

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

QUEEN ELIZABETH REALTY CORP.,

Chapter 11
Case No. 13-12335 (SMB)

Debtor.

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**DISCLOSURE STATEMENT WITH RESPECT TO CHAPTER 11
PLAN OF REORGANIZATION QUEEN ELIZABETH REALTY CORP.**

Dated: December 24, 2014

HERRICK, FEINSTEIN LLP

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New York, New York 10016

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Robert L. Rattet

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT, INCLUDING THE FOLLOWING SUMMARY, ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, ANY AND ALL SUPPLEMENTS TO THE PLAN AND THE OTHER EXHIBITS ANNEXED TO THE PLAN AND THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER SUCH DATE.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE LAW. THIS DISCLOSURE STATEMENT HAS NEITHER BEEN APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSES FOR WHICH THEY WERE PREPARED.

CERTAIN STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING FORWARD-LOOKING STATEMENTS, ARE BASED ON ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL REFLECT ACTUAL OUTCOMES.

THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF VOTING TO ACCEPT OR REJECT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY PERSON OR ENTITY FOR ANY OTHER PURPOSE. THE FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING THE DESCRIPTION OF THE DEBTOR, ITS BUSINESS AND EVENTS LEADING TO THE COMMENCEMENT OF THE CHAPTER 11 CASE, HAS BEEN OBTAINED FROM VARIOUS DOCUMENTS, AGREEMENTS AND OTHER WRITINGS RELATING TO THE DEBTOR. NEITHER THE DEBTOR NOR ANY OTHER PARTY MAKES ANY REPRESENTATION OR WARRANTY REGARDING SUCH INFORMATION.

THE TERMS OF THE PLAN GOVERN IN THE EVENT OF ANY INCONSISTENCY WITH THE SUMMARIES IN THIS DISCLOSURE STATEMENT. ALL EXHIBITS TO THE DISCLOSURE STATEMENT ARE INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.

AS TO CONTESTED MATTERS, EXISTING LITIGATION INVOLVING THE DEBTOR, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE WITHOUT PREJUDICE SOLELY FOR SETTLEMENT PURPOSES, WITH FULL RESERVATION OF RIGHTS, AND IS NOT TO BE USED FOR ANY LITIGATION PURPOSE WHATSOEVER. AS SUCH, THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTOR, OR ANY OTHER PARTY IN INTEREST, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, FINANCIAL OR OTHER EFFECTS OF THE REORGANIZATION AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTOR.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, EACH HOLDER IS HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A HOLDER UNDER THE TAX CODE; (B) SUCH DISCUSSION IS INCLUDED HEREBY BY THE DEBTOR IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE DEBTOR OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) EACH HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

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I. INTRODUCTION

On July 17, 2013 (the “Petition Date”), Queen Elizabeth Realty Corp. (the “Debtor”) filed a petition for relief under chapter 11 of the title 11 of the United States Code (the “Bankruptcy Code”) with the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”), commencing the above-captioned chapter 11 case (the “Chapter 11 Case”). Contemporaneously herewith, the Debtor has filed its chapter 11 plan, dated December 23, 2014 (as may be further amended, modified or supplemented, the “Plan”), a copy of which is annexed as Exhibit “A”, which sets forth the manner in which Claims against and Equity Interests in the Debtor will be treated. This Disclosure Statement (the “Disclosure Statement”) describes certain aspects of the Plan (including the treatment of creditor Claims under the Plan), the Debtor’s business and related matters. Unless otherwise defined, all capitalized terms have the meanings ascribed to them in the Plan.

As discussed more fully below, after a careful review of its business and prospects, and after extensive negotiations, the Debtor, in consultation with its advisors, has concluded that recoveries to creditors will be maximized under the Plan, as contrasted with other possible alternatives.

This Disclosure Statement is submitted to holders of Claims against the Debtor in connection with (i) the solicitation of acceptances of the Plan and (ii) the hearing to consider and confirmation of the Plan (the “Confirmation Hearing”) presently scheduled for [], 2014, at [].

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

- The Plan (Exhibit A),
- Liquidation Analysis (Exhibit B), and
- Projections (Exhibit C)

In addition, a Ballot for the acceptance or rejection of the Plan has been transmitted with this Disclosure Statement to the holders of Impaired Claims that are entitled to accept or reject the Plan.

The Debtors have moved the Bankruptcy Court for an order, to be entered prior to an order confirming the Plan, approving this Disclosure Statement as containing “adequate information” to enable a hypothetical, reasonable investor typical of the holders of Claims in Classes eligible to vote on the Plan to make an informed judgment as to whether to accept or reject the Plan.

Detailed voting instructions accompany each Ballot. Each holder of a Claim entitled to vote on the Plan should read this Disclosure Statement, the Plan, the other Exhibits hereto and the instructions accompanying the Ballot(s) in their entirety before voting. These documents contain, among other things, important information concerning the classification of Claims for voting purposes and the tabulation of votes. No solicitation of a vote to accept the Plan may be made without giving the voter a Disclosure Statement approved by the Bankruptcy Court.

A. Holders of Claims and Equity Interests Entitled to Vote

Only impaired holders of Allowed Claims or Interests are entitled to vote to accept or reject a proposed chapter 11 plan. Unimpaired Classes are deemed to have accepted the Plan and are not entitled to vote. Classes of Claims or Interests that will not receive any distribution under a reorganization plan are deemed to have rejected such plan and also are not entitled to vote.

Under the Plan, Class 2 (SCB Secured Claim) and Class 4 (Equity Interests) are impaired and entitled to vote on the Plan. Class 1 (Other Priority Claims) and Class 3 (General Unsecured Claims) are unimpaired and conclusively deemed to have accepted the Plan.

The 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 vote for acceptance or rejection of the plan. For a more detailed description of the requirements for confirmation of the Plan, see Article VIII, "Confirmation Procedures."

B. Voting Procedures

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for that purpose. If you hold a Claim or an Interest in more than one Class and you are entitled to vote in more than one Class, you will receive separate Ballots that must be used for each separate Class.

Please complete, sign, and return your Ballot(s) directly to the following address:

HERRICK, FEINSTEIN LLP
Attn: Hanh V. Huynh
2 Park Avenue
New York, New York 10016

DO NOT RETURN ANY OTHER INSTRUMENTS OR AGREEMENTS WITH YOUR BALLOT. TO BE COUNTED, YOUR COMPLETED AND SIGNED BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED NO LATER THAN 5:00 P.M., DAYLIGHT SAVINGS TIME, ON [], 2015.

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

If you are a holder of a Claim entitled to vote on the Plan and you 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, please call Herrick, Feinstein LLP, Attn: Hanh Huynh at 212-592-1482, counsel for the Debtor, during regular business hours.

C. Confirmation Hearing

The Confirmation Hearing will be held on [] at [], before the Honorable Stuart M. Bernstein, United States Bankruptcy Judge, at the Bankruptcy Court, One Bowling Green, New York, New York. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before [] at 5:00 p.m. Any objection to confirmation must be served upon Herrick, Feinstein LLP, attorneys for the Debtor, 2 Park Avenue, New York, New York 10016, Attn: Robert L. Rattet; the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, and all parties who have timely filed requests for notice under Rule 2002 of the Bankruptcy Rules. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

THE DEBTOR BELIEVES THAT THE PLAN WILL ENABLE THE DEBTOR TO MAXIMIZE RECOVERIES TO ITS CREDITORS AND EQUITY INTEREST HOLDERS AND ACCOMPLISH THE OBJECTIVES OF CHAPTER 11. THE DEBTOR BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTOR AND ITS CREDITORS AND EQUITY INTEREST HOLDERS. THE DEBTOR URGES CREDITORS AND EQUITY INTEREST HOLDERS TO VOTE TO ACCEPT THE PLAN.

**II.
SUMMARY TREATMENT OF CLAIMS AND INTERESTS**

The following table briefly summarizes the specific classification and treatment of Claims and Equity Interests under the Plan. As provided in the Plan, Administrative Claims, Priority Tax Claims, and Professional Fee Claims have not been classified and are excluded from the following Classes in accordance with section 1123(a)(1) of the Bankruptcy Code:

<u>Class</u>	<u>Type of Claim or Equity Interest</u>	<u>Treatment</u>	<u>Estimated Claim Amount (By Class)</u>	<u>Estimated Recovery</u>
1	Other Priority Claims	Unimpaired. Each holder of an Allowed Other Priority Claim shall be paid in respect of such Allowed Other Priority Claim (a) the full amount thereof in Cash, as soon as practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes an Allowed Other Priority Claim, or upon such other terms as may be agreed upon by the holder of such Allowed Other Priority Claim and the Debtor, or (b) such lesser amount as the holder of such Allowed Other Priority Claim and the Debtor might otherwise agree. This Class is not impaired and, therefore, the holders of Claims in this Class are not entitled to vote and are conclusively presumed to accept this Plan	\$0	100%
2	SCB Secured Claim	Impaired. SCB shall have an Allowed Secured Claim in the amount of \$12,368,243.71, plus costs and fees. In full settlement of the Allowed Secured Claim, in addition to its receipt of adequate protection payments under the Cash Collateral Order, SCB shall receive (i) on the Effective Date from the Disbursing Agent, the SCB Effective Date Payment, which payment shall bring current as of the Effective Date the Debtor's loans under the SCB Loan Documents; and (ii) following the Effective Date, payments from the Debtor in accordance with the terms of the SCB Loan Documents until all remaining amounts due to SCB under the SCB Loan Documents are paid in full. The maturity dates set forth in the SCB Loan Documents shall be reinstated as if no default thereunder had occurred. This Class is impaired and, therefore, SCB is entitled to vote on this Plan.	\$12,368,243.71	100%
3	General Unsecured Claims	Unimpaired. Each holder of an Allowed General Unsecured Claim shall be paid in respect of such Allowed General Unsecured Claim (a) the full amount thereof in Cash, as soon as practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes an Allowed General Unsecured Claim, or upon such other terms as may be agreed upon by the holder of such Allowed General Unsecured Claim and the Debtor,	\$0 ¹	100%

¹ The General Unsecured Claims, which solely consists of the Receiver's claim and the claim of the Receiver's attorneys, are disputed and the subject of pending objections by the Debtor. The Debtor believes that the amount of Allowed General Unsecured Claims is \$0. The Debtor identifies these General Unsecured Claims solely for the purposes of this Disclosure Statement, and does not in any way waive its right to contest the validity or extent of such claims, or to assert surcharges against such claims.

or (b) such lesser amount as the holder of such Allowed General Unsecured Claim and the Debtor might otherwise agree. This Class is not impaired and, therefore, the holders of Claims in this Class are not entitled to vote and are conclusively presumed to accept this Plan.

The Debtor has not listed any General Unsecured Claims in its Schedules. The only parties that have filed proofs of claim asserting General Unsecured Claims are the Receiver and his attorneys. The Debtor has objected to the allowance of both Claims.

4	Equity Interests	Unimpaired, deemed to accept; On the Effective Date, Jeffrey Wu and Lewis Wu (each a holder of a one-third Equity Interest in the Debtor) shall pay to Phillip Wu (the holder of the remaining one-third Equity Interest in the Debtor) one-third of the value (after taxes and payments made under this Plan) of the Debtor. Current Equity Interests of the Debtor shall be cancelled, and new shares of the Debtor will be issued to Jeffrey Wu and Lewis Wu, each with 50% of the Debtor. This Class is impaired and, therefore, holders of Equity Interests are entitled to vote on this Plan..	N/A	N/A
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III. 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 interested parties including its creditors and equity interest holders. In addition to permitting rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and 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 filing 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 the debtor. Confirmation of a plan by the bankruptcy court makes

the plan binding upon a 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 confirmation order discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.

After a plan has been filed, the holders of claims against or interests in a debtor are generally permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, however, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. The Debtor is submitting this Disclosure Statement to holders of Claims against the Debtor and to holders of the Debtor's Equity Interests to satisfy the requirements of section 1125 of the Bankruptcy Code.

IV. DESCRIPTION OF THE DEBTOR'S BUSINESS

A. Background

The Debtor was formed in 1994 and owns a commercial condominium unit consisting of the ground and basement floors of the Royal Elizabeth Condominium located at 157 Hester Street a/k/a 68-82 Elizabeth Street, New York, New York (the "Property"). The Debtor is owned in equal thirds by Phillip Wu, Jeffrey Wu and Lewis Wu.

Prior to the Petition Date, the Debtor rented the Property to Hong Kong Supermarket of Hester Corp. ("HK Supermarket"), Salon De Tops (the "Salon") and First Pharmaceutical Corp. (the "Pharmacy"). The rents generated from the tenants on the Property constitute the Debtor's sole source of income.

B. Capital Structure

The Property is subject to certain mortgages held by Shanghai Commercial Bank Ltd., New York Branc (“SCB”), as described more fully below. SCB is the Debtor’s sole secured lender.

On or about June 6, 2008, the Debtor entered into the following transactions with SCB:

- The Debtor and New Enterprise Realty, LLC (“New Enterprise”), an affiliate of the Debtor, executed a Mortgage Note in favor of SCB in the original principal amount of \$508,868.29 (the “First Note”). The Debtor’s obligations to SCB under the First Note were secured by a mortgage on the Property and guaranteed by Phillip, Jeffrey and Lewis Wu (collectively, the “Guarantors”).
- The Debtor and New Enterprise executed an Amended and Restated Mortgage Note in favor of SCB in the original principal amount of \$4,000,000 (the “Amended First Note”). The Debtor’s obligations to SCB under the Amended First Note were secured by a mortgage (the “First Mortgage”) on the Property and an assignment of leases, and guaranteed by the Guarantors.
- In connection with a mortgage note executed by New Enterprise and Jeffrey Wu in favor of SCB in the original principal amount of \$8,000,000 (the “Second Note”), the Debtor executed two continuing guaranties in favor of SCB pursuant to which the Debtor guaranteed the obligations to SCB under the Second Note. The continuing guaranties of the Second Note were secured by, *inter alia*, a mortgage (the “Second Mortgage”) on the Property.

On or about July 22, 2010, the Debtor entered into the following transactions with SCB:

- In connection with a promissory note executed by New Enterprise and Jeffrey Wu in favor of SCB in the original principal amount of \$2,000,000 (the “Third Note”), the Debtor executed two continuing guaranties in favor of SB pursuant to which the Debtor guaranteed the obligations to SCB under the Third Note. The continuing guaranties of the Third Note were secured by, *inter alia*, a mortgage (the “Third Mortgage”) on the Property.

Pursuant to the Amended First Note, the Second Note, and the Third Note, the Debtor agreed to pay the principal sum of \$14,000,000, plus interest and other amounts set forth therein to SCB (the “Loan”). As of the Petition Date, the outstanding principal amount of the Loan is \$12,368,243.71.

C. Pre-Petition Litigation

Prior to the Petition Date, in January 2009, Margaret Wu commenced a matrimonial action against Phillip Wu in New York County Supreme Court under Index Number 300080/09 (the “Matrimonial Action”). Pursuant to an Order of Appointment and Amended Order of Appointment dated May 11, 2010 and May 24, 2010, respectively, Dean K. Fong (the “Receiver”) was appointed as the receiver of Phillip Wu’s business and property interests in the Matrimonial Action. Notwithstanding that Phillip Wu owned only a one-third interest in the Debtor and had no direct ownership interest in the Property, the Receiver took complete control over the Property, including by collecting rents and commencing eviction proceedings. In April 2012, the Receiver demanded possession of the premises leased to the Pharmacy, and the Pharmacy space has remained vacant since August 2012. In addition the Receiver obtained an order of eviction against HK Supermarket in a state court landlord/tenant proceeding (the “L&T Action”), which precipitated the Debtor’s chapter 11 filing.

**V.
THE CHAPTER 11 CASE**

A. Motions and Orders

Substitution and Retention of Professionals. On August 19, 2013, the Bankruptcy Court entered an order authorizing the employment and retention of DelBello Dennellan Weingarten Wise & Wiederkehr, LLP as the Debtor’s bankruptcy counsel. Subsequently, Herrick, Feinstein LLP was substituted in for the DelBello firm as the Debtor’s bankruptcy counsel, pursuant to the Bankruptcy Court’s order entered on April 7, 2014. On November 21, 2013, the Bankruptcy Court entered an order authorizing the employment and retention of Klinger & Klinger, LLP as the Debtor’s accountants.

Cash Collateral Stipulation. On September 23, 2013, the Bankruptcy Court entered a Stipulation and Order Authorizing Debtor's Interim Use of Cash Collateral, which authorized the Debtor to use SCB's cash collateral through October 31, 2013 (as may be thereafter extended by written agreement of the Debtor and SCB) in accordance with the budget annexed thereto.

Bar Date Order. On September 13, 2013, the Bankruptcy Court entered an order establishing October 28, 2013, as the deadline for creditors to file proofs of claim.

Motions to Dismiss Case/Excuse Receiver from Turnover. On August 8, 2013, Margaret Wu filed her Motion to Dismiss Bankruptcy Case [Docket No. 12], seeking to dismiss the Chapter 11 Case. On September 18, 2013, the Receiver filed his Motion By Receiver Dean K. Fong, Esq. (i) To Dismiss or Suspend the Bankruptcy Case, Or In the Alternative, (ii) For Relief Under Section 543(c) and (d) of the Bankruptcy Code from Turnover of Property [Docket No. 26], which also sought a dismissal or suspension of the Chapter 11 Case or an order relieving the Receiver from complying with the turnover provisions of the Bankruptcy Code. The Debtor and SCB filed objections to the motions. The Court denied the motions to dismiss from the bench at a hearing on October 31, 2013. On November 25, 2013, the Court entered an order [Docket No. 52] consistent with its ruling from the bench. The order provided that (i) the Receiver shall refrain from the use of any property of the Debtor, including rental proceeds and the Property, (ii) the Receiver shall refrain from prosecuting the L&T Action or seeking to evict any tenant of the Debtor, (iii) the Receiver shall refrain from collection of his money judgment in the L&T Action, (iv) Margaret Wu shall cease and desist from seeking, outside of the Court, the sale, use, lease or encumbrance of any assets of the Debtor and shall not prosecute the Matrimonial Action with respect to any property of the Debtor or the Debtor's estate, and (v) any proceeding in the

Matrimonial Action (other than for divorce) and the L&T Action that affects or impacts the property of the Debtor is stayed.

Motion to Appoint Chapter 11 Trustee. Immediately after the Court entered the order denying the motions to dismiss, Margaret Wu filed her Motion of Margaret Wu For an Order Appointing a Chapter 11 Trustee, Or In the Alternative, Converting the Case to Chapter 7 (the "Trustee Motion") [Docket No. 53].

Claims Objection. On October 30, 2013, the Debtor filed a Motion Objecting to Proof of Claim No. 2, Held By Dean K. Fong, Esq., As Receiver of the Property of Phillip Wu & Claim No. 3, Held By Bryan Cave LLC (the "Claims Objection") [Docket No. 45].

The Receiver's Accounting. At a hearing on October 31, 2013, the Court directed the Receiver to submit an accounting, pursuant to section 543(b)(2) of the Bankruptcy Code, and directed that any objection to the accounting and/or request for surcharge, pursuant to section 543(c)(3) be filed twenty-one days from the filing of the accounting. On December 16, 2013, the Receiver filed his Interim Accounting of Dean K. Fong, Esq., as Receiver of the Property of Philip Wu, Pursuant to 11 U.S.C. § 543(b)(2) (the "Accounting") [Docket No. 62]. The Accounting discloses that the Receiver collected total proceeds of \$1,851,326.39, including rental income from the Property in the amount of \$825,959.89. After all disbursements made by the Receiver, the Receiver's account contains \$447,121.07 remaining in funds.

Adversary Proceedings. The Debtor commenced an adversary proceeding (the "Adversary Proceeding") against the Receiver and Margaret Wu [Adv. Pro. No. 13-01386] seeking the following relief:

- Declaratory judgment clarifying the ownership interests of the Debtor;
- Declaratory judgment determining that Jeffrey and Lewis Wu are authorized to manage the Debtor;

- Turnover of the Property from the Receiver;
- Judgment against the Receiver for damages from the Receiver's conversion of the Debtor's funds and assets, including with respect to collection of rental income from the Property that exceeds Phillip Wu's share;
- An accounting from the Receiver;
- The avoidance of fraudulent transfers received by the Receiver and Margaret Wu; and
- Declaratory judgment that the judgment and warrant of eviction obtained by the Receiver in the L&T Action are property of the Debtor's estate.

The Debtor also removed the L&T Action as well as those claims in the Matrimonial Action that affect property of the Debtor's estate to the Court. The Court entered an order on November 27, 2013, remanding those actions back to the state court.

Mediation. On February 24, 2014, the Court entered the Order Directing Mediation and Adjourning Related Matters [Docket No. 70]. Pursuant to the mediation order, the Honorable Melanie L. Cyganowski was appointed as the mediator to mediate the disputes between the Debtor, the Receiver, Margaret Wu and Phillip Wu with respect to the Adversary Proceeding, the Claims Objection, the Matrimonial Action, the Trustee Motion, the Accounting, and any other disputes relating to the foregoing or to the Chapter 11 Case.

B. No Official Committee of Unsecured Creditors

No official committee of unsecured creditors has been appointed in the Chapter 11 Case.

C. Disclosure Statement/Plan Confirmation Hearings

The Debtor has moved the Bankruptcy Court for an order approving this Disclosure Statement as containing "adequate information" to enable a hypothetical, reasonable investor typical of the Holders of Claims in classes eligible to vote on the Plan to make an informed judgment as to whether to accept or reject the Plan. A hearing to consider the adequacy of this Disclosure Statement is scheduled for **January 21, 2015, at 10:00 a.m.**

VI.

SUMMARY OF THE PLAN OF REORGANIZATION

A. Introduction

The Debtor believes that confirmation of the Plan provides the best opportunity for maximizing recoveries for the Debtor's creditors. The Plan provides that Jeffrey and Lewis Wu, as Equity Interest holders of the Debtor, shall fund the Plan Funding Account in the amount of at least \$[], as necessary to provide for payment of Allowed Administrative and Priority Claims, all Allowed General Unsecured, the SCB Effective Date Payment, the estimated Allowed Professional Fee Claims, the Administrative Claims Reserve, and the Disputed GUC Reserve, all in accordance with the Plan. The Plan further provides that post-Effective Date monthly payments to SCB will be made from revenues generated by the Debtor's operations, as set forth in greater detail in the Debtor's projections annexed hereto as Exhibit C.

The Debtor believes, and will demonstrate to the Bankruptcy Court, that the Debtor's creditors and equity interest holders will receive less in a hypothetical liquidation under chapter 7 of the Bankruptcy Code than they would under the Plan. The following is a summary of the Plan. The Plan is attached as Exhibit A to this Disclosure Statement. The terms of the Plan govern in the event of any discrepancies with the following discussion.

B. Classification and Treatment of Administrative Claims, Claims and Equity Interests Under the Plan

Only administrative expenses, claims and equity interests that are "allowed" may receive distributions under a chapter 11 plan. An "allowed" administrative expense, claim or equity interest simply means that a debtor agrees, or in the event of a dispute, that the court determines, that the administrative expense, claim or equity interest, including the amount, is in fact a valid obligation of, or interest in, a debtor. Section 502(a) of the Bankruptcy Code provides that a

timely-filed administrative expense, claim or equity interest is automatically “allowed” unless a debtor or another party in interest objects.

The Bankruptcy Code also requires that, for purposes of treatment and voting, a chapter 11 plan divide the different claims against, and equity interests in a debtor, into separate classes based upon the legal rights and obligations attached to the claim or interest. Substantially similar claims are usually but not necessarily, classified together, as are equity interests of a substantially similar legal nature. Because an entity may hold multiple claims and/or equity interests which give rise to different legal rights, the holders of such claims and/or equity interests may find themselves members of multiple classes of claims and/or equity interests. As a result, under the Plan, for example, a creditor that holds a Claim based on an unsecured Claim as well as equity in the Debtor would have its Claim classified in Class 3 and its Equity Interest classified in Class 4. To the extent of this holder’s Claim, the holder would be entitled to the voting and treatment rights that the Plan provides with respect to Class 3 and, to the extent of the holder’s Equity Interest, the voting and treatment rights that the Plan provides with respect to Class 4.

Under a chapter 11 plan, the separate classes of claims and equity interests must be designated either as “impaired” (altered by the plan in any way) or “unimpaired” (unaltered by the plan). If a class of claims is “impaired,” the Bankruptcy Code affords certain rights to the holders of such claims, such as the right to vote on the plan (unless the plan provides for no distribution to the holder, in which case, the holder is deemed to reject the plan), and the right to receive an amount under the chapter 11 plan that is not less than the value that the holder would receive if the debtor were liquidated under chapter 7.

Under section 1124 of the Bankruptcy Code, a class of claims or interests is “impaired” unless, with respect to each claim or interest of such class, the plan (i) does not alter the legal,

equitable and contractual rights of the holders of such claims or interests or; (ii) irrespective of the holder's right to receive accelerated payment of such claims or interests after the occurrence of a default, cures all defaults (other than those arising from, among other things, the debtor's insolvency or the commencement of a bankruptcy case), reinstates the maturity of the claims or interests in the class, compensates the holders of such claims or interests for any damages incurred as a result of their reasonable reliance upon any acceleration rights and does not otherwise alter their legal, equitable or contractual rights. Typically, this means that the holder of an unimpaired claim will receive on the later of the effective date of the plan of reorganization or the date on which amounts owing are due and payable, payment in full, in cash, with post-petition interest to the extent permitted and provided under the governing agreement between the parties (or, if there is no agreement, under applicable non-bankruptcy law), and the remainder of the debtor's obligations, if any, will be performed as they come due in accordance with their terms. Thus, other than its right to accelerate the debtor's obligations, the holder of an unimpaired claim will be placed in the position it would have been in had the debtor's case not been commenced.

Consistent with these requirements, the Plan divides the Claims against, and Equity Interests in, the Debtor into the following Classes:

Unclassified	Administrative Claims	Paid in full, or as otherwise agreed to between the Debtor and the holder of such claim
Unclassified	Priority Tax Claims	Paid in full
Unclassified	Professional Fee Claims	Paid in full, or as otherwise agreed to

		between the Debtor and the holder of such claim
Unclassified	Other Unclassified Claims	Paid in full
Class 1	Other Priority Claims	Unimpaired
Class 2	SCB Secured Claim	Impaired
Class 3	General Unsecured Claims	Unimpaired
Class 4	Equity Interests	Impaired

For purposes of computing Distributions under the Plan, Allowed Claims do not include post-petition interest unless otherwise specified in the Plan.

1. Unclassified—Administrative Claims

Administrative Claims are Claims constituting costs or expenses of administration of the Chapter 11 Case. Such Claims include any actual and necessary costs and expenses of preserving the Debtor’s estate, any indebtedness or obligations incurred or assumed by the Debtor in connection with the conduct of its business, all compensation and reimbursement of expenses to the extent Allowed by the Bankruptcy Court under the Bankruptcy Code and any fees or charges assessed against the Debtor’s estate owed to the office of the U.S. Trustee.

Pursuant to the Plan, except to the extent the holder of an Allowed Administrative Claim agrees otherwise, each holder of an Allowed Administrative Claim shall be paid in respect of such Allowed Administrative Claim (a) the full amount thereof in Cash, as soon as practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes and Allowed Administrative Claim, or upon such other terms as may be agreed upon by the holder of such Allowed Administrative Claim, or (b) such lesser amount as the holder of such Allowed Administrative Claim and the Debtor might otherwise agree; provided, however, that all Administrative Claims incurred in the ordinary course of the Debtor’s business during the

Chapter 11 Case shall be paid in the ordinary course of the Debtor's business. Notwithstanding the foregoing, the Statutory Fees shall be paid in Cash as soon as practicable after the Effective Date.

Unless otherwise ordered by the Bankruptcy Court, requests for payment of Administrative Claims (except for Professional Fee Claims and Administrative Claims incurred in the ordinary course of the Debtor's business) must be filed and served on counsel for the Debtor no later than the Confirmation Hearing (the "Administrative Claims Bar Date"). Any Person that is required to file and serve a request for payment of an Administrative Claim and fails to timely file and serve such request, shall be forever barred, estopped and enjoined from asserting such Claim or participating in distributions under the Plan on account thereof. Objections to requests for payment of Administrative Claims (except for Professional Fee Claims) must be filed and served on counsel for the Debtor and the party requesting payment of an Administrative Claim within thirty (30) days as after the filing of such request for payment.

2. Unclassified—Priority Tax Claims.

Priority Tax Claims are Claims for taxes against the Debtor entitled to priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. Except as provided herein, each holder of an Allowed Priority Tax Claim shall be paid in respect of such Allowed Claim (a) the full amount thereof, without post-petition Date interest or penalty, in Cash, as soon as practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes an Allowed Priority Tax Claim; or (b) upon such other terms as may be agreed upon by the holder of such Allowed Claim and the Debtor.

3. Unclassified-- Professional Fee Claims

Professionals are Persons employed pursuant to an order of the Bankruptcy Court in accordance with sections 327, 328, or 1103 of the Bankruptcy Code or otherwise and to be

compensated for services rendered prior to the Effective Date pursuant to sections 327, 328, 329, 330 and/or 331 of the Bankruptcy Code. Professionals in this Chapter 11 Case consist only of DelBello Donnellan Weingarten Wise & Wiederkehr, LLP (the Debtor's prior bankruptcy counsel), Herrick, Feinstein LLP and Klinger & Klinger, LLP. Professional Fee Claims are Claims for fees and expenses claimed by a Professional Person pursuant to sections 330, 331 or 503 of the Bankruptcy Code, and unpaid as of the Effective Date, but not including any subrogation or contribution Claim arising from any Person's payment of any fees and expenses to a Professional Person.

Pursuant to the Plan, each holder of an Allowed Professional Fee Claim shall receive 100% of the unpaid amount of such Allowed Professional Fee Claim in Cash after such Professional Fee Claim becomes an Allowed Professional Fee Claim.

4. Unclassified—Other Unclassified Claims

The Debtor does not believe that any other unclassified claims exist in this Chapter 11 Case. However, to the extent that there are any Allowed Claims which are not classified in the Plan and which are not Administrative Claims, Priority Tax Claims or Professional Fee Claims, such Allowed unclassified Claims, if any, shall be paid in Cash in full as soon as practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes an Allowed Claim.

5. Class 1—Other Priority Claims (Unimpaired; therefore, deemed to have accepted the Plan and not entitled to vote)

Other Priority Claims consist of Claims against the Debtor entitled to priority in payment under section 507(a) of the Bankruptcy Code, other than an Administrative Claim, Professional Fee Claim or Priority Tax Claim.

Under the Plan, each holder of an Allowed Other Priority Claim shall be paid in respect of such Allowed Other Priority Claim (a) the full amount thereof in Cash, as soon as practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes an Allowed Other Priority Claim, or upon such other terms as may be agreed upon by the holder of such Allowed Other Priority Claim and the Debtor, or (b) such lesser amount as the holder of such Allowed Other Priority Claim and the Debtor might otherwise agree. This Class is not impaired and, therefore, the holders of Claims in this Class are not entitled to vote and are conclusively presumed to accept this Plan.

6. Class 2—the SCB Secured Claim (Impaired; therefore, entitled to vote to accept or reject the Plan)

Under the Plan, SCB shall have an Allowed Secured Claim in the amount of \$12,368,243.71, plus costs and fees. In full settlement of the Allowed Secured Claim, in addition to its receipt of adequate protection payments under the Cash Collateral Order, SCB shall receive (i) on the Effective Date from the Disbursing Agent, the SCB Effective Date Payment, which payment shall bring current as of the Effective Date the Debtor's loans under the SCB Loan Documents; and (ii) following the Effective Date, payments from the Debtor in accordance with the terms of the SCB Loan Documents until all remaining amounts due to SCB under the SCB Loan Documents are paid in full. The maturity dates set forth in the SCB Loan Documents shall be reinstated as if no default thereunder had occurred. This Class is impaired and, therefore, SCB is entitled to vote on this Plan.

7. Class 3— General Unsecured Claims (Unimpaired; therefore, deemed to have accepted the Plan and not entitled to vote)

General Unsecured Claims are unsecured, non-priority Claims that are not Administrative Claims, Priority Tax Claims, Other Priority Claims, Professional Fee Claims, or Secured Claims.

Under the Plan, each holder of an Allowed General Unsecured Claim shall be paid in respect of such Allowed General Unsecured Claim (a) the full amount thereof in Cash, as soon as practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes an Allowed General Unsecured Claim, or upon such other terms as may be agreed upon by the holder of such Allowed General Unsecured Claim and the Debtor, or (b) such lesser amount as the holder of such Allowed General Unsecured Claim and the Debtor might otherwise agree. This Class is not impaired and, therefore, the holders of Claims in this Class are not entitled to vote and are conclusively presumed to accept this Plan.

The Debtor has not listed any General Unsecured Claims in its Schedules. The only parties that have filed proofs of claim asserting General Unsecured Claims are the Receiver and his attorneys. The Debtor has objected to the allowance of both Claims.

8. Class 4— Equity Interests (Impaired; therefore, entitled to vote to accept or reject the Plan)

Equity Interests consist of the legal, equitable, contractual or other rights of any Person with respect to any capital stock, membership interest or other ownership interest in the Debtor, whether or not transferable, and any option, warrant or right to purchase, sell, subscribe for, or otherwise acquire or receive an ownership interest or other equity security in the Debtor. Phillip Wu, Jeffrey Wu, and Lewis Wu are the only holders of Equity Interests in the Debtor.

Under the Plan, on the Effective Date, Jeffrey Wu and Lewis Wu (each a holder of a one-third Equity Interest in the Debtor) shall pay to Phillip Wu (the holder of the remaining one-third Equity Interest in the Debtor) one-third of the value (after taxes and payments made under this Plan) of the Debtor. Current Equity Interests of the Debtor shall be cancelled, and new shares of the Debtor will be issued to Jeffrey Wu and Lewis Wu, each with 50% of the

Debtor. This Class is impaired and, therefore, holders of Equity Interests are entitled to vote on this Plan.

C. Means for Implementation of the Plan

1. **Funding of Plan Funding Account.** On or prior to the Confirmation Hearing, the holders of Equity Interests shall fund the Plan Funding Account.

2. **Execution of Documents.** On the Effective Date, the Debtor, and any necessary party thereto, shall execute, release, and deliver all documents reasonably necessary to consummate the transactions contemplated by the terms and conditions of the Plan.

3. **Filing of Documents** Pursuant to sections 105, 1141(c) and 1142(b) of the Bankruptcy Code, each and every federal, state and local governmental agency or department, shall be directed to accept and record any and all documents and instruments necessary, useful or appropriate to effectuate, implement and consummate the transactions contemplated by the Plan, and any and all notices of satisfaction, release or discharge or assignment of any Lien, Claim or encumbrance not expressly preserved by the Plan.

4. **Corporate Action.** Upon the entry of the Confirmation Order, all matters provided under the Plan involving the corporate structure of the Debtor shall be deemed authorized and approved without any requirement of further action by the Debtor, the Debtor's members, or the Debtor's boards of directors, managers, and/or managing members.

5. **Manner of Payment.** Any payment of Cash made under the Plan may be made either by check drawn on a domestic bank, by wire transfer, or by automated clearing house transfer from a domestic bank, at the option of the reorganized Debtor and/or the Disbursing Agent, as applicable.

6. **Tax and Withholding Requirements.** The Disbursing Agent, in making Effective Date Distributions under the Plan, shall comply with applicable tax withholding and

reporting requirements imposed by any governmental unit, and all Effective Date Distributions made pursuant to the Plan shall be subject to such withholding and reporting requirements. The Disbursing Agent may withhold the entire Distribution due to any holder of an Allowed Claim until such time as such holder provides the Disbursing Agent with the necessary information to comply with any reporting and withholding requirements of any governmental unit. Any funds so withheld will then be paid by the Disbursing Agent to the appropriate authority. If the holder of an Allowed Claim fails to provide to the Disbursing Agent the information necessary to comply with any reporting and withholding requirements of any governmental unit within thirty (30) days from the date of first notification by the Disbursing Agent to the holder of such Allowed Claim about the need for such information or for the Cash necessary to comply with any applicable withholding requirements, then such holder's Distribution shall be treated as unclaimed property in accordance with Section 7.5 of the Plan.

7. Rights and Obligations of the Disbursing Agent

(a) Powers of the Disbursing Agent. The Disbursing Agent shall be empowered to (i) take all steps and execute all instruments and documents necessary to effectuate the Effective Date disbursements to be made under the Plan; (ii) make Effective Date Distributions contemplated by the Plan; (iii) comply with the Plan and the obligations thereunder; and (iv) exercise such other powers as may be vested in it pursuant to order of the Court or pursuant to the Plan, or as it reasonably deems to be necessary and proper to carry out the provisions of the Plan.

(b) Duties of the Disbursing Agent. The Disbursing Agent shall have the duties of carrying out the Disbursements under the Plan, which shall include taking or not taking any action which the Disbursing Agent deems to be in furtherance thereof, including,

from the date of its appointment, making payments and conveyances and effecting other transfers necessary in furtherance of the Plan. After the Confirmation Date, the Disbursing Agent (i) shall file with the Bankruptcy Court and submit to the United States Trustee regular postconfirmation status reports every three months, on or before each of the fifteenth (15th) day of April, July, and October as appropriate, and in accordance with the provisions of Rule 3021-1(c) of the Local Bankruptcy Rules for the Southern District of New York until the Debtor's Chapter 11 Case is closed, converted, or dismissed, whichever happens earlier, (ii) submit to the Bankruptcy Court and to the United States Trustee the closing report required by the provisions of Rule 3022-1 of the Local Bankruptcy Rules for the Southern District of New York, and (iii) file with the Bankruptcy Court a motion for a final decree closing the Chapter 11 Case.

D. Releases, Injunctions and Exculpations

1. Releases by the Debtor. Pursuant to section 1123(b) of the Bankruptcy Code, and except for such liabilities and obligations otherwise assumed or provided hereunder, for good and valuable consideration provided by the Released Parties, and effective as of the Effective Date, the Released Parties are deemed released and discharged by the Debtor and its Estate from any and all direct, indirect or derivative claims, obligations, rights, suits, judgments, indemnification, and all other claims, causes of action, controversies of every type, kind, nature, description or character whatsoever, including any derivative claims asserted on behalf of the Estate, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, contingent or fixed, currently existing or hereafter arising, in law, at equity, whether for tort, fraud, contract or otherwise, that the Debtor would have been legally entitled to assert, including, but not limited to, any claim or cause of action arising from or relating to the Debtor, the Chapter 11 Case, the Plan, the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest of the

Released Parties that is treated in the Plan, the business or contractual arrangements between the Debtor, on the one hand, and any Released Party, on the other hand, the negotiation, formulation, or preparation of the Plan and the Disclosure Statement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place, in each case to the extent incurred on or prior to the Effective Date, other than in each case claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes breach of fiduciary duty, if any, willful misconduct or gross negligence; provided, however, that nothing in this section or in the Plan shall be deemed to release any Released Party from liability for acts or omissions that are the result of breach of fiduciary duty, if any, actual fraud, gross negligence, willful misconduct, ultra vires acts, criminal conduct, disclosure of confidential information that causes damages, or willful violation of the securities laws or the Internal Revenue Code, or, in the case of an attorney professional and as required under Rule 1.8(h)(1) of the New York State Rules of Professional Conduct, malpractice. Nothing in this Plan shall effect a release of any Claim by the United States Government or any of its agencies or any state and local authority whatsoever, including, without limitation, any Claim arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against the Released Parties, nor shall anything in this Plan enjoin the United States or any state or local authority from bringing any Claim, suit, action or other proceedings against the Released Parties for any liability whatever, including without limitation, any Claim, suit or action arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority, nor shall anything in this Plan exculpate any party from any liability to the United States Government or any of its

agencies or any state and local authority whatsoever, including liabilities arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against the Released Parties.

2. **Injunction.** On the Effective Date, the Debtor shall be permanently enjoined from commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind, including asserting any setoff, right or subrogating, contribution, indemnification or recoupment of any kind, directly or indirectly, or proceeding in any manner in any place inconsistent with the releases granted by the Debtor and its Estate to the Released Parties pursuant to the Plan. The releases and injunctions granted in favor of the Released Parties are integral parts of the Plan and are necessary to confirm the Plan.

3. **Third Party Releases.** On the Effective Date, other than such liabilities and obligations otherwise assumed or provided hereunder, (a) the Debtor, and its direct and indirect parents, subsidiaries and affiliates, together with each of its shareholders, members, managers, general partners, limited partners, officer, directors, employees, agents, representatives, attorneys and advisors or consultants (solely in their capacities as such) and (b) the Released Parties, and all of their respective direct and indirect parents and subsidiaries, together with each of their respective shareholders, members, managers, general partners, limited partners, officers, directors, employees, agents, representatives, attorneys and advisors or consultants (solely in their capacities as such) shall be deemed to release each of the other in such capacities, and except as provided for in the Plan, the Released Parties shall be deemed released by all holders of Claims and Equity Interests of and from any claims, obligations, rights, causes of action and liabilities for any act or

omission occurring through the date immediately preceding the Effective Date, including, without limitation, any act or omission occurring during or relating to the Chapter 11 Case, commencement of the Chapter 11 Case, the solicitation of acceptances of this Plan, the Disclosure Statement, the pursuit of approval of the Disclosure Statement, the pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan, except for acts or omissions which constitute breach of fiduciary duty, if any, fraud, willful misconduct, gross negligence, ultra vires acts, criminal conduct, disclosure of confidential information that causes damages, or willful violation of the securities laws or the Internal Revenue Code, or, in the case of an attorney professional and as required under Rule 1.8(h)(1) of the New York State Rules of Professional Conduct, malpractice, and all such Persons, in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan and under the Bankruptcy Code.

4. **Confirmation Injunction.** Other than such liabilities and obligations otherwise assumed or provided hereunder (a) the rights afforded herein and the treatment of all Claims and Equity Interests herein, shall be in exchange for and in complete satisfaction and release of, all Claims and Equity Interests of any nature whatsoever, including any interest accrued on Claims from and after the Petition Date, against the Debtor or any of its assets and properties, (b) on the Effective Date, all such Claims against the Debtor shall satisfied and released in full, and (c) all Persons shall be precluded from asserting and shall be permanently enjoined from commencing or continuing in any manner any action or proceeding (whether directly, indirectly, derivatively, or otherwise) against the Debtor, its assets or properties, based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date.

5. Discharge. On the Effective Date, except as otherwise expressly provided in this Plan or the Confirmation Order, the Confirmation of this Plan shall as of the Effective Date:

(i) discharge the Debtor, the reorganized Debtor and any of their assets from all Claims, demands, liabilities and other debts that arose on or before the Effective Date, including, without limitation, all debts of the kind specified in section 502 of the Bankruptcy Code, whether or not (A) a proof of claim based on such debt is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code, (B) a Claim based on such debt is Allowed pursuant to section 502 of the Bankruptcy Code, (C) a Claim based on such debt is or has been disallowed by order of the Bankruptcy Court, or (D) the holder of a Claim based on such debt has accepted this Plan; and

(ii) preclude all Entities from asserting against the Debtor, the reorganized Debtor or any of their assets any other or further Claims based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date, all pursuant to sections 524 and 1141 of the Bankruptcy Code. The discharge provided in this provision shall void any judgment obtained against the Debtor at any time, to the extent that such judgment relates to a discharged Claim. The Debtor is discharged from any Claims and agreements related to debts that arose on or before the Effective Date and such debts, Claims and agreements are deemed restructured and new as set forth in the Plan.

E. Distributions Under the Plan

1. Distributions for Claims Allowed as of the Effective Date. Except as otherwise provided herein or as ordered by the Bankruptcy Court, Distributions to be made on account of Claims that are Allowed Claims as of the Effective Date shall be made on the Effective Date or as soon thereafter as is practicable. Any Distribution to be made on the Effective Date pursuant to this Plan shall be deemed as having been made on the Effective Date if such distribution is made on the Effective Date or as soon thereafter as is practicable, but not more than five (5) days

after the Effective Date. Any payment or Distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day. The Disbursing Agent shall make all Effective Date Distributions required to be made under the Plan, and the reorganized Debtor shall make all remaining installment payments under the Plan.

2. **Delivery of Distributions.** Subject to Bankruptcy Rule 9010, all Distributions to any holder of an Allowed Claim shall be made at the address set forth on the Schedules filed with the Bankruptcy Court or on the books and records of the Debtor or its agents, unless the Debtor has been notified in writing of a change of address, including by the filing of a proof of claim or Administrative Claim request that contains an address for a holder of a Claim different from the address for such holder reflected on any Schedule. The Debtor shall notify the Disbursing Agent of any such change of address.

3. **Reserves for Administrative, Priority Tax, Other Priority Claims, and Statutory Fees.** On the Effective Date, or as soon as practicable thereafter, the Disbursing Agent shall establish and maintain a reserve (to the extent necessary) in an amount equal to the sum of (i) all Disputed Administrative Claims, Disputed Cure Amounts, Disputed Priority Tax Claims and Disputed Other Priority Claims, if any, in an amount equal to what would be distributed to holders of Disputed Administrative Claims, Disputed Priority Tax Claims, Disputed Other Priority Claims, and Disputed Cure Amounts if their Disputed Claims had been deemed Allowed Claims on the Effective Date or on the Administrative Claims Bar Date or such other amount as may be approved by the Bankruptcy Court upon motion of the Debtor, (ii) an estimated amount for unpaid Professional Fee Claims and any other Administrative Claims that have not been filed as of the Effective Date, and (iii) an estimated amount for unpaid Statutory Fees and Statutory Fees that may become due until the entry of a final decree closing the Chapter

11 Case (together, the “Administrative Claim Reserve”). Any such funds shall be maintained by the Disbursing Agent in an account at an authorized bank depository in the Southern District of New York. With respect to such Disputed Claims, if, when, and to the extent any such Disputed Claim becomes an Allowed Claim by Final Order, the relevant portion of the Cash held in reserve therefore shall be distributed by the Disbursing Agent to the Claimant in a manner consistent with distributions to similarly situated Allowed Claims. The balance of such Cash, if any, remaining after all Professional Fee Claims, Disputed Administrative Claims, Disputed Cure Amounts, Disputed Priority Tax Claims, and Disputed Other Priority Claims, have been resolved and distributions made in accordance with the Plan, shall be released and distributed promptly to the Debtor. No payments or distributions shall be made with respect to a Claim that is a Disputed Claim pending the resolution of the dispute by Final Order or agreement of the parties..

4. **Reserves for Disputed General Unsecured Claims.** On or prior to the Confirmation Hearing, the Debtor shall provide funds to the Disbursing Agent to establish a reserve (to the extent necessary) in an amount equal to all Disputed General Unsecured Claims, if any (the “**Disputed GUC Reserve**”). For purposes of establishing a reserve for Disputed General Unsecured Claims, Cash will be set aside in an amount equal to the amount that would have been distributed to the holders of Disputed General Unsecured Claims had their Disputed General Unsecured Claims been deemed Allowed Claims on the Effective Date or in such other amount as may be approved by the Bankruptcy Court upon motion of the Debtor. Any such funds shall be maintained by the Disbursing Agent in the Plan Funding Account. With respect to such Disputed General Unsecured Claims, if, when, and to the extent any such Disputed General Unsecured Claims becomes an Allowed Claim by Final Order, the relevant portion of the Cash

held in reserve therefor shall be distributed by the Disbursing Agent to the Claimant on the first business day following the end of the calendar month in which the Disputed General Unsecured Claims becomes an Allowed Claim (or earlier in the discretion of the Debtor) and in a manner thereafter consistent with distributions to similarly situated Allowed Claims. The balance of such Cash, if any, remaining in the reserve from Disputed Classified Claims after all such Disputed Claims have been resolved and distributions made in accordance with the Plan, shall be released and distributed promptly to holders of Allowed General Unsecured Claims in the manner provided for herein. No payments or distributions shall be made with respect to a Claim that is a Disputed General Unsecured Claim pending the resolution of the dispute by Final Order or agreement of the parties. The Debtor shall have the right to seek an Order of the Bankruptcy Court, after notice and a hearing, estimating or limiting the amount of Cash or property that must be so deposited on account of any Disputed General Unsecured Claim. The Debtor is authorized to object to the allowance of any Disputed General Unsecured Claim, and may seek to disallow and/or expunge any Disputed General Unsecured Claim.

5. Unclaimed Property. If any Distribution remains unclaimed for a period of one hundred and twenty (120) days after it has been delivered (or attempted to be delivered) in accordance with the Plan to the holder of such Allowed Claim, such unclaimed property shall be forfeited by such holder, whereupon all right, title and interest in and to the unclaimed property shall be held in reserve by the Disbursing Agent to be distributed to holders of Allowed General Unsecured Claims in a manner consistent with distributions to holders of Allowed General Unsecured Claims under this Plan.

F. Conditions to Effective Date

1. Conditions to Confirmation of the Plan. The Plan shall not become effective unless the Confirmation Order is a Final Order and is not subject to any stay or injunction.

2. **Notice of the Effective Date; Actions Taken on Effective Date.** The Debtor shall file and serve upon all creditors a notice of the occurrence of the Effective Date within two (2) Business Days thereafter. Unless otherwise specifically provided in the Plan, any action required to be taken by the Debtor on the Effective Date may be taken by the Debtor on the Effective Date or as soon as reasonably practicable thereafter.

G. Retention of Jurisdiction

1. **Jurisdiction.** Following the Confirmation Date and until such time as all payments and distributions required to be made and all other obligations required to be performed under this Plan have been made and performed by the Debtor or the Disbursing Agent, as the case may be, the Bankruptcy Court shall retain jurisdiction as is legally permissible, including, without limitation, for the following purposes:

(a) **Claims.** To determine the allowance, extent, classification, or priority of Claims against the Debtor upon objection by the Debtor.

(b) **Injunction, etc.** To issue injunctions or take such other actions or make such other orders as may be necessary or appropriate to restrain interference with the Plan or its execution or implementation by any Person, to construe and to take any other action to enforce and execute the Plan, the Confirmation Order, or any other order of the Bankruptcy Court, to issue such orders as may be necessary for the implementation, executions, performance and consummation of the Plan and all matters referred to herein, and to determine all matters that may be pending before the Bankruptcy Court in the Chapter 11 Case on or before the Effective Date with respect to any Person or Entity.

(c) **Professional Fees.** To determine any and all applications for allowance of compensation and expense reimbursement of Professional for periods before the Effective Date, and objections thereto, as provided for the in the Plan.

(d) Certain Priority Claims. To determine the allowance, extent and classification of any Priority Tax Claims, Other Priority Claims, Administrative Claims or any request for payment of an Administrative Claim.

(e) Dispute Resolution. To resolve any dispute arising under or related to the implementation, execution, consummation or interpretation of the Plan and/or Confirmation Order and the making of Distributions under the Plan and/or the Confirmation Order.

(f) Actions. To determine all applications, motions, adversary proceedings, contested matters, actions, and any other litigated matters instituted (either before or after the Effective Date) in the Chapter 11 Case by or on behalf of the Debtor.

(g) General Matters. To determine such other matters, and for such other purposes, as may be provided in the Confirmation Order or as may be authorized under provisions of the Bankruptcy Code or other applicable law.

(h) Plan Modification. To modify the Plan under section 1127 of the Bankruptcy Code, remedy any defect, cure any omission, or reconcile any inconsistency in the Plan or the Confirmation Order so as to carry out its intent and purposes.

(i) Aid Consummation. To issue such orders in aid of consummation of the Plan and the Confirmation Order notwithstanding any otherwise applicable non-bankruptcy law, with respect to any Person or Entity, to the full extent authorized by the Bankruptcy Code.

(j) Implementation of Confirmation Order. To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated.

(k) Final Order. To enter a final order closing the Chapter 11 Case.

H. Miscellaneous Provisions

1. Pre-Confirmation Modification. On notice to and opportunity to be heard by the United States Trustee, the Plan may be altered, amended or modified by the Debtor before the Confirmation Date as provided in section 1127 of the Bankruptcy Code.

2. Post-Confirmation Immaterial Modification. The Debtor, insofar as it does not materially and adversely affect the interests of holders of Claims, may correct any defect, omission or inconsistency in the Plan in such manner and to such extent as may be necessary to expedite consummation of this Plan.

3. Post-Confirmation Material Modification. The Debtor may alter or amend the Plan after the Confirmation Date in a manner that materially and adversely affects holders of Claims, provided that such alteration or modification is made after notice and a hearing and otherwise meets the requirements of section 1127 of the Bankruptcy Code.

4. Withdrawal or Revocation of the Plan. If the Debtor revokes or withdraws the Plan, or if confirmation or consummation of the Plan does not occur, then (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan (including the allowance, fixing or limiting to an amount certain any Claim or Equity Interest or Class of Claims or Equity Interests) and any assumption or rejection of executory contracts or leases affected by the Plan shall terminate and be of no further force or effect, and any document or agreement executed pursuant to the Plan shall be deemed null and void, and (c) nothing contained in the Plan shall constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtor or any other Person, or prejudice in any manner the rights of any other Person.

5. Payment of Statutory Fees. The Disbursing Agent shall pay from Cash in the Estate all fees payable due as of the Effective Date pursuant to section 1930 of title 28 of the

United States Code. Thereafter, the Disbursing Agent shall pay from Cash in the Estate all United States Trustee quarterly fees under 28 U.S.C. § 1930(a)(6), plus interest due under 31 U.S.C. § 3717, on all disbursements, including plan payments and disbursements in and outside of the ordinary course of business, until the earliest of the entry of a final decree closing the Chapter 11 Case, dismissal of the Chapter 11 Case, or conversion of the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code.

6. **Successors and Assigns.** The rights, benefits and obligations of any Person or Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of, the heirs, executors, administrators, successors and/or assigns of such Person or Entities.

7. **Comprehensive Settlement of Claims and Controversies.** Pursuant to section 1123(b)(3)(A) of the Bankruptcy Code and Bankruptcy Rule 9019, in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all claims or controversies relating to the rights that a holder of a Claim or Equity Interest may have with respect to any Allowed Claim or Allowed Equity Interest or any Distribution to be made pursuant to the Plan on account of any Allowed Claim or Allowed Equity Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or causes of action for (a) the Debtor and its Estate, including, without limitation any Person or Entity seeking to exercise a right in a derivative capacity on behalf of the Estate, and (b) the Released Parties, and the Bankruptcy Court's finding that such compromise or settlement is in the best interests of the Debtor, its Estates, its properties and Claim holders and Equity Interest holders, and is fair, equitable and reasonable. For the avoidance of doubt, the compromise and settlement of all claims and causes of action of the Debtor and its Estates as set

forth herein shall include any potential avoidance actions accruing to the Debtor or its Estates, which shall not be pursued.

8. Preservation of Insurance. This Plan shall not diminish or impair the enforceability of any insurance policy, right or claim that may cover Claims against the Debtor (including, without limitation, its members, managers or officers) or any other persons or entity. Likewise, the Plan and Confirmation Order shall not impair any insurance carrier's rights, claims, defenses or disputes under any policy and shall not act to increase or extend any rights of the Debtor or the carries.

9. Cramdown. The Debtor reserves the right to request confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to any Class of Claims or Equity Interests that rejects, or is deemed to have rejected, the Plan.

10. Filing of Additional Documents. Except as otherwise provided in the Plan, 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 conditions of the Plan, and the Debtor shall be responsible for the preparation and filing of any reports necessary until entry of a final decree.

11. Governing Law. Except to the extent that the Bankruptcy Code is applicable, the rights and obligations arising under the Plan shall be governed by and construed and enforced in accordance with the laws of the State of New York.

12. Notices. Any notice required or permitted to be provided under the Plan shall be in writing and served by either (a) certified mail, return receipt requested, postage prepaid, (b) hand delivery or (c) reputable overnight courier service, freight prepaid, to be addressed as follows:

If to the Debtor: Queen Elizabeth Realty Corp.
157 Hester Street
New York, New York 10013

With a copy: Robert L. Rattet, Esq.
Herrick, Feinstein LLP
2 Park Avenue
New York, New York 10016
Email: rattet@herrick.com

13. Saturday, Sunday or Legal Holiday. If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

14. Severability. If any term or provision of the Plan is held by the Bankruptcy Court prior to or at the time of Confirmation to be invalid, void or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as so altered or interpreted. In the event of any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan may, at the option of the Debtor, remain in full force and effect and not be deemed affected. However, the Debtor reserves the right not to proceed to Confirmation or consummation of the Plan if any such ruling occurs. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

15. Extinguishment of Causes of Action Under the Avoiding Power Provisions. On the Effective Date, all rights, claims, causes of action, avoiding powers, suits and proceedings arising under sections 506(c), 544, 545, 547, 548, 549 and 553 of the Bankruptcy

Code shall be extinguished unless then pending; provided however, such rights and claims are preserved by the Debtor if asserted defensively or for purposes of offset. Except to the extent released in the Plan or order of the Bankruptcy Court, the Debtor shall have, retain, reserve, and be entitled to assert all other Claims, causes of action, rights of setoff and other legal or equitable defenses which the Debtor had immediately prior to the Petition Date as fully as if the Chapter 11 Case had not been commenced; and any of the Debtor's legal and equitable rights respecting any such Claim which is not specifically waived, extinguished or relinquished by the Plan or order of the Bankruptcy Court may be asserted after the Effective Date to the same extent as if the Chapter 11 Case had not been commenced. The Debtor has conducted an investigation of claims under sections 506(c), 544, 545, 547, 548, 549 and 553 of the Bankruptcy Code that could be asserted against parties, including such potential claims against the Released Parties, and has determined that there is no basis to support such claims, or that there are meritorious defenses to such claims. The Debtor has also conducted an investigation of other claims of the Debtor or third parties against the Released Parties that are being released under the Plan, and has not identified any claims that could be asserted against them.

VII. CONFIRMATION PROCEDURE

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

A. Solicitation of Votes

In accordance with Sections 1126 and 1129 of the Bankruptcy Code, the Claims in Class 2 of the Plan are impaired and are entitled to vote to accept or reject the Plan. Claims in Classes 1, 3 and 4 are unimpaired. The holders of Allowed Claims in such Classes are conclusively presumed to have accepted the Plan and the solicitation of acceptances with respect to such Classes therefore is not required under section 1126(f) of the Bankruptcy Code. Chapter 11 of

the Bankruptcy Code provides that, in order for the Bankruptcy Court to confirm the Plan as a consensual plan, the holders of Impaired Claims against, and Impaired Interests in, the Debtor that are entitled to vote must accept the Plan.

An Impaired Class of Claims will have accepted the Plan if (i) the holders of at least two-thirds in amount of the Allowed Claims actually voting in the Class have voted to accept the Plan and (ii) the holders of more than one-half in number of the Allowed Claims actually voting in the Class have voted to accept the Plan, not counting the vote of any holder designated under section 1126(e) of the Bankruptcy Code or any insider.

A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

Any creditor in an impaired Class (i) whose Claim has been listed by the Debtor in the Debtor's Schedules filed with the Bankruptcy Court (provided that such Claim has not been scheduled as Disputed, contingent or unliquidated) or (ii) who filed a proof of Claim on or before the Bar Date (or, if not filed by such date, any proof of Claim filed within any other applicable period of limitations or with leave of the Bankruptcy Court), which Claim is not the subject of an objection or request for estimation, is entitled to vote.

B. The Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing. The Confirmation Hearing in respect of the Plan has been scheduled for [] at [] Eastern Standard Time, before the Honorable Stuart M. Bernstein, United States Bankruptcy Judge, at the Bankruptcy Court, One Bowling Green, New York, New York. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing. Any

objection to Confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or number of shares of common stock of the Debtor held by the objector. Any such objection must be filed with the Bankruptcy Court and served so that it is received by the Bankruptcy Court and the following parties on or before [] at 5:00 p.m. New York Time:

Robert L. Rattet, Esq.
Hanh V. Huynh, Esq.
Herrick, Feinstein LLP
2 Park Avenue
New York, NY 10016

-and-

Office of the United States Trustee
33 Whitehall Street, 21st Floor
New York, NY 10004

Objections to Confirmation of the Plan are governed by Bankruptcy Rule 9014 and orders of the Bankruptcy Court.

C. Confirmation

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of the Plan are that the Plan is (i) accepted by all impaired Classes of Claims and Equity Interests or, if rejected by an impaired Class, that the Plan “does not discriminate unfairly” and is “fair and equitable” as to such Class, (ii) feasible and (iii) in the “best interests” of creditors and stockholders that are impaired under the Plan.

1. Acceptance

Classes 2 and 4 are impaired under the Plan. Classes 1 and 3 are unimpaired and, therefore, are conclusively presumed to have voted to accept the Plan.

2. Feasibility

The Bankruptcy Code requires a plan proponent to demonstrate that confirmation of a plan of reorganization is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor unless so provided by the plan of reorganization. Here, the Plan contemplates that distributions for all Allowed Administrative Claims, Allowed Other Priority Claims, Allowed Professional Fee Claims, Allowed General Unsecured Claim and the SCB Effective Date Payment will be paid under the Plan Funding Account, and the post-confirmation monthly payments to SCB will be paid from the revenues generated by the Debtor's post-confirmation operations. As demonstrated by the Debtor's projections, the Debtor will be able to make all Plan distributions.

3. Best Interests Test

With respect to each impaired Class of Claims and Equity Interests, confirmation of the Plan requires that each holder of an Allowed Claim or Equity Interest either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. To determine what holders of Claims and Equity Interests of each impaired Class would receive if the Debtor were liquidated under chapter 7, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtor's assets and properties in the context of a chapter 7 liquidation case. The cash amount that would be available for satisfaction of Claims and Equity Interests would consist of the proceeds resulting from the disposition of the unencumbered assets and properties of the Debtor, augmented by the unencumbered cash held by the Debtor at the time of the commencement of the liquidation case. Such cash amount would be reduced by the amount of the costs and expenses of the liquidation and by such additional administrative expense and priority claims

that might result from the termination of the Debtor's businesses and the use of chapter 7 for the purposes of liquidation.

The Debtor's costs of liquidation under chapter 7 would include the fees payable to a chapter 7 trustee, as well as those fees that might be payable to attorneys and other professionals that such a trustee might engage. The foregoing types of claims and other claims that might arise in a liquidation case or result from the pending Chapter 11 Case, including any unpaid expenses incurred by the Debtor during the Chapter 11 Case such as compensation for attorneys, would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay pre-petition Claims.

To determine if the Plan is in the best interests of each impaired Class, the present value of the distributions from the proceeds of a liquidation of the Debtor's unencumbered assets and properties, after subtracting the amounts attributable to the foregoing Claims, are then compared with the value of the property offered to such Classes of Claims and Equity Interests under the Plan.

After considering the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Case, including (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee, (ii) the erosion in value of assets in a chapter 7 case in the context of the expeditious liquidation required under Chapter 7 and the "forced sale" atmosphere that would prevail and (iii) the substantial increases in Claims which would be satisfied on a priority basis or on parity with creditors in the Chapter 11 Case, the Debtor has determined that confirmation of the Plan will provide each holder of an Allowed Claim or Equity Interest with a recovery that is not less than such holder would receive pursuant

to liquidation of the Debtor under chapter 7. The Debtor also believes that the value of any Distributions to each Class of Allowed Claims would be less than under the Plan because such distributions in a chapter 7 case would not occur for a substantial period of time.

A Liquidation Analysis of the Debtor, prepared by the Debtor and its advisors, is attached hereto as Exhibit B. The information set forth in Exhibit B provides a summary of the liquidation values of the Debtor's assets, assuming a chapter 7 liquidation in which a trustee appointed by the Bankruptcy Court would liquidate the assets of the Debtor's Estates.

Underlying the Liquidation Analysis are a number of estimates and assumptions that, although developed and considered reasonable by the Debtor, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtor. The Liquidation Analysis is also based on assumptions with regard to liquidation decisions that are subject to change. Accordingly, the values reflected might not be realized if the Debtor were, in fact, to undergo such a liquidation. The assumptions underlying the Liquidation Analysis are set forth in Exhibit B.

VIII.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated, the alternatives to the Plan include (i) liquidation of the Debtor under chapter 7 of the Bankruptcy Code and (ii) an alternative plan of reorganization.

A. Liquidation Under Chapter 7

If no plan is confirmed, the Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be selected to liquidate the Debtor's assets for distribution in accordance with the priorities established by chapter 7. As discussed above and set forth in the Liquidation Analysis annexed as Exhibit B, the Debtor believes that

liquidation under chapter 7 would result in smaller Distributions being made to creditors and equity interest holders than those provided for in the Plan.

B. Alternative Plan of Reorganization

If the Plan is not confirmed, the Debtor or any other party in interest could attempt to formulate a different plan. Such a plan might involve either a reorganization and continuation of the Debtor's businesses or an orderly liquidation of its assets. However, the Debtor does not anticipate that it will file another plan materially different from the Plan being proposed. Moreover, no other party in interest has expressed any indication that such party has considered formulating a different plan.

**IX.
CERTAIN RISK FACTORS TO BE CONSIDERED**

HOLDERS OF CLAIMS AGAINST THE DEBTOR AND INTERESTS IN THE DEBTOR SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS 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 Law Considerations

1. Risk of Non-Confirmation of the Plan

Although the Debtor believes that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan

will not be required for confirmation or that such modifications would not necessitate the re-solicitation of votes.

2. Risk of Non-Occurrence of the Effective Date

Although the Debtor believes that all of the conditions to the Effective Date will occur after the entry of the Confirmation Order, there can be no assurance as to the timing of the Effective Date or that such conditions will ever occur.

B. Certain Tax Matters

For a summary of certain federal income tax consequences of the Plan to holders of Claims and to the Debtor, see Article XI, "Certain Federal Income Tax Consequences Of The Plan."

C. Additional Factors to be Considered

1. The Debtor Has No Duty to Update

The statements contained in this Disclosure Statement are made by the Debtor as of the date hereof, unless otherwise specified in the Plan, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth in the Plan since that date. The Debtor has no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court, although it will continue to comply with the disclosure obligations under the Bankruptcy Rules.

**2. No Representations Outside This Disclosure Settlement
Are Authorized**

No representations concerning or related to the Debtor, the Chapter 11 Case, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or

rejection of the Plan other than as contained in, or included with, this Disclosure Statement should not be relied upon by you in arriving at your decision.

3. Claims Could Be More Than Projected

Although the general Bar Date for filing proofs of Claim was October 28, 2013, and the Debtor's good faith estimates contained in the Plan as to the total amount of Allowed Claims are reasonable, the Allowed amount of Claims in each class could be significantly more than projected, which in turn, could cause the value of Distributions to be reduced substantially or could exceed the amount of funds available from the Debtor's estate to pay such claims in full.

4. No Legal or Tax Advice is Provided to You By This Disclosure Statement

The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each holder of a Claim or Equity 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 Equity Interest.

This Disclosure Statement is not legal advice to you. This 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.

5. No Admission Made

Prior to the approval of this Disclosure Statement, nothing contained herein shall constitute an admission of, or be deemed evidence of, the tax or other legal effects of the Plan on the Debtor or on holders of Claims or Equity Interests; provided, however, that upon approval of the this Disclosure Statement, nothing contained herein shall constitute an admission in any proceeding other than the Chapter 11 Case.

X.
SECURITIES LAWS MATTERS

The Plan does not contemplate the issuance of any securities.

XI.
CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to the Debtor and holders of certain claims against the Debtor. This discussion does not address the U.S. federal income tax consequences of the implementation of the Plan to holders of claims that are entitled to reinstatement, unimpaired or otherwise entitled to payment in full in cash under the Plan.

The discussion of U.S. federal income tax consequences set forth below is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), U.S. Department of Treasury regulations promulgated or proposed thereunder, judicial authorities, published positions of the Internal Revenue Service ("IRS") and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect). The U.S. federal income tax consequences of the contemplated transactions are complex and are subject to significant uncertainties. The Debtor has not requested a ruling from the IRS or any other tax authority, or an opinion of counsel, with respect to any of the tax aspects of the contemplated transactions, and the discussion below is not binding upon the IRS or such other authorities. Thus, no assurance can be given that the IRS or such other authorities would not assert, or that a court would not sustain, a different position from any discussed herein.

Except as specifically stated otherwise, this summary assumes that a holder holds a claim or an existing Equity Interest as a capital asset for U.S. federal income tax purposes. This

summary does not address foreign, state or local tax consequences of the contemplated transactions, nor does it purport to address the U.S. federal income tax consequences of the transactions to special classes of taxpayers (*e.g.*, foreign persons or entities, small business investment companies, regulated investment companies, real estate investment trusts, banks and certain other financial institutions, insurance companies, tax-exempt organizations, holders that are, or hold claims or existing Equity Interests through, pass-through entities, persons whose functional currency is not the U.S. dollar, dealers in securities or foreign currency, and persons holding claims or existing Equity Interests as a hedge against, or that is hedged against, currency risk or as part of a straddle, constructive sale or conversion transaction).

The discussion does not address U.S. federal taxes other than income taxes, nor does it apply to any person that acquires any of the consideration issued pursuant to the Plan through means other than directly participating in the exchange. If a partnership (or another entity that is treated as a partnership for U.S. federal income tax purposes) holds claims or existing Equity Interests, the tax treatment of a partner (or other equity owner) generally will depend upon the status of such partner (or other owner) and upon the activities of the partnership (or other entity). This discussion is based on currently available information regarding the Plan terms and may not reflect the actual terms of the Plan upon its implementation. The following summary of certain U.S. federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to a holder of claims or existing Equity Interests.

IRS Circular 230 Notice: To ensure compliance with IRS Circular 230, holders of Claims and existing Equity Interests are hereby notified that: (A) any discussion of U.S. federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be

used, and cannot be used, by such holders for the purpose of avoiding penalties that may be imposed on them under the Tax Code; (B) such discussion is written in connection with the promotion or marketing by the Debtor of the transactions or matters addressed herein; and (C) such holders should seek advice based on their particular circumstances from independent tax advisors.

A Claim holder that receives money or other property in discharge of a Claim for interest accrued during the period the holder owned such Claim and not previously included in such holder's income will be required to recognize ordinary income equal to the amount of such money and the fair market value of such property received in respect of such Claim. A holder generally may claim an ordinary deduction (or, possibly, a write-off against a reserve for bad debts) to the extent of any Claim for accrued interest that was previously included in such holder's taxable income and which will not be paid in full by the Debtor under the Plan (after allocating any payment to be made by the Debtor between principal and accrued interest), even if the underlying Claim is held as a capital asset. The tax basis of any property received in exchange for a Claim for accrued interest under the Plan will equal the fair market value of such property on the Effective Date, and the holding period for such property will begin on the day following the Effective Date.

The extent to which consideration distributable under the Plan is allocable to interest is unknown. Holders of Claims are advised to consult their own tax advisers to determine the amount, if any, of consideration received under the Plan that is allocable to interest.

THE FOREGOING SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL HOLDERS OF CLAIMS OR EXISTING EQUITY INTERESTS PARTICIPATING IN THE EXCHANGE UNDER THE PLAN

**ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE FEDERAL,
STATE, LOCAL AND FOREIGN TAX CONSEQUENCES APPLICABLE TO THEM.**

XII.

RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in the Disclosure Statement, the Debtor believes that confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtor urges all eligible holders of Impaired Claims and Interests to vote to **accept** the Plan, and to complete and return their ballots so that they will be **received** by the Debtor's counsel on or before 5:00 p.m. (Eastern Time) on [].

Dated: December 24, 2014

DEBTOR

QUEEN ELIZABETH REALTY CORP.

By: /s/ Jeffrey Wu

Name: Jeffrey Wu

Title: President

EXHIBIT A
(PLAN)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X

In re:

QUEEN ELIZABETH REALTY CORP.,

Debtor.

Chapter 11

Case No. 13-12335 (SMB)

-----X

CHAPTER 11 PLAN OF REORGANIZATION

Dated: December 24, 2014

HERRICK, FEINSTEIN LLP

Attorneys for the Debtor

2 Park Avenue

New York, New York 10016

(212) 592-1400

Robert L. Rattet

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INTRODUCTION

Queen Elizabeth Realty Corp. (the “**Debtor**”) hereby proposes this Chapter 11 Plan (the “**Plan**”) pursuant to section 1121 of the Bankruptcy Code. Reference is made to the Disclosure Statement for risk factors and a summary and analysis of the Plan and certain related matters.

Subject to the restrictions on modifications set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions on modifications set forth in Article XI of this Plan, the Debtor expressly reserves the right to alter, amend, supplement or modify this Plan, one or more times, before its substantial consummation.

ARTICLE I

DEFINITIONS

1.1 **Scope of Definitions.** As used in this Plan, the following terms shall have the respective meanings specified below. Whenever the context requires, such terms shall include the plural as well as the singular number, the masculine gender shall include the feminine and the feminine gender shall include the masculine.

1.2 “**Administrative Claim**” shall mean a Claim under section 503(b) (including, without limitation, all administrative claims under sections 503(b)(9) and 1114(e)(2) of the Bankruptcy Code) or determined to be an Allowed Administrative Claim by a Final Order that is entitled to priority under sections 507(a)(1) or 507(b) of the Bankruptcy Code, for costs or expense of administration of the Chapter 11 Case including, without limitation, any actual and necessary expenses of operating the business of the Debtor or preserving the estate incurred after the Petition Date, and any and all fees and expenses of Professionals filed under sections 330, 331 or 503 of the Bankruptcy Code.

1.3 “**Administrative Claims Bar Date**” shall have the meaning ascribed to such term in Section 2.3 of this Plan.

1.4 “**Administrative Claims Reserve**” shall have the meaning ascribed to such term in Section 7.3 of this Plan.

1.5 “**Allowed Claim**” or “**Allowed Administrative Claim**” shall mean: (a) any Claim, proof of which is/was filed with the Bankruptcy Court on or before the date designated by the Bankruptcy Court as the last date(s) for filing proofs of claim with respect to such Claim, or which has been or hereafter is scheduled by the Debtor as liquidated in amount and not disputed or contingent and which, in either case, is a Claim as to which no objection to the allowance thereof has been Filed within the applicable period of limitation (if any) for objection to Claims fixed by the Bankruptcy Court, or as to which any objection has been determined by a Final Order of the Bankruptcy Court (allowing such Claim in whole or in part); (b) a Claim that is allowed (i) in any contract, instrument, or other agreement entered into in connection with the Plan, (ii) in a Final Order or (iii) pursuant to the terms of the Plan; or (c) a request for payment of an Administrative Claim, which is made before the Administrative Claims Bar Date, or otherwise has been deemed timely asserted under applicable law, and is an Administrative Claim as to which no objection to allowance thereof has been Filed within the applicable deadline pursuant to Section 2.3 of the Plan. Except as otherwise specified in this Plan or a Final Order,

the amount of an Allowed Claim shall not include interest on such Claim after the filing of the Chapter 11 Case.

1.6 “**Ballot**” shall mean the form or forms that will be distributed along with the Disclosure Statement to holders of Allowed Claims in classes that are Impaired under the Plan and entitled to vote, which the holders of Impaired Claims may use to vote to accept or reject the Plan.

1.7 “**Bankruptcy Code**” shall mean title 11 of the United States Code, as amended from time to time.

1.8 “**Bankruptcy Court**” shall mean the United States Bankruptcy Court for the Southern District of New York or such other court as may hereafter be granted jurisdiction over the Chapter 11 Case.

1.9 “**Bankruptcy Rules**” shall mean the Federal Rules of Bankruptcy Procedure, as amended from time to time.

1.10 “**Bar Date**” shall mean October 28, 2013, the date set by the Bankruptcy Court as the last day to file proofs of Claim.

1.11 “**Business Day**” shall mean any day other than a Saturday, Sunday or legal holiday as such term is defined in Bankruptcy Rule 9006.

1.12 “**Cash**” shall mean cash and cash equivalents, including, but not limited to, wire transfers, checks and other readily marketable direct obligations of the United States of America and certificates of deposit issued by banks.

1.13 “**Cash Collateral Order**” shall mean, collectively, the Stipulation and Order Authorizing Debtor’s Interim Use of Cash Collateral [Docket No. 30] entered on September 23, 2013, and any subsequent orders or written consents from SCB extending the Debtor’s use of cash collateral on substantially the same terms.

1.14 “**Chapter 11 Case**” shall mean the above-captioned chapter 11 case pending for the Debtor.

1.15 “**Claim**” shall have the meaning ascribed to such term in section 101(5) of the Bankruptcy Code.

1.16 “**Class**” shall mean a category of holders of Claims or Equity Interests, as classified pursuant to Article II of this Plan.

1.17 “**Confirmation**” shall mean the entry of the Confirmation Order on the docket of the Bankruptcy Court.

1.18 “**Confirmation Date**” shall mean the date of entry of an order of the Bankruptcy Court confirming the Plan in accordance with the provisions of the Bankruptcy Code.

1.19 “**Confirmation Hearing**” shall mean the hearing to confirm the Plan.

1.20 “**Confirmation Order**” shall mean the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

1.21 “**Creditor**” shall have the meaning ascribed to such term in section 101(10) of the Bankruptcy Code.

1.22 “**Debtor**” shall mean Queen Elizabeth Realty Corp.

1.23 “**Disbursing Agent**” shall mean Herrick, Feinstein LLP. The Disbursing Agent shall not be required to post a bond.

1.24 “**Disclosure Statement**” shall mean the disclosure statement respecting the Plan, all exhibits and annexes thereto, and any amendments or modifications thereof.

1.25 “**Disputed Claim**” shall mean any Claim: (a) listed on the Schedules as unliquidated, disputed or contingent; or (b) as to which the Debtor or any party in interest have interposed a timely objection or request for estimation in accordance with the Bankruptcy Code and the Bankruptcy Rules or is otherwise disputed by the Debtor, which objection, request for estimation or dispute has not been withdrawn or determined by a Final Order.

1.26 “**Disputed GUC Reserve**” shall have the meaning ascribed to such term in Section 7.4 of this Plan.

1.27 “**Distribution(s)**” shall mean a payment of Cash and/or any other distributions of property made to holders of Allowed Claims or Equity Investments pursuant to this Plan and the Cash Collateral Order.

1.28 “**Effective Date**” shall mean the first Business Day following the date on which each of the conditions set forth in Section 9.1 of the Plan have been satisfied; provided that if a stay of the Confirmation Order is in effect, then the Effective Date shall mean the first Business Day after such stay is no longer in effect.

1.29 “**Entity**” shall have the meaning ascribed to such term in section 101(15) of the Bankruptcy Code.

1.30 “**Equity Interest**” shall mean the legal, equitable, contractual or other rights of any Person with respect to any capital stock, membership interest or other ownership interest in the Debtor, whether or not transferable, and any option, warrant or right to purchase, sell, subscribe for, or otherwise acquire or receive an ownership interest or other equity security in the Debtor.

1.31 “**Estate**” shall mean the estate of the Debtor created pursuant to section 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Case.

1.32 “**File**”, “**Filed**”, or “**Filing**” shall mean file, filed or filing with the United States Bankruptcy Court for the Southern District of New York, or with respect to proofs of claim, proofs timely and property transmitted to the Clerk of the Court.

1.33 “**Final Order**” shall mean an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction, as entered on the docket in the Chapter 11 Case, or the docket of any such other court, the operation or effect of which has not been stayed, reversed, or amended, and as to which order or judgment (or any revision, modification, or amendment thereof) the time to appeal or seek review or rehearing or leave to appeal has expired and as to which no appeal or petition for review or rehearing was filed or, if filed, no appeal or petition for review or rehearing remains pending; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed with respect to such order or judgment shall not cause such order or judgment not to be a Final Order.

1.34 “**General Unsecured Claim**” shall mean any unsecured, non-priority Claim that is not an Administrative Claim, Priority Tax Claim, Other Priority Claim, Professional Fee Claim, or Secured Claim.

1.35 “**Impaired**” shall have the meaning ascribed to such term in section 1124 of the Bankruptcy Code.

1.36 “**Liens**” shall mean valid and enforceable liens, mortgages, security interests, pledges, charges, encumbrances, or other legally cognizable security devices of any kind.

1.37 “**Other Priority Claim**” shall mean any Claim against the Debtor entitled to priority in payment under section 507(a) of the Bankruptcy Code other than an Administrative Claim, Professional Fee Claim or Priority Tax Claim.

1.38 “**Person**” shall have the meaning ascribed to such term in section 101(41) of the Bankruptcy Code.

1.39 “**Petition Date**” shall mean July 17, 2013.

1.40 “**Plan**” shall mean this Chapter 11 Plan of Reorganization, all exhibits hereto and any amendments or modifications hereof made in accordance with the terms hereof, the Bankruptcy Code and the Bankruptcy Rules.

1.41 “**Plan Funding Account**” shall mean the account established and maintained by the Disbursing Agent that shall be funded prior to the Confirmation Hearing by certain of the holders of Equity Interests in an amount sufficient to pay all Allowed Administrative Claims, all Allowed General Unsecured Claims, the SCB Effective Date Payment, the estimated Allowed Professional Fee Claims, the Administrative Claims Reserve and the Disputed GUC Reserve.

1.42 “**Priority Tax Claim**” shall mean any Claim for taxes against the Debtor entitled to priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code.

1.43 “**Professional(s)**” shall mean a Person employed pursuant to an order of the Bankruptcy Court in accordance with sections 327, 328, or 1103 of the Bankruptcy Code or otherwise and to be compensated for services rendered prior to the Effective Date pursuant to sections 327, 328, 329, 330 and/or 331 of the Bankruptcy Code.

1.44 “**Professional Fee Claim**” shall mean those fees and expenses claimed by a Professional Person pursuant to sections 330, 331 or 503 of the Bankruptcy Code, and unpaid as of the Effective Date, but not including any subrogation or contribution Claim arising from any Person’s payment of any fees and expenses to a Professional Person.

1.45 “**Professional Fee Claims Bar Date**” shall have the meaning ascribed to such term in Section 2.4 herein.

1.46 “**Property**” shall mean the premises located at 66/82 Elizabeth Street, Commercial Unit, New York, New York 10013.

1.47 “**Pro Rata**” or “**Pro Rata Share**” shall mean the proportion that the amount of an Allowed Claim in a particular Class bears to the aggregate amount of all Claims in such Class, including Disputed Claims, but not including Disallowed Claims, as calculated by the Debtor prior to the Effective Date.

1.48 “**Receiver**” shall mean Dean K. Fong, as receiver of the property of Phillip Wu.

1.49 “**Released Parties**” shall mean Jeffrey Wu, Lewis Wu, and Phillip Wu, who are the holders of the Equity Interests in the Debtor.

1.50 “**SCB**” shall mean Shanghai Commercial Bank Ltd., New York Branch.

1.51 “**SCB Effective Date Payment**” shall mean the sum of \$[], to be paid to SCB on the Effective Date on account of all arrearages owed to SCB as of the Effective Date under the SCB Loan Documents, except for default interest and certain late charges and other charges that SCB would be entitled to receive under the SCB Loan Documents.

1.52 “**SCB Loan Documents**” shall mean those documents entered into by the Debtor and SCB as described in the Cash Collateral Order.

1.53 “**SCB Secured Claim**” shall mean the Secured Claim of SCB under the SCB Loan Documents in the amount of \$12,368,243.71, plus costs and fees, as of the Petition Date, which is deemed allowed in such amount pursuant to the Plan.

1.54 “**Schedules**” shall mean the Debtor’s Schedules of Assets and Liabilities Filed pursuant to Bankruptcy Rule 1007, as they may be amended from time to time.

1.55 “**Secured Claim**” shall mean all or a portion of a Claim existing on the Petition Date that constitutes a secured claim as defined in section 506(a)(1) of the Bankruptcy Code, as finally allowed and approved by the Bankruptcy Court or as otherwise agreed to by the Debtor and such holder of a Secured Claim.

1.56 “**Statutory Fees**” shall mean all fees payable with respect to the Chapter 11 Case pursuant to section 1930 of title 28 of the United States Code and interest thereon pursuant to section 3717 of title 31 of the United States Code.

1.57 “**Unimpaired**” shall mean, with respect to a Class of Claims, a Claim that is unimpaired within the meaning of section 1124 of the Bankruptcy Code.

All terms not expressly defined herein shall have the respective meaning given to such terms in section 101 of the Bankruptcy Code or as otherwise defined in applicable provisions of the Bankruptcy Code.

Unless otherwise specified herein, any reference to an Entity as a holder of a Claim or Equity Interest includes, with respect to such Claim or Equity Interest, that Entity's successors, assigns and affiliates. The rules of construction set forth in section 102 of the Bankruptcy Code shall apply.

In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

All Exhibits to the Plan and supplements to the Plan are incorporated into and are a part of this Plan as if set forth in full herein, and, to the extent not annexed hereto, such Exhibits shall be timely filed in accordance with this Plan prior to the Confirmation Hearing. Holders of Claims and Equity Interests may obtain a copy of the filed Exhibits upon written request to the Debtor. Upon their filing, the Exhibits may be inspected in the office of the Clerk of the Bankruptcy Court or its designee during normal business hours. The documents contained in the Exhibits shall be approved by the Bankruptcy Court pursuant to the Confirmation Order.

ARTICLE II

CLASSIFICATION OF CLAIMS AND INTERESTS

2.1 **General Rules of Classification.** Generally, a Claim is classified in a particular Class for voting and distribution purposes only to the extent the Claim qualifies within the description of that Class, and is classified in another Class or Classes to the extent any remainder of the Claim qualifies within the description of such other Class or Classes. Unless otherwise provided, to the extent a Claim qualifies for inclusion in a more specifically defined Class and a more generally-defined Class, it shall be included in the more specifically defined Class.

2.2 **Administrative Claims, Priority Tax Claims and Professional Fee Claims.** Administrative Claims, Priority Tax Claims, and Professional Fee Claims have not been classified and are excluded from the Classes set forth in Article III of the Plan in accordance with section 1123(a)(1) of the Bankruptcy Code.

2.3 **Bar Date for Administrative Claims.** Unless otherwise ordered by the Bankruptcy Court, requests for payment of Administrative Claims (except for Professional Fee Claims) must be filed and served on counsel for the Debtor no later than the Confirmation Hearing (the "**Administrative Claims Bar Date**"). Any Person that is required to file and serve a request for payment of an Administrative Claim and fails to timely file and serve such request, shall be forever barred, estopped and enjoined from asserting such Claim or participating in distributions under the Plan on account thereof. Objections to requests for payment of Administrative Claims (except for Professional Fee Claims and Administrative Claims incurred in the ordinary course of the Debtor's business) must be filed and served on counsel for the Debtor and the party requesting payment of an Administrative Claim within thirty (30) days after the filing of such request for payment.

2.4 **Bar Date for Professional Fee Claims.** Unless otherwise ordered by the Bankruptcy Court, and subject to notice and a hearing under section 330 of the Bankruptcy Code, requests for payment of Professional Fee Claims incurred through the Effective Date must be filed and served on (i) counsel to the Debtor, (ii) all creditors, and (iii) the United States Trustee, no later than thirty (30) days after the Confirmation Date (the “**Professional Fee Claims Bar Date**”). The day prior to the Confirmation Date, each Professional shall provide counsel for the Debtor with a written estimate of the total amount of compensation and expenses for which such Professional expects to seek final compensation and reimbursement pursuant to section 330 of the Bankruptcy Code. Such estimates shall include estimated sums for the preparation and prosecution of any application for final compensation.

2.5 **Classification of Claims and Equity Interests.** The following is the designation of the Classes of Claims and Equity Interests under the Plan for the Debtor:

- (a) Class 1 Claims shall consist of all Other Priority Claims.
- (b) Class 2 Claims shall consist of the SCB Secured Claim.
- (c) Class 3 Claims shall consist of all General Unsecured Claims.
- (d) Class 4 Equity Interests shall consist of Equity Interests.

ARTICLE III

TREATMENT OF UNCLASSIFIED CLAIMS

3.1 **Administrative Claims.** Except to the extent the holder of an Allowed Administrative Claim agrees otherwise, each holder of an Allowed Administrative Claim shall be paid in respect of such Allowed Administrative Claim (a) the full amount thereof in Cash, as soon as practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes an Allowed Administrative Claim, or upon such other terms as may be agreed upon by the holder of such Allowed Administrative Claim, or (b) such lesser amount as the holder of such Allowed Administrative Claim and the Debtor might otherwise agree; provided, however, that all Administrative Claims incurred in the ordinary course of the Debtor’s business during the Chapter 11 Case shall be paid in the ordinary course of the Debtor’s business. Notwithstanding the foregoing, the Statutory Fees shall be paid in Cash as soon as practicable after the Effective Date.

3.2 **Priority Tax Claims.** Except as provided herein, each holder of an Allowed Priority Tax Claim shall be paid in respect of such Allowed Claim (a) the full amount thereof, without post-petition Date interest or penalty, in Cash, as soon as practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes an Allowed Priority Tax Claim; or (b) upon such other terms as may be agreed upon by the holder of such Allowed Claim and the Debtor.

3.3 **Professional Fee Claims.** Each holder of an Allowed Professional Fee Claim shall receive 100% of the unpaid amount of such Allowed Professional Fee Claim in Cash after such Professional Fee Claim becomes an Allowed Professional Fee Claim.

3.4 **Other Unclassified Claims.** Allowed unclassified Claims, if any, shall be paid in Cash in full as soon as practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes an Allowed Claim.

ARTICLE IV

CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS

The categories of Claims and Equity Interests listed below classify Claims against and Equity Interests in the Debtor for all purposes, including voting, confirmation and distribution pursuant hereto and pursuant to sections 1122 and 1123(a)(1) 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.

4.1 **Class 1 - Other Priority Claims.** Each holder of an Allowed Other Priority Claim shall be paid in respect of such Allowed Other Priority Claim (a) the full amount thereof in Cash, as soon as practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes an Allowed Other Priority Claim, or upon such other terms as may be agreed upon by the holder of such Allowed Other Priority Claim and the Debtor, or (b) such lesser amount as the holder of such Allowed Other Priority Claim and the Debtor might otherwise agree. This Class is not impaired and, therefore, the holders of Claims in this Class are not entitled to vote and are conclusively presumed to accept this Plan.

4.2 **Class 2 - SCB Secured Claim.** SCB shall have an Allowed Secured Claim in the amount of \$12,368,243.71, plus costs and fees. In full settlement of the Allowed Secured Claim, in addition to its receipt of adequate protection payments under the Cash Collateral Order, SCB shall receive (i) on the Effective Date from the Disbursing Agent, the SCB Effective Date Payment, which payment shall bring current as of the Effective Date the Debtor's loans under the SCB Loan Documents; and (ii) following the Effective Date, payments from the Debtor in accordance with the terms of the SCB Loan Documents until all remaining amounts due to SCB under the SCB Loan Documents are paid in full. The maturity dates set forth in the SCB Loan Documents shall be reinstated as if no default thereunder had occurred. This Class is impaired and, therefore, SCB is entitled to vote on this Plan.

4.3 **Class 3 - General Unsecured Claims.** Each holder of an Allowed General Unsecured Claim shall be paid in respect of such Allowed General Unsecured Claim (a) the full amount thereof in Cash, as soon as practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes an Allowed General Unsecured Claim, or upon such other terms as may be agreed upon by the holder of such Allowed General Unsecured Claim and the Debtor, or (b) such lesser amount as the holder of such Allowed General Unsecured Claim and the Debtor might otherwise agree. This Class is not impaired and, therefore, the holders of Claims in this Class are not entitled to vote and are conclusively presumed to accept this Plan.

The Debtor has not listed any General Unsecured Claims in its Schedules. The only parties that have filed proofs of claim asserting General Unsecured Claims are the Receiver and his attorneys. The Debtor has objected to the allowance of both Claims.

4.4 **Class 4 - Equity Interests.** On the Effective Date, Jeffrey Wu and Lewis Wu (each a holder of a one-third Equity Interest in the Debtor) shall pay to Phillip Wu (the holder of the remaining one-third Equity Interest in the Debtor) one-third of the value (after taxes and payments made under this Plan) of the Debtor. Current Equity Interests of the Debtor shall be cancelled, and new shares of the Debtor will be issued to Jeffrey Wu and Lewis Wu, each with 50% of the Debtor. This Class is impaired and, therefore, holders of Equity Interests are entitled to vote on this Plan.

4.5 **Reservation of Rights.** Nothing contained herein shall be deemed to limit the right of the Debtor, creditors, or the United States Trustee to object to any Administrative Claims, Priority Claims, Other Priority Claims, General Unsecured Claims and Secured Claims, provided, however, that the SCB Allowed Claim shall not be subject to any objection and shall be allowed for all purposes. Nothing contained herein shall affect the Debtor's rights and defenses both legal and equitable, with respect to all members of any Unimpaired Classes including, but not limited to, all rights with respect to legal and equitable defenses to setoffs or recoupments asserted against members of any Unimpaired Classes subject to the releases granted herein.

ARTICLE V

MEANS FOR IMPLEMENTATION OF THE PLAN

5.1 **Funding of Plan Funding Account.** On or prior to the Confirmation Hearing, certain of the holders of Equity Interests shall fund the Plan Funding Account.

5.2 **Execution of Documents.** On the Effective Date, the Debtor, and any necessary party thereto, shall execute, release, and deliver all documents reasonably necessary to consummate the transactions contemplated by the terms and conditions of the Plan.

5.3 **Filing of Documents** Pursuant to sections 105, 1141(c) and 1142(b) of the Bankruptcy Code, each and every federal, state and local governmental agency or department, shall be directed to accept and record any and all documents and instruments necessary, useful or appropriate to effectuate, implement and consummate the transactions contemplated by the Plan, and any and all notices of satisfaction, release or discharge or assignment of any Lien, Claim or encumbrance not expressly preserved by the Plan.

5.4 **Corporate Action.** Upon the entry of the Confirmation Order, all matters provided under the Plan involving the corporate structure of the Debtor shall be deemed authorized and approved without any requirement of further action by the Debtor, the Debtor's members, or the Debtor's boards of directors, managers, and/or managing members.

5.5 **Manner of Payment.** Any payment of Cash made under the Plan may be made either by check drawn on a domestic bank, by wire transfer, or by automated clearing house

transfer from a domestic bank, at the option of the reorganized Debtor and/or the Disbursing Agent, as applicable.

5.6 **Tax and Withholding Requirements.** The Disbursing Agent, in making Effective Date Distributions under the Plan, shall comply with applicable tax withholding and reporting requirements imposed by any governmental unit, and all Effective Date Distributions made pursuant to the Plan shall be subject to such withholding and reporting requirements. The Disbursing Agent may withhold the entire Distribution due to any holder of an Allowed Claim until such time as such holder provides the Disbursing Agent with the necessary information to comply with any reporting and withholding requirements of any governmental unit. Any funds so withheld will then be paid by the Disbursing Agent to the appropriate authority. If the holder of an Allowed Claim fails to provide to the Disbursing Agent the information necessary to comply with any reporting and withholding requirements of any governmental unit within thirty (30) days from the date of first notification by the Disbursing Agent to the holder of such Allowed Claim about the need for such information or for the Cash necessary to comply with any applicable withholding requirements, then such holder's Distribution shall be treated as unclaimed property in accordance with Section 7.5 below.

5.7 **Rights and Obligations of the Disbursing Agent**

(a) **Powers of the Disbursing Agent**

The Disbursing Agent shall be empowered to (i) take all steps and execute all instruments and documents necessary to effectuate the Effective Date disbursements to be made under the Plan; (ii) make Effective Date Distributions contemplated by the Plan; (iii) comply with the Plan and the obligations thereunder; and (iv) exercise such other powers as may be vested in it pursuant to order of the Court or pursuant to the Plan, or as it reasonably deems to be necessary and proper to carry out the provisions of the Plan.

(b) **Duties of the Disbursing Agent**

The Disbursing Agent shall have the duties of carrying out the Effective Date Disbursements under the Plan, which shall include taking or not taking any action which the Disbursing Agent deems to be in furtherance thereof, including, from the date of its appointment, making payments and conveyances and effecting other transfers necessary in furtherance of the Plan. After the Confirmation Date, the Disbursing Agent (i) shall file with the Bankruptcy Court and submit to the United States Trustee regular postconfirmation status reports every three months, on or before each of the fifteenth (15th) day of April, July, and October as appropriate, and in accordance with the provisions of Rule 3021-1(c) of the Local Bankruptcy Rules for the Southern District of New York until the Debtor's Chapter 11 Case is closed, converted, or dismissed, whichever happens earlier, (ii) submit to the Bankruptcy Court and to the United States Trustee the closing report required by the provisions of Rule 3022-1 of the Local Bankruptcy Rules for the Southern District of New York, and (iii) file with the Bankruptcy Court a motion for a final decree closing the Chapter 11 Case.

ARTICLE VI

RELEASES

6.1 **Releases by the Debtor.** Pursuant to section 1123(b) of the Bankruptcy Code, and except for such liabilities and obligations otherwise assumed or provided hereunder, for good and valuable consideration provided by the Released Parties, and effective as of the Effective Date, the Released Parties are deemed released and discharged by the Debtor and its Estate from any and all direct, indirect or derivative claims, obligations, rights, suits, judgments, indemnification, and all other claims, causes of action, controversies of every type, kind, nature, description or character whatsoever, including any derivative claims asserted on behalf of the Estate, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, contingent or fixed, currently existing or hereafter arising, in law, at equity, whether for tort, fraud, contract or otherwise, that the Debtor would have been legally entitled to assert, including, but not limited to, any claim or cause of action arising from or relating to the Debtor, the Chapter 11 Case, the Plan, the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest of the Released Parties that is treated in the Plan, the business or contractual arrangements between the Debtor, on the one hand, and any Released Party, on the other hand, the negotiation, formulation, or preparation of the Plan and the Disclosure Statement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place, in each case to the extent incurred on or prior to the Effective Date, other than in each case claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes breach of fiduciary duty, if any, willful misconduct or gross negligence; **provided, however,** that nothing in this section or in the Plan shall be deemed to release any Released Party from liability for acts or omissions that are the result of breach of fiduciary duty, if any, actual fraud, gross negligence, willful misconduct, ultra vires acts, criminal conduct, disclosure of confidential information that causes damages, or willful violation of the securities laws or the Internal Revenue Code, or, in the case of an attorney professional and as required under Rule 1.8(h)(1) of the New York State Rules of Professional Conduct, malpractice. Nothing in this Plan shall effect a release of any Claim by the United States Government or any of its agencies or any state and local authority whatsoever, including, without limitation, any Claim arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against the Released Parties, nor shall anything in this Plan enjoin the United States or any state or local authority from bringing any Claim, suit, action or other proceedings against the Released Parties for any liability whatever, including without limitation, any Claim, suit or action arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority, nor shall anything in this Plan exculpate any party from any liability to the United States Government or any of its agencies or any state and local authority whatsoever, including liabilities arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against the Released Parties.

6.2 **Injunction.** On the Effective Date, the Debtor shall be permanently enjoined from commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind, including asserting any setoff, right or subrogating,

contribution, indemnification or recoupment of any kind, directly or indirectly, or proceeding in any manner in any place inconsistent with the releases granted by the Debtor and its Estate to the Released Parties pursuant to the Plan. The releases and injunctions granted in favor of the Released Parties are integral parts of the Plan and are necessary to confirm the Plan.

6.3 **Third Party Releases.** On the Effective Date, other than such liabilities and obligations otherwise assumed or provided hereunder, (a) the Debtor, and its direct and indirect parents, subsidiaries and affiliates, together with each of its shareholders, members, managers, general partners, limited partners, officer, directors, employees, agents, representatives, attorneys and advisors or consultants (solely in their capacities as such) and (b) the Released Parties, and all of their respective direct and indirect parents and subsidiaries, together with each of their respective shareholders, members, managers, general partners, limited partners, officers, directors, employees, agents, representatives, attorneys and advisors or consultants (solely in their capacities as such) shall be deemed to release each of the other in such capacities, and except as provided for in the Plan, the Released Parties shall be deemed released by all holders of Claims and Equity Interests of and from any claims, obligations, rights, causes of action and liabilities for any act or omission occurring through the date immediately preceding the Effective Date, including, without limitation, any act or omission occurring during or relating to the Chapter 11 Case, commencement of the Chapter 11 Case, the solicitation of acceptances of this Plan, the Disclosure Statement, the pursuit of approval of the Disclosure Statement, the pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan, except for acts or omissions which constitute breach of fiduciary duty, if any, fraud, willful misconduct, gross negligence, ultra vires acts, criminal conduct, disclosure of confidential information that causes damages, or willful violation of the securities laws or the Internal Revenue Code, or, in the case of an attorney professional and as required under Rule 1.8(h)(1) of the New York State Rules of Professional Conduct, malpractice, and all such Persons, in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan and under the Bankruptcy Code.

6.4 **Confirmation Injunction.** Other than such liabilities and obligations otherwise assumed or provided hereunder, and as set forth in the Confirmation Order (a) the rights afforded herein and the treatment of all Claims and Equity Interests herein, shall be in exchange for and in complete satisfaction and release of, all Claims and Equity Interests of any nature whatsoever, including any interest accrued on Claims from and after the Petition Date, against the Debtor or any of its assets and properties, (b) on the Effective Date, all such Claims against the Debtor shall satisfied and released in full, and (c) all Persons shall be precluded from asserting and shall be permanently enjoined from commencing or continuing in any manner any action or proceeding (whether directly, indirectly, derivatively, or otherwise) against the Debtor, its assets or properties, based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date.

6.5 **Discharge.** On the Effective Date, except as otherwise expressly provided in this Plan or the Confirmation Order, the Confirmation of this Plan shall as of the Effective Date: (i) discharge the Debtor, the reorganized Debtor and any of their assets from all Claims,

demands, liabilities and other debts that arose on or before the Effective Date, including, without limitation, all debts of the kind specified in section 502 of the Bankruptcy Code, whether or not (A) a proof of claim based on such debt is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code, (B) a Claim based on such debt is Allowed pursuant to section 502 of the Bankruptcy Code, (C) a Claim based on such debt is or has been disallowed by order of the Bankruptcy Court, or (D) the holder of a Claim based on such debt has accepted this Plan; and (ii) preclude all Entities from asserting against the Debtor, the reorganized Debtor or any of their assets any other or further Claims based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date, all pursuant to sections 524 and 1141 of the Bankruptcy Code. The discharge provided in this provision shall void any judgment obtained against the Debtor at any time, to the extent that such judgment relates to a discharged Claim. The Debtor is discharged from any Claims and agreements related to debts that arose on or before the Effective Date and such debts, Claims and agreements are deemed restructured and new as set forth in the Plan.

ARTICLE VII

DISTRIBUTIONS UNDER THE PLAN

7.1 **Distributions for Claims Allowed as of the Effective Date.** Except as otherwise provided herein or as ordered by the Bankruptcy Court, Distributions to be made on account of Claims that are Allowed Claims as of the Effective Date shall be made on the Effective Date or as soon thereafter as is practicable. Any Distribution to be made on the Effective Date pursuant to this Plan shall be deemed as having been made on the Effective Date if such distribution is made on the Effective Date or as soon thereafter as is practicable, but not more than five (5) days after the Effective Date. Any payment or Distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day. The Disbursing Agent shall make all Effective Date Distributions required to be made under the Plan, and the reorganized Debtor shall make all remaining installment payments under the Plan.

7.2 **Delivery of Distributions.** Subject to Bankruptcy Rule 9010, all Distributions to any holder of an Allowed Claim shall be made at the address set forth on the Schedules filed with the Bankruptcy Court or on the books and records of the Debtor or its agents, unless the Debtor has been notified in writing of a change of address, including by the filing of a proof of claim or Administrative Claim request that contains an address for a holder of a Claim different from the address for such holder reflected on any Schedule. The Debtor shall notify the Disbursing Agent of any such change of address.

7.3 **Reserves for Administrative, Priority Tax, Other Priority Claims, and Statutory Fees.** On the Effective Date, or as soon as practicable thereafter, the Disbursing Agent shall establish and maintain a reserve (to the extent necessary) in an amount equal to the sum of (i) all Disputed Administrative Claims, Disputed Cure Amounts, Disputed Priority Tax Claims and Disputed Other Priority Claims, if any, in an amount equal to what would be distributed to holders of Disputed Administrative Claims, Disputed Priority Tax Claims, Disputed Other Priority Claims, and Disputed Cure Amounts if their Disputed Claims had been deemed Allowed Claims on the Effective Date or on the Administrative Claims Bar Date or such other amount as may be approved by the Bankruptcy Court upon motion of the Debtor, (ii) an estimated amount for unpaid Professional Fee Claims and any other Administrative Claims that

have not been filed as of the Effective Date, and (iii) an estimated amount for unpaid Statutory Fees and Statutory Fees that may become due until the entry of a final decree closing the Chapter 11 Case (together, the “**Administrative Claim Reserve**”). Any such funds shall be maintained by the Disbursing Agent in an account at an authorized bank depository in the Southern District of New York. With respect to such Disputed Claims, if, when, and to the extent any such Disputed Claim becomes an Allowed Claim by Final Order, the relevant portion of the Cash held in reserve therefore shall be distributed by the Disbursing Agent to the Claimant in a manner consistent with distributions to similarly situated Allowed Claims. The balance of such Cash, if any, remaining after all Professional Fee Claims, Disputed Administrative Claims, Disputed Cure Amounts, Disputed Priority Tax Claims, and Disputed Other Priority Claims, have been resolved and distributions made in accordance with the Plan, shall be released and distributed promptly to the Debtor. No payments or distributions shall be made with respect to a Claim that is a Disputed Claim pending the resolution of the dispute by Final Order or agreement of the parties.

7.4 **Reserves for Disputed General Unsecured Claims.** On or prior to the Confirmation Hearing, the Debtor shall provide funds to the Disbursing Agent to establish a reserve (to the extent necessary) in an amount equal to all Disputed General Unsecured Claims, if any (the “**Disputed GUC Reserve**”). For purposes of establishing a reserve for Disputed General Unsecured Claims, Cash will be set aside in an amount equal to the amount that would have been distributed to the holders of Disputed General Unsecured Claims had their Disputed General Unsecured Claims been deemed Allowed Claims on the Effective Date or in such other amount as may be approved by the Bankruptcy Court upon motion of the Debtor. Any such funds shall be maintained by the Disbursing Agent in the Plan Funding Account. With respect to such Disputed General Unsecured Claims, if, when, and to the extent any such Disputed General Unsecured Claims becomes an Allowed Claim by Final Order, the relevant portion of the Cash held in reserve therefor shall be distributed by the Disbursing Agent to the Claimant on the first business day following the end of the calendar month in which the Disputed General Unsecured Claims becomes and Allowed Claim (or earlier in the discretion of the Debtor) and in a manner thereafter consistent with distributions to similarly situated Allowed Claims. The balance of such Cash, if any, remaining in the reserve from Disputed Classified Claims after all such Disputed Claims have been resolved and distributions made in accordance with the Plan, shall be released and distributed promptly to holders of Allowed General Unsecured Claims in the manner provided for herein. No payments or distributions shall be made with respect to a Claim that is a Disputed General Unsecured Claim pending the resolution of the dispute by Final Order or agreement of the parties. The Debtor shall have the right to seek an Order of the Bankruptcy Court, after notice and a hearing, estimating or limiting the amount of Cash or property that must be so deposited on account of any Disputed General Unsecured Claim. The Debtor is authorized to object to the allowance of any Disputed General Unsecured Claim, and may seek to disallow and/or expunge any Disputed General Unsecured Claim.

7.5 **Unclaimed Property.** If any Distribution remains unclaimed for a period of one hundred and twenty (120) days after it has been delivered (or attempted to be delivered) in accordance with the Plan to the holder of such Allowed Claim, such unclaimed property shall be forfeited by such holder, whereupon all right, title and interest in and to the unclaimed property shall be held in reserve by the Disbursing Agent to be distributed to the Debtor.

7.6 **Fractional Cents.** Any other provisions of this Plan to the contrary notwithstanding, no payment of fractions of cents will be made. Whenever any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding down of such fraction to the nearest whole cent.

7.7 **Payments of Less than Twenty-Five Dollars.** If a cash payment otherwise provided for by this Plan with respect to an Allowed Claim would be less than twenty-five (\$25.00) dollars (whether in the aggregate or on any payment date provided in this Plan), notwithstanding any contrary provision of this Plan, the Debtor and/or Disbursing Agent shall not be required to make such payment.

ARTICLE VIII

UNEXPIRED LEASES AND EXECUTORY CONTRACTS

8.1 **Assumption and Rejection of Agreements.**

(a) Any and all pre-petition leases or executory contracts (i) not previously assumed or the subject of a motion to assume pending on the Confirmation Date, or (ii) not designated prior to the Confirmation Date as pre-petition leases or executory contracts to be assumed by the Debtor, shall be deemed rejected by the Debtor. The Debtor has scheduled only its lease of the Property to New Enterprise Realty, LLC, and has no other unexpired leases or executory contracts.

(b) The pre-petition leases and executory contracts set forth on Exhibit A to the Plan (the "**Exhibit A Agreements**"), if any, shall be deemed assumed by the Debtor as of the Confirmation Date; subject, however to the payment of amounts necessary to cure the monetary default under such leases or executory contracts (as to each agreement the "**Cure Amount**").

(c) All counterparties to Exhibit A Agreements shall file with the Bankruptcy Court, and serve on the Debtor, objections, if any, to the Debtor's assumption of their respective leases or executory contracts, and include herein such objections any dispute as to the amount asserted by the Debtor in Exhibit A to the Plan as the Cure Amount. Such objection shall be filed not later than seven (7) days subsequent to the Confirmation Date. Any undisputed Cure Amounts ("**Undisputed Cure Amounts**") shall be paid as soon as practicable following the Effective Date of the Plan, and any disputed Cure Amounts ("**Disputed Cure Amounts**") shall be paid upon the agreement of the parties or further order of the Bankruptcy Court.

8.2 **Claims for Damages.** All proofs of claim with respect to Claims arising from the rejection of executory contracts or leases, if any, must, unless another order of the Bankruptcy Court provides for a different date, be filed with the Bankruptcy Court within thirty (30) days after the mailing of notice of Effective Date. Any and all proofs of claim with respect to Claims arising from the rejection of executory contracts by the Debtor shall be treated as General Unsecured Claims, for purposes of distribution pursuant to the Plan. Unless otherwise permitted by Final Order, any proof of claim that is not filed before the Bar Date (other than those Claims arising from the rejection of executory contracts or leases under the Plan) shall automatically be disallowed as a late filed Claim, without any action by the Debtor, and the holder of such Claim

shall be forever barred from asserting such Claim against the Debtor, its Estate, or property of its Estate.

ARTICLE IX

CONDITIONS TO EFFECTIVE DATE

9.1 **Conditions to Effectiveness of the Plan.** The Plan shall not become effective unless the Confirmation Order is a Final Order and is not subject to any stay or injunction.

9.2 **Notice of the Effective Date; Actions Taken on Effective Date.** The Debtor shall file and serve upon all creditors a notice of the occurrence of the Effective Date within two (2) Business Days thereafter. Unless otherwise specifically provided in the Plan, any action required to be taken by the Debtor on the Effective Date may be taken by the Debtor on the Effective Date or as soon as reasonably practicable thereafter.

ARTICLE X

RETENTION OF JURISDICTION

10.1 **Jurisdiction.** Following the Confirmation Date and until such time as all payments and distributions required to be made and all other obligations required to be performed under this Plan have been made and performed by the Debtor or the Disbursing Agent, as the case may be, the Bankruptcy Court shall retain jurisdiction as is legally permissible, including, without limitation, for the following purposes:

(a) **Claims.** To determine the allowance, extent, classification, or priority of Claims against the Debtor upon objection by the Debtor.

(b) **Injunction, etc.** To issue injunctions or take such other actions or make such other orders as may be necessary or appropriate to restrain interference with the Plan or its execution or implementation by any Person, to construe and to take any other action to enforce and execute the Plan, the Confirmation Order, or any other order of the Bankruptcy Court, to issue such orders as may be necessary for the implementation, executions, performance and consummation of the Plan and all matters referred to herein, and to determine all matters that may be pending before the Bankruptcy Court in the Chapter 11 Case on or before the Effective Date with respect to any Person or Entity.

(c) **Professional Fees.** To determine any and all applications for allowance of compensation and expense reimbursement of Professional for periods before the Effective Date, and objections thereto, as provided for the in the Plan.

(d) **Certain Priority Claims.** To determine the allowance, extent and classification of any Priority Tax Claims, Other Priority Claims, Administrative Claims or any request for payment of an Administrative Claim.

(e) Dispute Resolution. To resolve any dispute arising under or related to the implementation, execution, consummation or interpretation of the Plan and/or Confirmation Order and the making of Distributions under the Plan and/or the Confirmation Order.

(f) Actions. To determine all applications, motions, adversary proceedings, contested matters, actions, and any other litigated matters instituted (either before or after the Effective Date) in the Chapter 11 Case by or on behalf of the Debtor.

(g) General Matters. To determine such other matters, and for such other purposes, as may be provided in the Confirmation Order or as may be authorized under provisions of the Bankruptcy Code or other applicable law.

(h) Plan Modification. To modify the Plan under section 1127 of the Bankruptcy Code, remedy any defect, cure any omission, or reconcile any inconsistency in the Plan or the Confirmation Order so as to carry out its intent and purposes.

(i) Aid Consummation. To issue such orders in aid of consummation of the Plan and the Confirmation Order notwithstanding any otherwise applicable non-bankruptcy law, with respect to any Person or Entity, to the full extent authorized by the Bankruptcy Code.

(j) Implementation of Confirmation Order. To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated.

(k) Final Order. To enter a final order closing the Chapter 11 Case.

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.1 Pre-Confirmation Modification. On notice to and opportunity to be heard by the United States Trustee, the Plan may be altered, amended or modified by the Debtor before the Confirmation Date as provided in section 1127 of the Bankruptcy Code.

11.2 Post-Confirmation Immaterial Modification. The Debtor, insofar as it does not materially and adversely affect the interests of holders of Claims, may correct any defect, omission or inconsistency in the Plan in such manner and to such extent as may be necessary to expedite consummation of this Plan.

11.3 Post-Confirmation Material Modification. The Debtor may alter or amend the Plan after the Confirmation Date in a manner that materially and adversely affects holders of Claims, provided that such alteration or modification is made after notice and a hearing and otherwise meets the requirements of section 1127 of the Bankruptcy Code.

11.4 Withdrawal or Revocation of the Plan. If the Debtor revokes or withdraws the Plan, or if confirmation or consummation of the Plan does not occur, then (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan (including the allowance, fixing or limiting to an amount certain any Claim or Equity Interest or Class of Claims or Equity Interests) and any assumption or rejection of executory contracts or leases

affected by the Plan shall terminate and be of no further force or effect, and any document or agreement executed pursuant to the Plan shall be deemed null and void, and (c) nothing contained in the Plan shall constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtor or any other Person, or prejudice in any manner the rights of any other Person.

11.5 **Payment of Statutory Fees.** The Disbursing Agent shall pay from Cash in the Estate all fees payable due as of the Effective Date pursuant to section 1930 of title 28 of the United States Code. Thereafter, the Disbursing Agent shall pay from Cash in the Estate all United States Trustee quarterly fees under 28 U.S.C. § 1930(a)(6), plus interest due under 31 U.S.C. § 3717, on all disbursements, including plan payments and disbursements in and outside of the ordinary course of business, until the earliest of the entry of a final decree closing the Chapter 11 Case, dismissal of the Chapter 11 Case, or conversion of the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code.

11.6 **Successors and Assigns.** The rights, benefits and obligations of any Person or Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of, the heirs, executors, administrators, successors and/or assigns of such Person or Entities.

11.7 **Comprehensive Settlement of Claims and Controversies.** Pursuant to section 1123(b)(3)(A) of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all claims or controversies relating to the rights that a holder of a Claim or Equity Interest may have with respect to any Allowed Claim or Allowed Equity Interest or any Distribution to be made pursuant to the Plan on account of any Allowed Claim or Allowed Equity Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or causes of action for (a) the Debtor and its Estate, including, without limitation any Person or Entity seeking to exercise a right in a derivative capacity on behalf of the Estate, and (b) the Released Parties, and the Bankruptcy Court's finding that such compromise or settlement is in the best interests of the Debtor, its Estates, its properties and Claim holders and Equity Interest holders, and is fair, equitable and reasonable. For the avoidance of doubt, the compromise and settlement of all claims and causes of action of the Debtor and its Estates as set forth herein shall include any potential avoidance actions accruing to the Debtor or its Estates, which shall not be pursued.

11.8 **Preservation of Insurance.** This Plan shall not diminish or impair the enforceability of any insurance policy, right or claim that may cover Claims against the Debtor (including, without limitation, its members, managers or officers) or any other persons or entity. Likewise, the Plan and Confirmation Order shall not impair any insurance carrier's rights, claims, defenses or disputes under any policy and shall not act to increase or extend any rights of the Debtor or the carries.

11.9 **Cramdown.** The Debtor reserves the right to request confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to any Class of Claims or Equity Interests that rejects, or is deemed to have rejected, the Plan.

11.10 **Filing of Additional Documents.** Except as otherwise provided in the Plan, 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 conditions of the Plan, and the Debtor shall be responsible for the preparation and filing of any reports necessary until entry of a final decree.

11.11 **Governing Law.** Except to the extent that the Bankruptcy Code is applicable, the rights and obligations arising under this Plan shall be governed by and construed and enforced in accordance with the laws of the State of New York.

11.12 **Notices.** Any notice required or permitted to be provided under the Plan shall be in writing and served by either (a) certified mail, return receipt requested, postage prepaid, (b) hand delivery or (c) reputable overnight courier service, freight prepaid, to be addressed as follows:

If to the Debtor: Queen Elizabeth Realty Corp.
157 Hester Street
New York, New York 10013

With a copy to: Robert L. Rattet, Esq.
Herrick, Feinstein LLP
2 Park Avenue
New York, New York 10016
Email: rattet@herrick.com

Mark L. Lubelsky, Esq.
Mark L. Lubelsky and Associates
123 West 18th Street, 8th Floor
New York, New York 10011
Email: mark@mllassociates.com

Lewis Wu
Jeffrey Wu
157 Hester Street
New York, New York 10013

11.13 **Saturday, Sunday or Legal Holiday.** If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

11.14 **Severability.** If any term or provision of the Plan is held by the Bankruptcy Court prior to or at the time of Confirmation to be invalid, void or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as so altered or interpreted. In the event of any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan may, at the option of the

Debtor, remain in full force and effect and not be deemed affected. However, the Debtor reserves the right not to proceed to Confirmation or consummation of the Plan if any such ruling occurs. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

11.15 **Headings.** The headings used in this Plan are inserted for convenience only and neither constitute a portion of the Plan nor in any manner affect the provisions of the Plan.

11.16 **Extinguishment of Causes of Action Under the Avoiding Power Provisions.** On the Effective Date, all rights, claims, causes of action, avoiding powers, suits and proceedings arising under sections 506(c), 544, 545, 547, 548, 549 and 553 of the Bankruptcy Code shall be extinguished unless then pending; provided however, such rights and claims are preserved by the Debtor if asserted defensively or for purposes of offset. Except to the extent released in the Plan or order of the Bankruptcy Court, the Debtor shall have, retain, reserve, and be entitled to assert all other Claims, causes of action, rights of setoff and other legal or equitable defenses which the Debtor had immediately prior to the Petition Date as fully as if the Chapter 11 Case had not been commenced; and any of the Debtor's legal and equitable rights respecting any such Claim which is not specifically waived, extinguished or relinquished by the Plan or order of the Bankruptcy Court may be asserted after the Effective Date to the same extent as if the Chapter 11 Case had not been commenced. The Debtor has conducted an investigation of claims under sections 506(c), 544, 545, 547, 548, 549 and 553 of the Bankruptcy Code that could be asserted against parties, including such potential claims against the Released Parties, and has determined that there is no basis to support such claims, or that there are meritorious defenses to such claims. The Debtor has also conducted an investigation of other claims of the Debtor or third parties against the Released Parties that are being released under the Plan, and has not identified any claims that could be asserted against them.

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CONFIRMATION REQUEST

The Debtor hereby requests confirmation of the Plan pursuant to sections 1129(a) and (b) of the Bankruptcy Code.

Dated: December 24, 2014

DEBTOR

QUEEN ELIZABETH REALTY CORP.

By: /s/ Jeffrey Wu

Name: Jeffrey Wu

Title: President

EXHIBIT A
(ASSUMED CONTRACTS & LEASES)

EXHIBIT B
(LIQUIDATION ANALYSIS)

Queen Elizabeth Realty Corp.
Liquidation Analysis
as of December 3, 2014

	<u>Scheduled/FMV Amounts</u>	<u>Amounts Realized</u> <u>From Forced Liquidation</u>
<u>Assets</u>		
Cash in Bank (estimated at 3/31/15) - 100%	\$ 20,000	\$ 20,000
Accounts Receivable 0-30 Days - (65% realizable)	72,962	47,425
Prepaid Property Taxes	125,814	-
Claim from Receiver (Fong Disputed)	-	-
Real Property, 157 Hester Street (Sales price \$23M, \$1M basis, net of taxes 31.5% & sales costs 8%)	** 20,000,000	11,230,000
Total Assets From Forced Liquidation		<u>11,297,425</u>
<u>Pre Petition Secured Creditors</u>		
Shanghai Commercial Bank		14,000,000
Amount Available for Unsecured Creditors		<u>(2,702,575)</u>
<u>Administrative Unsecured Creditors</u>		
Chapter 7 Bankruptcy Professional Fees (estimated)		200,000
Chapter 11 Bankruptcy Professional Fees (estimated)		450,000
Post Petition Accounts Payable & Accrued Expenses		34,149
Total Administrative Debt		<u>684,149</u>
<u>Pre Petition Unsecured Priority Creditors</u>		
		-
Amount Available for Creditors Holding Unsecured Non-Priority Claims		<u>(3,386,724)</u>
Pre Petition Unsecured Non-Priority Creditors		308,608
Percentage Distribution to Unsecured Non-Priority Creditors		<u>100%</u>

** Appraisal Ordered

Queen Elizabeth Realty Co.

Chapter 11 Case No. 13-12335-SMB

Significant Assumptions to Accompany Liquidation Analysis

12/23/14

1. Cash in bank at 3/31/15 is estimated at \$20,000.
2. Accounts receivable is estimated as 65% realizable at liquidation.
3. Prepaid property taxes are estimated at \$0 upon forced liquidation.
4. The claim from the receiver of \$447,000 is valued at \$0 upon forced liquidation.
5. The value of the real property is valued at \$20,000,000 costs associated with the sale are estimated at \$1,840,000, capital gains at \$6,930,000. The net proceeds are estimated at \$11,230,000.
6. No provision has been made to reflect the contingent receivable from Hong Kong Supermarkets due to the costs of litigation & the deficiency of funds in the Estate to take on such litigation.

EXHIBIT C
(PROJECTIONS)

Queen Elizabeth Realty Co.
Plan Projections
as of December 23, 2014

	<u>March</u> <u>2015</u>	<u>April</u> <u>2015</u>	<u>May</u> <u>2015</u>	<u>June</u> <u>2015</u>	<u>July</u> <u>2015</u>	<u>August</u> <u>2015</u>	<u>September</u> <u>2015</u>	<u>October</u> <u>2015</u>	<u>November</u> <u>2015</u>	<u>December</u> <u>2015</u>	<u>January</u> <u>2016</u>	<u>February</u> <u>2016</u>	<u>10 Months Ending</u> <u>12/31/2016</u>	<u>12 Months Ending</u> <u>12/31/2017</u>
Projected Rental & Late Fee Income	\$ 66,467	\$ 66,467	\$ 66,467	\$ 66,467	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 1,000,000	\$ 1,200,000
Projected Operating Expenses - See Schedule	27,051	27,051	27,051	27,051	27,051	27,051	27,051	27,051	27,051	27,051	28,404	28,404	284,036	357,885
Interest	34,805	59,805	59,786	59,767	59,748	59,670	59,709	59,689	59,670	59,650	59,629	59,609	594,937	707,429
Projected Operating Income	4,611	(20,389)	(20,370)	(20,351)	13,201	13,279	13,240	13,260	13,279	13,299	11,967	11,987	121,027	134,687
Depreciation	10,154	10,154	10,154	10,154	10,154	10,154	10,154	10,154	10,154	10,154	10,154	10,154	101,540	121,848
Projected Net Income (Loss)	\$ (5,543)	\$ (30,543)	\$ (30,524)	\$ (30,505)	\$ 3,047	\$ 3,125	\$ 3,086	\$ 3,106	\$ 3,125	\$ 3,145	\$ 1,813	\$ 1,833	\$ 19,487	\$ 12,839
Cash Balance at Effective Date	20,000	2,718,743	2,606,974	2,495,206	2,383,438	2,303,952	2,225,716	2,147,481	2,067,995	1,989,759	1,911,524	1,830,686	1,751,097	1,056,370
Add: Loan Proceeds New Facility - Net	2,940,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Add: Receivable from Receiver (Fong)	347,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Payment to Chapter 11 Professionals	(450,000)	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Downpayment to P. Wu	(100,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(400,000)	-
Less: United States Trustee Fees	(3,750)	-	-	-	(1,250)	-	-	(1,250)	-	-	(1,250)	-	-	-
Less: Debt Service Shanghai Bank (Principle)	(28,965)	(31,226)	(31,245)	(31,264)	(31,283)	(31,361)	(31,322)	(31,341)	(31,361)	(31,381)	(31,401)	(31,421)	(314,215)	(377,057)
Less: Projected Net Loss	(5,543)	(30,543)	(30,524)	(30,505)	3,047	3,125	3,086	3,106	3,125	3,145	1,813	1,833	19,487	12,839
Ending Cash Balance	2,718,743	2,606,974	2,495,206	2,383,438	2,303,952	2,225,716	2,147,481	2,067,995	1,989,759	1,911,524	1,830,686	1,751,097	1,056,370	692,151

Queen Elizabeth Realty Co.

Chapter 11 Case No. 13-12335-SMB

Significant Assumptions to Accompany Plan Projections

12/23/14

1. Income is based on current rent rolls of \$66,467 per month. Rent rolls increase in July of 2015 to \$100,000 per month.
2. Operating expenses are based upon historical amounts & increase at the rate of 5% per year beginning in 2016.
3. Interest is based upon the current debt structure plus additional borrowings of \$3,000,000, at 10% interest, amortized over a period of 25 years.
4. The claim from the pre-petition Receiver (Fong) in the amount of \$447,000 is disputed. It is anticipated that this amount will become realizable on or before confirmation. It is anticipated that 75% of this amount will be realized.
5. Chapter 11 Professional fees are estimated at \$450,000 & are paid in full on confirmation. Professional fees are subject to application & approval.
6. The Debtor anticipates the purchase of its membership shares from Phillip Wu. The anticipated cost is 1/3 of the equity, estimated at \$1,050,000. The payment is conditioned upon the Receiver's (Fong) judgment being assigned to the Bankruptcy Estate.