insurance Proceeds.

At the time the arbitration award was entered, numerous parties were asserting claims to the Insurance Proceeds.

<u>SELECTIVE FILES AN INTERPLEADER ACTION IN VIRGINIA.</u>

On the same date that the final arbitration award was entered, Selective filed an interpleader

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ew Jersey in the Circuit Court of Petersburg, Virginia (the and multiple other defendants in a matter captioned *Selective Way Insurance Co., v. Petersburg Regency, LLC, et al.*, docket number CL-14000848-00 (the õInterpleader Actionö).

Selectiveøs decision to file the Interpleader Action in the State of Virginia was surprising in light of: (i) the Insurance Litigation remained <u>pending</u> in New Jersey before the Honorable Rachelle L. Harz; (ii) the eleven (11) year arbitration and litigation of the Insurance Litigation occurred in New Jersey; (iii) the overwhelming majority of claimants to the Insurance Proceeds are located in New Jersey, and (iv) Selectiveøs headquarters are located in Branchville, New Jersey.

On January 7, 2015, Debtor submitted an application to Judge Harz seeking entry of an order to show cause in the Insurance Litigation in the Superior Court of New Jersey seeking: (i) confirmation of the arbitration award; (ii) judgment in favor of Debtor against Selective for the amount of the arbitration award; and (iii) an injunction permanently barring Selective from proceeding with the Interpleader Action.

INVOLUNTARY BANKRUPTCY

In an apparent effort to thwart efforts to permit Judge Harz to resolve the Insurance Litigation - - - where it had been pending for eleven (11) years - - - on February 3, 2015, three petitioning creditors suddenly filed an involuntary bankruptcy petition against Debtor in the Eastern District of Virginia, case number 15-30526(KRH) (the õInvoluntary Petitionö).

The Involuntary Petition stayed the Insurance Litigation before Judge Harz.

Ironically, all three (3) of the petitioning creditors that filed the Involuntary Petition consisted of litigation consultants retained by LeClairRyan on Debtorøs behalf regarding the Insurance

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nsics, LLC, WCD Group/ WCD Consultants, and Keiter Step

ectively, the õPetitioning Creditorsö).

On February 25, 2015, Debtor filed an application seeking to dismiss the Involuntary Petition. On March 18, 2015, the Bankruptcy Court entered an order dismissing the Involuntary Petition on the consent of the parties, and pursuant to a settlement agreement, dated March 9, 2015, entered into between Debtor and Petitioning Creditors.

LECLAIRRYAN'S ROLE IN THE FILING OF THE INVOLUNTARY PETITION

LeClairRyan was Debtorøs counsel regarding the Insurance Litigation. Within thirty (30) days of the entry of the final arbitration award on December 30, 2014, LeClairRyan: (i) initiated the idea of filing an Involuntary Petition against Debtor in Virginia; (ii) soliciting the Petitioning Creditors to join in the Involuntary Petition; (iii) drafting the Involuntary Petition; (iv) revising the Involuntary Petition; (v) obtaining the signatures of the Petitioning Creditors upon the Involuntary Petition; and (v) coordinating the actual filing of the Involuntary Petition by another law firm in order to conceal LeClairRyanøs role in such filing.

THE INTERPLEADER ACTION CONTINUES WITH A MOTION FOR DISTRIBUTION OF THE INSURANCE PROCEEDS TO "PREFERRED CREDITORS".

On March 30, 2015, LeClairRyan filed a motion for entry of an order releasing interpleader funds in the Interpleader Action (the õDistribution Motionö). The Interpleader Action and Distribution Motion reflect the efforts of some of Debtorøs creditors to divide the Insurance Proceeds amongst themselves to the detriment of numerous other creditors.

The Distribution Motion presented a bizarre proposal for sharing the Insurance Proceeds among a small cadre of allegedly secured and unsecured creditors - - without any logic whatsoever.

[illegible] Motion listed Petersburg as having a claim in the amount of $1,182,067.72. In fact, Petersburg initially reported a claim in the amount of only $182,067.72 pursuant to its counselø letter, dated December 16, 2014. The next day Petersburgø counsel added to Petersburgø claim 1,000,076.00 for demolition and remediation costs at the Hotel.

Debtor submits that there are no reports, estimates or other documents supporting such additional claim. As a result of recent negotiations with Debtor and others, Petersburg has agreed to accept $22,000.00 in full satisfaction of all of its claims - - less than one-tenth of the $250,000.00 payable to Petersburg pursuant to the Distribution Motion.

Crucially, the Distribution Motion completely shut out multiple creditors from receiving any of the Insurance Proceeds, including: (i) AH Realtyø possibly Secured Claim of approximately $360,000.00 due; (ii) Oshinskyø Claim of approximately $950,000.00; (iii) ThyssenKrupp Elevatorø Claim of $52,540.00; (iv) Specialized Environmental Services Claim of $125,000.00; (v) William Spierø Claim of $325,000.00; and (vi) Robert and Marlene Harmonø Claim of $9,441,755.00.

A hearing was scheduled on the Distribution Motion on April 23, 2015. Despite the April 23, 2015 hearing date, and despite the filing of written objections to the Distribution Motion, on April 15, 2015 the Virginia Court prematurely granted the Distribution Motion.

After receiving correspondence advising of Debtorø voluntary chapter 11 filing, on April 21, 2015, the Virginia Court vacated the April 15, 2015 order.

3. <u>Significant Events During the Bankruptcy Proceeding</u>

The following is a chronological list of significant events which have occurred during this case:

i. On May 12, 2015, the Bankruptcy Court entered an Order authorizing Debtor to

oso Klein Bierman, P.A., as counsel to Debtor.

ii. On May 7, 2015 the Court conducted a lengthy status conference regarding this case.

iii. On May 21, 2015, LeClairRyan filed an application seeking to dismiss this case as a bad faith filing and seeking an award of sanctions (the õDismissal Motionö).

iv. On June 13, 2015, Debtor filed its initial Plan of Reorganization.

v. On June 14, 2015, Debtor filed the Adversary Proceeding seeking to determine the nature, extent and validity of liens upon the Insurance Proceeds.

vi. On June 16, 2015, James Burt filed an application seeking approval of a structured dismissal of the case and a distribution of the Insurance Proceeds in accordance therewith (the õStructured Dismissal Motionö).

vii. On June 23, 2015, the Court conducted a hearing on the Dismissal Motion and the Structured Dismissal Motion. As a result, the Court entered a Scheduling Order on June 26, 2015, adjourning both motions to July 23, 2015 and establishing a schedule with respect thereto.

viii. On June 30, 2015, James Burt filed an Amended Structured Dismissal Motion.

ix. On July 10, 2015, James Burt filed an application seeking to expunge the Claim of Specialized Environmental Services (the õClaim Objectionö). Pursuant to an Order Shortening Time, dated July , 2015, a hearing upon such application was scheduled on July 23, 2015.

x. On July 23, 2015, the Court adjourned the Dismissal Motion, the Amended Structured Dismissal Motion and the Claim Objection to September 9, 2015. An

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g Order reflecting same, dated August 6, 2015 has been entered by the Court.

xi. On or about August 11, 2015 Debtor filed its First Amended Plan of Reorganization and Disclosure Statement. Debtor also submitted an application seeking the scheduling of a combined hearing upon the adequacy of the disclosure statement and confirmation of the plan on September 9, 2015.

4. Other Legal Proceedings

There are no other legal proceeding outside of those actions previously discussed herein.

5. Actual and Projected Recovery of Preferential or Fraudulent Transfers

Debtor did not remit any payments within the 90 day period preceding the filing of Debtorøs Chapter 11 petition. Thus, there are no preference claims having any bona fide value.

Debtor has outlined in its letter brief, dated May 6, 2015,the Adversary Proceeding Complaint filed on June 14, 2015, opposition to the Dismissal Motion, dated June 15, 2015 and in its Memorandum of Law in Opposition to the Amended Structured Dismissal Motion, dated July 17, 2015, various grounds for avoiding various liens, including various alleged fraudulent conveyances (collectively, the õLitigation Claimsö). The Plan does not provide for recovery of any of the Litigation Claims, except it reserves Debtorøs rights to pursue Claims against LeClairRyan arising from the Involuntary Petition.

6. Procedures Implemented to Resolve Financial Problems

The Plan provides for the orderly distribution of the Insurance Proceeds in a fair and equitable manner. Debtor will not resume operations, and accordingly, Debtor has not implemented any procedures to enhance its profitability.

7. Current and Historical Financial Conditions

Debtorøs assets consist of the Insurance Proceeds and the Litigation Claims. Debtor has not operated during the past several years except for its aggressive, decade long pursuit of the Insurance Litigation.

III. SUMMARY OF THE PLAN OF REORGANIZATION

A. What Creditors and Interest Holders Will Receive Under the Proposed Plan

The Plan classifies claims and interest in various classes. The Plan states whether each class of claims or interests is impaired or unimpaired. The Plan provides the treatment each class will receive.

B. Unclassified Claims

Certain types of claims are not placed into voting classes. They are not considered impaired and they do not vote on the Plan because they are automatically entitled to specific treatment provided for them in the Bankruptcy Code. As such, the Proponent has not placed the following claims in a class:

1. Administrative Expenses and Fees

Administrative expenses are claims for fees, costs or expenses of administering Debtorøs Chapter 11 case which are allowed under Code Section 507(a)(1), including all professional compensation requests pursuant to Sections 330 and 331 of the Code. The Code requires that all administrative expenses including fees payable to the Bankruptcy Court and the Office of the United States Trustee which were incurred during the pendency of the case must be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists all of Debtorøs unpaid administrative fees and expenses

...e professional fees and other administrative claims and fees and their treatment under the Plan.

NAME	AMOUNT ESTIMATED	TREATMENT	TYPE OF CLAIM
Nowell Amoroso Klein Bierman, P.A.	$105,000.00	Paid in full on Effective Date or as agreed between the parties	Debtor's Prior Counsel
Sokol Behot, LLP	$60,000.00	Paid in full on Effective Date or as agreed between the parties	Debtor's Counsel
Tavenner & Beran P.L.C. 20 North 8th Street Richmond, VA 23219	$15,000.00	Paid in full on Effective Date or as agreed between the parties	Debtorøs Counsel regarding the Involuntary Petition. This payment will be remitted from Robert and Marlene Harmonøs Plan distribution.
Clerkøs Office Fees	0.00	Paid in full on Effective Date	
Office of U.S. Trustee Quarterly Fees	$13,350.00	Paid in full on Effective Date	
TOTAL	**$193,350.00**		

<u>Court Approval of Professional Compensation Required</u>:

Pursuant to the Bankruptcy Code, the Court must rule on all professional compensation and

mpensation and expenses will be owed. The professional in question must file and serve a properly noticed fee application for compensation and reimbursement of expenses and the court must rule on the application. Except for Tavenner & Beran, P.L.C., which will receive itøs distribution from Robert and Marlene Harmonøs distribution, only the amount of compensation and reimbursement of expenses allowed by the Court will be owed and required to be paid under this Plan as an Administrative Expense.

Each professional person who asserts a further Administrative Expense that accrues before the confirmation date shall file with the Bankruptcy court, and serve on all parties required to receive notice, an application for compensation and reimbursement of expenses no later than sixty (60) days after the Effective Date of the Plan. Failure to file such an application timely shall result in the professional personøs claim being forever barred and discharged. No motion or application is required to fix the fees payable to the Clerkøs Office or Office of the United States Trustee. Such fees are determined by statute.

As indicated above, Debtor will need to pay as much as approximately $193,350.00 of Administrative Claims and fees on the Effective Date of the Plan unless a claimant has agreed to be paid later or the Court has not yet ruled on the claim.

2. <u>Priority Tax Claims</u>

Priority tax claims are certain unsecured income, employment and other taxes described by Code Section 507(a)(8). The Code requires that each holder of such a Section 507(a)(8) priority tax claim receive the present value of such claim in deferred cash payments, over a period not exceeding six years from the date of the assessment of such tax.

The IRS has filed a proof of claim reflecting a Secured Claim in the amount of $73,782.92; a

Unsecured Claim of $82,520.35. Debtor has recently filed overdue tax returns for five calendar years, and is providing additional information to the IRS in accordance with its requests. Debtor believes that the filing of the past due tax returns, and production of other information, will significantly reduce the IRS claim.

The Plan provides for full payment of the Secured Claim and Priority Claim of the IRS before remitting any distributions to Unsecured Creditors.

C. Classified Claims and Interests

1. Classes of Secured Claims

Secured claims are claims secured by liens on property of the estate. The following chart lists all classes of creditors containing the holders of Debtorøs secured pre-petition claims and their treatment under this Plan**.**

CLASSES	**IMPAIRMENT**	**TREATMENT**
5.1 **CLASS I** The Alleged Secured Claim of James Burt.	Impaired	The Class I Creditor shall receive a payment $7,043,000.00 on the Effective Date, to share such distribution with the Class IV Creditor in a proportion to be agreed upon by such Creditors, in full satisfaction of any and all claims arising from or relating to Debtor.
5.1.2 **CLASS II** The Allowed Claim of A.H. Realty.	Impaired	The Class II Creditor will receive payment of $156,722.00 on the Effective Date in full satisfaction of any and all Claims arising from or relating to Debtor.
5.1.3 **CLASS III** The Allowed Secured Claim of Steve M. Kalebic, Esq.	Impaired	The Class III Creditor will receive a pro rata distribution of $244,400.00 upon itøs Allowed Claim on the Effective Date in full satisfaction of any and all Claims arising from or relating to Debtor.

5.1.4 **CLASS IV** The Alleged Secured Claim of Ittleson.	Impaired	The Class IV Creditor shall receive shall receive a payment of $7,043,000.00 on the Effective Date, to share such distribution with the Class I Creditor, in a proportion to be agreed upon by such Creditors, in full satisfaction of any and all claims arising from or relating to Debtor.
5.1.5 **CLASS V** The Alleged Secured Claim of LeClairRyan.	Impaired	The Class V Creditor shall receive a payment of $667,600.00 on the Effective Date in full satisfaction of and all claims arising from or relating to Debtor.
5.1.6 **CLASS VI** The Allowed Secured Claim of Accardi & Mirda.	Impaired	The Class VI Creditor will receive a payment of $143,610.00 upon itøs Allowed Claim on the Effective Date in full satisfaction of any and all Claims arising from or relating to Debtor.

2. Classes of Priority Unsecured Claims

Certain priority claims that are referred to in code Sections 507(a)(3),(5),(6), and (7) are required to be placed in classes. These types of claims are entitled to priority treatment as follows: the Code requires that each holder of such a claim receive cash on the Effective Date equal to the allowed amount of such claim. However, a class of unsecured priority claim holders may vote to accept deferred cash payments of a value, as of the Effective Date, equal to the allowed amount of such claims.

There are no creditors holding priority Claims pursuant to Sections 507(a)(3),(a)(4),(a)(5),(a)(6), and (a)(7) of the Code.

3. Class of General Unsecured Claims

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ncollateralized claims not entitled to priority under Code Section 507(a). The following chart identifies this Planøs treatment of the class containing all of Debtorøs general unsecured claims:

5.1.7 **CLASS VII** All holders of Allowed Unsecured Claims exclusive of all such claims classified elsewhere.	Impaired	Class VII Creditors will receive a pro rata distribution upon their Allowed Claims fifteen days after the Effective Date of all remaining funds after distributions to Administrative, Priority, Secured Creditors, and all other Classes.
5.1.8 **CLASS VIII** The Allowed Claim of the Honorable Anthony J. Sciuto	Unimpaired	The Class VIII Creditor will receive a payment of $34,000.00 on the Effective Date in full satisfaction of all of his Claims herein.

A listing of the creditors that are in Class VII is annexed hereto as Exhibit õB.ö

4. Class(es) of Interest Holders

Interest holders are the parties who hold ownership interest (i.e., equity interest) in Debtor. If Debtor is an individual, Debtor is the interest holder. The following chart identifies the Planøs treatment of the class of interest holders:

5.1.9 **CLASS IX** The Equity interests of Robert and Marlene Harmon	Impaired	Class IX Equity Interest Holders will receive no distributions on account of their Equity Interests from the Plan.

D. Means of Effectuating the Plan

1. Funding for the Plan

The Plan will be funded by the Insurance Proceeds, which shall be turned over to the

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2. Post-Confirmation Management

The Plan provides for a distribution of the Insurance Proceeds, and accordingly, Debtor will not require ongoing management.

3. Disbursing Agent

Sokol Behot, LLP shall act as the disbursing agent for the purpose of making all distributions pursuant to the Plan.

E. Other Provisions of the Plan

1. Executory Contracts and Unexpired Leases

The Plan provides that all Executory Contracts and Unexpired Leasess are rejected.

All proofs of claim with respect to claims arising from said rejection must be filed with the Bankruptcy Court within the earlier of (i) the date set forth for filing claims in any order the Bankruptcy Court approving such rejection or (ii) thirty (30) days after the Confirmation Date. Any such claims, proofs of which are not filed timely, will be barred forever from assertion.

2. Changes in Rates Subject to Regulatory Commission Approval

Debtor is not subject to governmental regulatory commission approval of any rates.

3. Retention of Jurisdiction

The Court will retain jurisdiction as provided for in Article X of the Plan.

4. Procedures for Resolving Contested Claims

Debtor and/or the Disbursing Agent shall have 60 days subsequent to confirmation to object to the allowance of claims. The Proponent has reviewed the claims that have been filed to date. Subject to future proofs of claim that may be filed, the Proponent intends to object or cause the

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of Adams Corporation, and seek to reclassify the Claims of R. Ostinsky & Co., Ramada Worldwide and ThyssenKrupp Elevator as Unsecured Claims. Debtor reserves the right to object to other proofs of claim that may be filed hereafter.

5. Effective Date

The Plan will become effective on the Effective Date which is the date on which the order of confirmation becomes final.

6. Modification

The Plan Proponent may alter, amend or modify the Plan at any time prior to the Confirmation Date and thereafter as provided in Section 1127(b) of the Bankruptcy Code.

7. Settlement of Disputes

Confirmation of the Plan will result in a Bankruptcy Rule 9019 settlement of disputes regarding the nature, extent and validity of the alleged Secured Claims of James Burt and Ittleson. Debtorøs rights to pursue claims against LeClairRyan arising from the Involuntary Petition will be preserved.

F. Tax Consequences of Plan

CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS. The following disclosure of possible tax consequences is intended solely for the purpose of alerting readers to possible tax issues this Plan may present to Debtor. The Proponent CANNOT and DOES NOT represent that the tax consequences contained below are the only tax consequences of the Plan because the Tax Code embodies many complicated rules which make it difficult to state completely and accurately all the tax implications of any action.

...ded to be a non-exclusive summary of certain risks attendant upon the consummation of the Plan. You are encouraged to supplement this summary with your own analysis and evaluation of the Plan and disclosure Statement, in their entirety, and in consultation with your own advisors. Based on the analysis of the risks summarized below, the Plan Proponent believes that the Plan is viable and will meet all requirements of confirmation:

There is a risk that certain Classes of Creditors will vote against Confirmation of the Plan and Debtor is unable to overcome such objections in order to obtain approval of the Plan

There is a risk that the Amended Structured Dismissal Motion or the Dismissal Motion are granted by the Court.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THIS PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON CONFIRMING A PLAN OR REORGANIZATION IS VERY COMPLEX. The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues, which they may wish to consider, as well as certain deadlines for filing claims. The proponent CANNOT and DOES NOT represent that the discussion contained below is a complete summary of the law on this topic.

Many requirements must be met before the court can firm a Plan. Some of the requirements include that the Plan must be proposed in good faith, that creditors or interest holders have accepted the Plan, that the Plan pays creditors at least as much as creditors would receive in a Chapter 7 liquidation, and that the Plan is feasible. These requirements are not the only requirements for

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A. Who May Vote or Object

1. <u>Who May Object to Confirmation of the Plan</u>

Any party in interest may object to the confirmation Plan, but as explained below not everyone is entitled to vote to accept or reject the Plan.

2. <u>Who May Vote to Accept/Reject the Plan</u>

A creditor or interest holder has a right to vote for or against the Plan if that creditor or interest holder has a claim that is both (1) allowed or allowed for voting purposes and (2) classified in an impaired class.

a. What is an Allowed Claim/Interest

As noted above, a creditor or interest holder must first have an <u>allowed claim or interest</u> to have the right to vote. Generally, any proof of claim or interest will be allowed, unless a party in interest brings a motion objecting to the claim. When an objection to a claim or interest is filed, the creditor or interest holder holding the claim or interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or interest for voting purposes.

THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE IS AUGUST 25, 2015.

A creditor or interest holder may have an allowed claim or interest even if a proof of claim or interest was not timely filed. A claim is deemed allowed if (1) it is scheduled on Debtorøs schedules and such claim is not scheduled as disputed, contingent, or unliquidated, and (2) no party in interest has objected to the claim. An interest is deemed allowed if it is scheduled and no party in interest has objected to the interest.

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n Impaired Claim/Interest

As noted above, an allowed claim or interest only has the right to vote if it is in a class that is impaired under the Plan. A class is impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class. For example, a class comprised of general unsecured claims is impaired if the Plan fails to pay the members of that class 100% of their claim plus interest.

In this case, the Proponent believes that all classes are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. Parties who dispute the Proponentøs characterization of their claim or interest as being impaired or unimpaired may file an objection to the Plan contending that the Proponent has incorrectly characterized the class.

3. Who is Not Entitled to Vote

The following four types of claims are not entitled to vote: (1) claims that have been disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant to Code Section 507(a)(1),(a)(2), and (a)(8); and (4) claims in classes that do not receive or retain any value under the Plan. Claims in unimpaired classes are not entitled to vote because such classes are deemed to have accepted the Plan. Claims entitled to priority pursuant to Code Section 507(a)(1),(a)(2), and (a)(7) are not entitled to vote because such claims are not placed in classes and they are required to receive certain treatment specified by the Code. Claims in classes that do not receive or retain any value under the Plan do not vote because such classes are deemed to have rejected the Plan. EVEN IF YOUR CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.

4. Who Can Vote in More Than One Class

A creditor whose claim has been allowed in part as a secured claim and in part as

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r reject a Plan in both capacities by casting one ballot for the secured part of the claim and another ballot for the unsecured claim.

5. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class has accepted the Plan (without counting the votes of any insiders within that class), and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by õcramdownö on non-accepting classes, as discussed later in Section (IV.A.8.).

6. Votes Necessary for a Class to Accept the Plan

A class of claims is considered to have accepted the Plan when more than one-half (½) in number and at least two-thirds (2/e) in dollar amount of the allowed claims that actually voted, voted in favor of the Plan. A class of interests is considered to have accepted the Plan when at least two-thirds (2/3) in amount of the allowed interest-holders of such class which actually voted, voted to accept the Plan.

7. Treatment of Nonaccepting Classes

As noted above, even if all impaired classes do not accept the proposed Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner required by the Code. The process by which nonaccepting classes are forced to be bound by the terms of the Plan is commonly referred to as õcramdownö. The Code allows the Plan to be õcrammed downö on nonaccepting classes of claims or interests if it meets all consensual requirements except the voting requirements of Section 1129(a)(8) and if the Plan does not õdiscriminate unfairlyö and is õfair and equitableö toward each impaired class that has not voted to accept the Plan as referred to in 11 U.S.C. §1129(b) and applicable case law.

pite Nonacceptance by Impaired Class(es)

The party proposing this Plan asks the Court to confirm this Plan by cramdown on impaired classes if any of these classes do not vote to accept the Plan.

B. Liquidation Analysis

Another confirmation requirement is the õBest Interest Testö, which requires a liquidation analysis. Under the Best Interest Test, if a claimant or interest holder is in an impaired class and that claimant or interest holder does not vote to accept the Plan, then that claimant or interest holder must receive or retain under the Plan property of a value not less than the amount that such holder would receive or retain if Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

In a Chapter 7 case, Debtorøs assets are usually sold by a Chapter 7 trustee. Secured creditors are paid first from the sales proceeds of properties on which the secured creditor has a lien. Administrative claims are paid next. Next, unsecured creditors are paid from any remaining sales proceeds, according to their rights to priority. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims. Finally, interest holders receive the balance that remains after all creditors are paid, if any.

In order for the Court to be able to confirm this Plan, the Court must find that all creditors and interest holders who do not accept the Plan will receive at least as much under the Plan as such holders would receive under a Chapter 7 liquidation. The Plan Proponent maintains that this requirement is met here for the following reasons.

Debtor submits the following analysis of Debtorøs assets and the liquidation value thereof.

The Plan provides for a fair and equitable distribution of the Insurance Proceeds to creditors. In a Chapter 7 liquidation, the Insurance Proceeds would be reduced by approximately 10%

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ministering the estate, including a Chapter 7 Trusteeøs commissions and a Chapter 7 Trusteeøs professionals. Thus, the amount of approximately $9,200,000.00 would remain available for distribution to Unsecured Creditors.

The attorney charging liens asserted by LeClairRyan, Steve M. Kalebic and Accardi & Mirda, in the aggregate amount of $3,572,071.00, if determined to be valid and have a first priority lien upon the Insurance Proceeds, would be paid first. As a result, $5,630,954.59 would remain available after payment of Chapter 7 Administrative Expenses and the asserted, attorney charging liens.

Ittleson asserts a Secured Claim upon the Insurance Proceeds of over $7,000,000.00; and James Burt asserts a Secured Claim upon the Insurance Proceeds of over $6,000,000.00. These disputed Secured Claims, in the aggregate of over $13,000,000.00, if proven to be valid, would leave no funds for distribution upon Unsecured Claims.

Consequently, without taking into account chapter 11 administration expenses and priority claims, it is apparent that there would be no funds available for distribution upon Unsecured Claims in the event of Debtorøs liquidation.

C. Feasibility

Another requirement for confirmation involves the feasibility of the Plan, which means that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of Debtor or any successor to Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

There are at least two important aspects of a feasibility analysis. The first aspect considers whether Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on such date. The Plan Proponent maintains that this aspect

Exhibit õC,ö which reflects the sources and uses of funds:

...ther the Proponent will have enough cash over the life of the Plan to make the required Plan payments. The Plan provides for a fair and equitable distribution of the Insurance Proceeds, and accordingly, the second aspect is inapplicable to the Plan.

V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge

The Plan provides that upon confirmation of the Plan, Debtor shall be discharged of liability for payment of debts incurred before confirmation of the Plan, to the extent specified in 11 U.S.C. §1141. However, any liability imposed by the Plan will not be discharged. If Confirmation of the Plan does not occur or if, after confirmation occurs, Debtor elects to terminate the Plan, the Plan shall be deemed null and void. In such event, nothing contained in the Plan shall be deemed to constitute a waiver or release of any claims against Debtor or its estate or any other persons, or to prejudice in any manner the rights of Debtor or its estate or any person in any further proceeding involving Debtor or its estate. The provisions of the Plan shall be binding upon Debtor, all Creditors and all Equity Interest Holders, regardless of whether such Claims or Equity Interest holders are impaired or whether such parties accept the Plan, upon Confirmation thereof.

B. Revesting of Property in Debtor

Except as provided in the Plan, the confirmation of the Plan revests all of the property of the estate in Debtor.

C. Modification of Plan

The Proponent may modify the Plan at any time before confirmation. However, the Court may require a new disclosure statement and/or revoting on the Plan if Proponent modifies the plan

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The Proponent may also seek to modify the Plan at any time after confirmation so long as (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modification after notice and a hearing. Proponent further reserves the right to modify the treatment of any Allowed Claims at any time after the Effective Date of the Plan upon the consent of the Creditor whose Allowed Claim treatment is being modified, so long as no other Creditors are materially adversely affected.

D. Post-Confirmation Conversion/Dismissal

A creditor or party in interest may bring a motion to convert or dismiss the case under Section 1112(b), after the Plan is confirmed, if there is a default in performance of the Plan or if cause exists under Section 1112(b). If the Court orders the case converted to Chapter 7 after the Plan is confirmed, then all property that had been property of the Chapter 11 estate, and that has not been disbursed pursuant to the Plan, will revest in the Chapter 7 estate, and the automatic stay will be reimposed upon the revested property only to the extent that relief from stay was not previously granted by the Court during this case.

Quarterly fees pursuant to 28 U.S.C. § 1930(a)(6) continue to be payable to the Office of the United States Trustee post-confirmation until such time as the case is converted, dismissed, or closed pursuant to a final decree.

Petersburg Regency, LLC

Dated: August , 2015 Proponent: /s/Robert Harmon
Robert Harmon

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