

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

In re:) Chapter 11
) Case No. 09-30047
RADLAX GATEWAY HOTEL, LLC, et al.,) (Jointly Administered)
)
Debtors.) Hon. Bruce W. Black

**RADLAX GATEWAY HOTEL, LLC'S AND RADLAX GATEWAY DECK, LLC'S
DISCLOSURE STATEMENT**

RadLAX Gateway Hotel, LLC (“Gateway Hotel”) and RadLAX Gateway Deck, LLC (“Gateway Deck” and together with Gateway Hotel, the “Debtors”), by their attorneys, Perkins Coie, LLP (“Perkins Coie”), provide this Disclosure Statement (as may be amended, the “Disclosure Statement”) to creditors pursuant to 11 U.S.C. § 1125 and in support of their First Amended Joint Chapter 11 Plan dated August 20, 2010 (the “Plan”) filed with the United States Bankruptcy Court for the Northern District of Illinois (the “Bankruptcy Court”) in the above-captioned cases.

The purpose of this Disclosure Statement is to provide creditors whose claims or interests are impaired under the Plan with adequate information to make an informed and prudent business judgment when voting on the Plan. This Disclosure Statement is not meant to take the place of the Plan. Because creditors will be bound by the Plan if the Bankruptcy Court confirms it, the Debtors urge creditors to read the Plan carefully and to consult with their own attorneys about the Plan’s effect on their claims. A copy of the Plan is attached hereto as Exhibit A. Each capitalized term used in this Disclosure Statement that is not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

This Disclosure Statement sets forth certain information regarding the Debtors’ prepetition operating and financial history, their reasons for seeking protection under chapter 11

of the Bankruptcy Code and significant events that have occurred during the Chapter 11 Cases. This Disclosure Statement also describes certain terms and provisions of the Plan, certain effects of confirmation of the Plan and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that Holders of Claims entitled to vote on the Plan must follow for their votes to be counted.

On _____, 2010, the Bankruptcy Court entered an order approving this Disclosure Statement and found that it contains “adequate information” in accordance with section 1125 of the Bankruptcy Code to enable a hypothetical, reasonable investor typical of Holders of Claims against the Debtors to make an informed judgment as to whether to accept or reject the Plan, and the Bankruptcy Court has authorized its use in connection with the solicitation of votes with respect to the Plan. Approval of this Disclosure Statement does not, however, constitute a determination by the Bankruptcy Court as to the fairness or merits of the Plan. No solicitation of votes may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. In voting on the Plan, Holders of Claims entitled to vote should not rely on any information relating to the Debtors and their businesses, other than that contained in this Disclosure Statement, the Plan, the Plan Supplement and all exhibits and appendices hereto and thereto.

I. INTRODUCTION

A. Explanation of Chapter 11

Chapter 11 is a remedial statute designed to effect the rehabilitation and reorganization of financially distressed businesses and individuals, but also allows, as is the case here, the sale of substantially all of a debtor’s assets and distribution of the proceeds in an orderly fashion pursuant to a plan of liquidation. As a general matter, the statutory goals of a reorganization case

under chapter 11 of the Bankruptcy Code include the following: (a) preservation of the debtor's property as a "going concern" and the preservation of any "going concern" value of the debtor's business and property; (b) avoidance of a forced and destructive liquidation of the debtor's assets; (c) protection of the interests of creditors, both secured and unsecured; and (d) restructuring of debts, finances and/or ownership of the debtor such as will enable it to retain those assets necessary to rehabilitate its finances and (at the same time) produce the greatest recovery for creditors.

The filing of these Chapter 11 Cases created Estates consisting of all legal and equitable interests of the Debtors in property as of the date their bankruptcy petitions were filed on August 17, 2009. Sections 1107 and 1108 of the Bankruptcy Code allowed the Debtors to continue in possession of their assets and operate their business. Finally, the filing of the Debtors' chapter 11 petitions triggered the automatic stay under 11 U.S.C. § 362, which barred all attempts to collect prepetition claims from the Debtors or otherwise to interfere with the Debtors' property.

The formulation and confirmation of a plan is the principal function of a chapter 11 case. Such a plan normally includes provisions for (a) settling, altering and modifying the rights of creditors and/or equity security holders; (b) dealing with a debtor's property; (c) paying costs and expenses of administering the chapter 11 case; (d) dealing with executory contracts and unexpired leases; and (e) executing the plan. Confirmation of a chapter 11 plan does not necessarily mean that creditors will receive full payment for all of their claims, but does provide a method for obtaining an equitable and optimal recovery for creditors.

B. Overview of the Plan

The following is a brief overview of the material provisions of the Plan and is qualified in its entirety by reference to the full text of the Plan. For a more detailed description of the terms

and provisions of the Plan, see Article V of this Disclosure Statement, entitled “Summary of the Plan.”

Debtors:	RadLAX Gateway Hotel, LLC and RadLAX Gateway Deck, LLC
General Purpose:	Sale of substantially all of the Debtors’ assets with the Sale Proceeds and all other cash on hand as of the Effective Date distributed to Creditors.
Funding:	Payments to the Creditors shall be funded from the Sale Proceeds and other cash on hand as of the Effective Date.
Liquidating Trust and Liquidation Trustee	The Liquidating Trust shall consist of the Sale Proceeds and other cash on hand as of the Effective Date. The Liquidation Trustee shall perform all duties identified in the Plan.
Classes:	Administrative Claims, Priority Tax Claims and Class 1 and 2 Claims are Unimpaired and thus Holders of those Claims are deemed to have accepted the Plan and are not entitled to vote. Class 8 Interests and Class 9 Claims will not receive any distribution under the Plan and thus Holders of those Interests and Claims are deemed to reject the Plan and are not entitled to vote. Class 3, 4, 5, 6, and 7 Claims are Impaired and thus Holders of those Claims are entitled to vote on the Plan.
Substantive Consolidation:	Debtors will be separately moving to substantively consolidate the bankruptcy estates of the Debtors for Plan distribution purposes.
Voting:	Those Holders of Claims entitled to vote on the Plan should complete the enclosed ballot and file it under the Case Number 09-B-30047 with the Clerk of the United States Bankruptcy Court for the Northern District of Illinois, 219 South Dearborn Street, Room 713, Chicago, Illinois 60604. Ballots must be received on or before _____, 2010. Only those ballots filed in a timely manner will be counted in determining whether a particular Class of creditors has accepted or rejected the Plan. Acceptance necessary for confirmation with respect to each Class voting on the Plan is at least two-thirds in amount and more than one-half in number of total Claims in each Class.

Confirmation Hearing:	On _____, 2010 at _____, __m., the Confirmation Hearing shall be held before the Honorable Judge Bruce W. Black at the Everett McKinley Dirksen Building, 219 South Dearborn Street, Courtroom 615, Chicago, Illinois 60604. Objections to Plan Confirmation are due on or before _____, 2010.
Additional Information:	Requests for additional information regarding the Plan or the Disclosure Statement should be directed to counsel for the Debtors: David M. Neff Perkins Coie LLP 131 South Dearborn, Suite 1700 Chicago, Illinois 60603 Phone: (312) 324-8400 Fax: (312) 324-9400 dneff@perkinscoie.com

The table below summarizes the classification and treatment of Claims against and Interests in the Debtors under the Plan. For certain Classes of Claims, estimated percentage recoveries also are set forth below. Estimated percentage recoveries have been calculated based upon a number of assumptions, including the amount of Allowed Claims in each Class. For certain Classes of Claims, the actual amounts of Allowed Claims could materially exceed or could be materially less than the estimated amounts shown in the table that follows.

<u>Class of Claim / Interest</u>	<u>Treatment</u>	<u>Approximate Number of Holders</u>	<u>Estimated Allowed Claim Amounts</u>	<u>Estimated Payment for Allowed Claims</u>
Unclassified	<p>Unclassified Claims consist of Administrative Claims and Priority Tax Claims.</p> <p>Administrative Claims include the Professional Fee Claims, which consist of Claims of Debtors' investment banker (FBR) and Debtors' bankruptcy counsel (Perkins Coie). The FBR Professional Fee Claim will be paid in full from Sale Proceeds. The remaining Professional Fee Claims identified herein will be paid in full from Effective Date Cash. All of these Professionals must apply in writing to the Bankruptcy Court for payment of their fees and will be paid only upon approval by the Bankruptcy Court.</p> <p>Priority Tax Claims consist of claims entitled to priority under 11 U.S.C. § 507(a)(8). The Debtors are not aware of any unpaid Priority Tax Claims. To the extent there are any Allowed Priority Tax Claims, such Claims will be paid in full from Effective Date Cash on the Effective Date or as soon thereafter as is reasonably practicable.</p>	2 (Professionals)	\$2,600,000	100%

<u>Class of Claim / Interest</u>	<u>Treatment</u>	<u>Approximate Number of Holders</u>	<u>Estimated Allowed Claim Amounts</u>	<u>Estimated Payment for Allowed Claims</u>
Class 1	Class 1 Claims consist of Miscellaneous Secured Claims, which are any Secured Claims other than the Lender Secured Claim and the Los Angeles County Tax Collector Claim. The Debtors are not aware of any Miscellaneous Secured Claims. To the extent there are any Allowed Miscellaneous Secured Claims, such Claims will: (a) be paid in full from Effective Date Cash; (b) have such Claim reinstated; or (c) receive the Property securing such Miscellaneous Secured Claim, on the Effective Date or as soon thereafter as is reasonably practicable.	0	\$0	100%
Class 2	Class 2 Claims consist of Miscellaneous Priority Claims, which are Claims against Debtors entitled to Priority pursuant to 11 U.S.C. § 507(a), other than the Administrative Claims and Priority Tax Claims. The Debtors are not aware of any Miscellaneous Priority Claims. To the extent there are any Allowed Miscellaneous Priority Claims, such Claims will be paid in full from Effective Date Cash on the Effective Date or as soon thereafter as is reasonably practicable.	0	\$0	100%

<u>Class of Claim / Interest</u>	<u>Treatment</u>	<u>Approximate Number of Holders</u>	<u>Estimated Allowed Claim Amounts</u>	<u>Estimated Payment for Allowed Claims</u>
Class 3	<p>The Class 3 Claim consists of the Lender Secured Claim, which is the Claim of the Lender, but only to the extent that such Claim is a Secured Claim as determined by 11 U.S.C. § 506(a)(1). The Holder of the Class 3 Claim will be paid: (a) the Sale Proceeds, after satisfaction in full of (i) any Allowed FBR Professional Fee Claim and (ii) all Allowed Class 4 Claims; and (b) the balance of any Effective Date Cash after satisfaction in full of any Allowed Administrative Claims, any Allowed Priority Tax Claims, any Allowed Class 1 Claims, any Allowed Class 2 Claims, any monetary cure amounts that are required to be paid to nondebtor parties to executory contracts and unexpired leases in connection with the assumption or assumption and assignment of such executory contracts and unexpired leases by the Debtors and, only to the extent that the Cash in the Real Estate Tax Escrow Reserves is insufficient, the Allowed Los Angeles County Tax Collector Claim, on or as soon as reasonably practicable after the later of (a) the Effective Date, (b) the date on which such Class 3 Claim becomes Allowed, and (c) the entry of one or more Final Orders by the California State Court in the Mechanic’s Lien Litigation determining the amount and validity of the Bonded Stop Notice Mechanic’s Lien Claims.</p>	1	\$130,000,000	20%

<u>Class of Claim / Interest</u>	<u>Treatment</u>	<u>Approximate Number of Holders</u>	<u>Estimated Allowed Claim Amounts</u>	<u>Estimated Payment for Allowed Claims</u>
Class 4	<p>Class 4 Claims consist of Bonded Stop Notice Mechanic’s Lien Claims, which are bonded stop notice claims asserted against the Lender pursuant to section 3172 of the California Civil Code by mechanic's lien claimants related to liens asserted against the Real Property. Holders of Allowed Class 4 Claims will be paid 100% of the principal amount of their Allowed Claims from the Sale Proceeds, after satisfaction in full of any Allowed FBR Professional Fee Claim, on or as soon as reasonably practicable after the later of (a) the Effective Date, (b) the date on which such Class 4 Claim becomes Allowed, and (c) the entry of one or more Final Orders by the California State Court in the Mechanic’s Lien Litigation determining the amount and validity of the Bonded Stop Notice Mechanic’s Lien Claims. Distributions to the Holders of Class 4 Claims will not be made if it is determined that the Lender has reserved sufficient funds to pay all such Allowed Claims.</p>	21	\$23,000,000	<p>100% (without interest, penalties or other fees)</p>

<u>Class of Claim / Interest</u>	<u>Treatment</u>	<u>Approximate Number of Holders</u>	<u>Estimated Allowed Claim Amounts</u>	<u>Estimated Payment for Allowed Claims</u>
Class 5	The Class 5 Claim consists of the Los Angeles County Tax Collector Claim, which is the principal amount of the Secured Claim of the Los Angeles County Tax Collector for real estate taxes related to the Real Property. The Holder of the Allowed Class 5 Claim will be paid 100% of the principal amount of the Allowed Class 5 Claim from the Real Estate Tax Escrow Reserve (and Effective Date Cash in the event the funds in the Real Estate Tax Escrow Reserve are insufficient) as soon as reasonably possible after the Effective Date.	1	\$1,083,000	100% (without interest, penalties or other fees)
Class 6	Class 6 Claims consist of General Unsecured Claims, which are all of the Allowed Claims that are not Administrative Claims, Priority Tax Claims, Miscellaneous Secured Claims, Miscellaneous Priority Claims, the Lender Secured Claim, the Los Angeles County Tax Collector Claim, the Deficiency Claim or Insider Claims. Each Holder of an Allowed Class 6 Claim will be paid its Pro Rata Share of a total of \$500,000 in Cash from the Creditor Profit Sharing Income, with the first Cash distribution of \$100,000 occurring within ninety (90) Days following the expiration of the first Operating Year, the second Cash distribution of \$200,000 occurring within ninety (90) Days following the expiration of the second Operating Year, and the third and final Cash distribution of \$200,000 occurring within ninety (90) Days following the expiration of the third Operating Year.	231	\$3,050,000	16%

<u>Class of Claim / Interest</u>	<u>Treatment</u>	<u>Approximate Number of Holders</u>	<u>Estimated Allowed Claim Amounts</u>	<u>Estimated Payment for Allowed Claims</u>
Class 7	The Class 7 Claim consists of the Deficiency Claim, which is the Claim of the Lender, but only to the extent that such Claim is an Unsecured Claim as determined by 11 U.S.C. § 506(a)(1). The Holder of the Allowed Class 7 Claim will be paid a total of \$250,000 in Cash from the Creditor Profit Sharing Income, with the first Cash distribution of \$50,000 occurring within ninety (90) Days following the expiration of the first Operating Year, the second Cash distribution of \$100,000 occurring within ninety (90) Days following the expiration of the second Operating Year, and the third and final Cash distribution of \$100,000 occurring within ninety (90) Days following the expiration of the third Operating Year.	1	\$104,000,000	<1%
Class 8	Class 8 consists of Interests, including any and all equity interests, ownership interests or shares in the Debtors issued by the Debtors prior to the Petition Date. Class 8 Interests will not receive or retain any property under the Plan and will be canceled on the Effective Date.	2	\$0	0%
Class 9	Class 9 Claims consist of Insider Claims, which are any Claim of an Insider against any of the Debtors. Class 9 Claims will not receive or retain any property under the Plan and will be extinguished on the Effective Date.	0	\$0	0%

THIS IS ONLY A SUMMARY OF CERTAIN INFORMATION CONTAINED IN THE PLAN AND DISCLOSURE STATEMENT. ALL CREDITORS AND OTHER PARTIES IN INTEREST ARE URGED TO REVIEW THOSE DOCUMENTS IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN OR TAKING ANY ACTION WITH RESPECT THERETO.

C. Voting and Confirmation

Whether the Debtors implement the Plan depends upon whether creditors vote to accept the Plan and whether the Bankruptcy Court confirms (i.e., approves) the Plan. The Bankruptcy Code provides that only creditors whose Claims are “impaired,” as that term is defined by 11 U.S.C. § 1124, are entitled to vote on the Plan. Essentially, the Plan impairs a creditor’s claim if it alters the creditor’s legal or equitable rights. Creditors whose claims are not impaired (i.e., creditors who will receive everything that they are legally entitled to receive) automatically are deemed to have accepted the Plan. Creditors who will receive nothing under the Plan automatically are deemed to have rejected the Plan.

Each creditor entitled to vote will receive (a) the Plan, (b) this Disclosure Statement, (c) a notice informing creditors of the date, time and place of the confirmation hearing, and (d) a ballot. Ballots must be filed under the lead case number – 09 B 30047 – with the Clerk’s Office, 219 S. Dearborn Street, Room 713, Chicago, IL 60604, and will be tabulated by the Debtors’ counsel after creditors complete voting. Each class of impaired creditors will have accepted the Plan if members of the class that hold at least two-thirds in dollar amount and more than one-half in number of all Allowed Claims in that class voting on the Plan have voted to accept the Plan.

The Confirmation hearing will be held before the Honorable Bruce W. Black at the United States Bankruptcy Court for the Northern District of Illinois, Everett McKinley Dirksen

Building, Courtroom 615, 219 South Dearborn Street, Chicago, Illinois. If confirmed, the Plan will become effective on the Effective Date, which will be the first Business Day following the date on which all conditions to consummation set forth in Article IX of the Plan have been satisfied or waived (if capable of being duly and expressly waived), provided that no stay of the Confirmation Order is then in effect.

II. DISCLAIMERS

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN DOCUMENTS RELATING TO THE PLAN, CERTAIN EVENTS THAT HAVE OCCURRED IN THE CHAPTER 11 CASES AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE DEBTORS BELIEVE THAT THE SUMMARIES OF THE PLAN AND RELATED DOCUMENT SUMMARIES ARE FAIR AND ACCURATE AS OF THE DATE HEREOF, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS AND TO THE EXTENT THAT THEY MAY CHANGE AS PERMITTED BY THE PLAN AND APPLICABLE LAW. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

NOTHING CONTAINED HEREIN SHALL BE DEEMED TO CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, BE ADMISSIBLE IN

ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS OR INTERESTS. YOU SHOULD CONSULT YOUR PERSONAL COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS RESPECTING TAX, SECURITIES OR OTHER LEGAL CONSEQUENCES OF THE PLAN.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS. EXCEPT AS OTHERWISE SPECIFICALLY AND EXPRESSLY STATED HEREIN, THIS DISCLOSURE STATEMENT DOES NOT REFLECT ANY EVENTS THAT MAY OCCUR SUBSEQUENT TO THE DATE HEREOF AND THAT MAY HAVE A MATERIAL IMPACT ON THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. FURTHER, THE DEBTORS DO NOT ANTICIPATE THAT ANY AMENDMENTS OR SUPPLEMENTS TO THIS DISCLOSURE STATEMENT WILL BE DISTRIBUTED TO REFLECT SUCH OCCURRENCES. ACCORDINGLY, THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCE IMPLY THAT THE INFORMATION HEREIN IS CORRECT OR COMPLETE AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THE DEBTORS BELIEVE THAT THE PLAN WILL ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF THE DEBTORS, THEIR CREDITORS AND THEIR ESTATES.

THE DEBTORS URGE ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT THE PLAN.

III. GENERAL INFORMATION CONCERNING THE DEBTORS

A. Description of the Debtors' Business Operations

Gateway Hotel owns the Radisson Hotel at Los Angeles International Airport (the "Hotel"), which is the closest hotel (within walking distance) to Los Angeles International Airport and has 580 guest rooms, including 180 business-class rooms and 20 suites. Gateway Deck owns a parcel of real estate adjacent to the Hotel (the "Parking Land" and together with the Hotel, the "Real Property") upon which it had been constructing a parking structure prior to having its funding terminated by its lender before the Petition Date. Gateway Hotel operates the Hotel as a Radisson Hotel pursuant to a License Agreement dated November 20, 2007 between Radisson Hotels International, Inc. and Gateway Hotel (the "License Agreement"). The Hotel is managed by Portfolio LAX, LLC ("Portfolio") pursuant to a Management Agreement for Radisson Hotel at Los Angeles Airport dated October 31, 2007 between Gateway Hotel and Portfolio.

B. The Debtors' Prepetition Financing

In November, 2007, the Debtors obtained a \$142,000,000 construction loan (the "Loan") from Amalgamated Bank, as Trustee of the Longview Ultra Construction Loan Investment Fund ("Amalgamated"), in its capacity as administrative agent for itself and San Diego National Bank ("SDNB" and together with Amalgamated, the "Lender") to renovate the Hotel and build a new parking structure upon the Parking Land. As of the Petition Date, the Debtors owed the Lender in excess of \$130,000,000 on account of the Loan.

At the time the Loan was originated, SDNB was owned by FBOP Corporation, an Oak Park, Illinois based bank holding company. In the third and fourth quarters of 2008, FBOP

Corporation was forced to write off the entirety of its nearly \$800 million worth of investments of preferred shares in government-sponsored entities Freddie Mac (Federal Home Loan Mortgage Corporation) and Fannie Mae (Federal National Mortgage Association), which FBOP Corporation had spread out amongst its subsidiary banks, including SDNB, after both of the mortgage companies were seized by the federal government on September 8, 2008. Those investment losses left SDNB critically undercapitalized, which ultimately lead to the seizure of SDNB by the Federal Deposit Insurance Corporation (the "FDIC") and its sale to U.S. Bank National Association ("U.S. Bank").

On October 30, 2009, SDNB was closed and the Federal Deposit Insurance Corporation (the "FDIC") became the receiver of SDNB. Pursuant to a certain Purchase and Assumption Agreement dated as of October 30, 2009 among Federal Deposit Insurance Corporation, Receiver of San Diego National Bank, San Diego, CA, U.S. Bank, National Association ("U.S. Bank") and the FDIC, which includes a certain Commercial and Other Assets Shared Loss Agreement, (a) U.S. Bank purchased certain of SDNB's loans, including SDNB's interest in or portion of the Hotel Loan and the Restaurant Loan, and (b) the FDIC may be obligated to reimburse U.S. Bank for up to 80% of U.S. Bank's losses in connection with the Hotel Loan and the Restaurant Loan.

C. Events Leading to Commencement of the Chapter 11 Cases

As contemplated by the Loan, Gateway Hotel renovated the Hotel over the course of the second half of 2008 and Gateway Deck commenced construction in August, 2008 to build a new eight-level parking structure on the Parking Land. At the time of the Loan origination in November of 2007, the parking structure was anticipated to consist of only seven levels. Soon thereafter, Gateway Deck obtained the necessary entitlements from the City of Los Angeles to increase the size of the parking structure to eight levels.

In August of 2008, Gateway Deck began demolishing the old parking structure and immediately upon completion of that demolition began construction of the new eight-level parking structure. The Lender and its third party construction consultant were provided with the revised construction plans for the larger parking structure and the revised and increased budget for its construction prior to commencement of the demolition and the new construction. Thereafter, Gateway Deck made regular monthly draw requests to the Lender for funds under the Loan to pay for the construction of the parking structure, which draw requests were all reviewed, approved and funded by the Lender.

After March of 2009, the Lender terminated all funding under the Loan notwithstanding the fact that (a) the Lender had approved additional funding to account for the construction of an additional level to the parking structure, (b) contractors and subcontractors were owed substantial sums of money on account of work performed at the Hotel and upon the Parking Land, (c) the Lender had previously reviewed, approved and funded numerous construction draw requests under the Loan, (d) the Lender had directly encouraged and convinced the major contractors to continue working on the Hotel renovations and the parking structure and that the Lender would continue funding under the Loan in response to those contractors concerns to Gateway Deck and the Lender about funding future draw requests after prior draw requests had been funded late, and (e) Gateway Deck had executed a contract to sell the parking structure upon its completion for a profit well in excess of \$40 million. As a result, construction ceased and numerous parties filed mechanic's liens and commenced lawsuits against the Debtors to enforce their rights under applicable California law, which claims total approximately \$23,000,000.

The Debtors tried to address these issues with the Lender, but to no avail. Even though the Lender had not commenced any foreclosure action, the Debtors were forced to file the Chapter 11 Cases on August 17, 2009 to obtain breathing space to address pressures from the litigation commenced by mechanic's lien claimants and to avoid potential termination of the License Agreement.

IV. THE CHAPTER 11 CASES

A. Continuation of Business; Stay of Litigation

On August 17, 2009 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. On August 20, 2009, the Bankruptcy Court entered an order directing joint administration of the Debtors' cases under Case No. 09-30047. Since the Petition Date, the Debtors have continued to operate as debtors in possession subject to the supervision of the Bankruptcy Court and in accordance with the Bankruptcy Code. The Debtors are authorized to operate their business and manage their properties in the ordinary course of business, with transactions outside of the ordinary course of business requiring Bankruptcy Court approval.

An immediate effect of the filing of the Debtors' bankruptcy petitions was the imposition of the automatic stay under section 362 of the Bankruptcy Code, which, with limited exceptions, enjoins the commencement or continuation of all collection efforts by creditors, the enforcement of liens against property of the Debtors and the continuation of litigation against the Debtors. The relief provides the Debtors with the "breathing room" necessary to assess their business and prevent creditors from obtaining an unfair recovery advantage while the Chapter 11 Cases are pending.

B. First Day Motions

Within the first several days following the Petition Date, the Debtors filed certain motions seeking relief by virtue of so-called “first day orders.” First day motions and orders are intended to facilitate the transition between a debtor’s prepetition and postpetition business operations by approving certain regular business practices that may not be specifically authorized under the Bankruptcy Code or as to which the Bankruptcy Code requires prior Bankruptcy Court approval. The first day motions filed in the Chapter 11 Cases are typical of motions filed in medium to large chapter 11 cases across the country. Such motions sought, among other things, the following relief:

- Joint administration of the Debtors’ bankruptcy cases;
- Interim use of cash collateral;
- The maintenance of the Debtors’ bank accounts and operation of their cash management system substantially as such systems existed prior to the Petition Date;
- Payment of employees’ prepetition wages, benefits and expense reimbursements;
- Authority to administer customer programs and honor certain prepetition obligations to customers;
- Payment of prepetition sales, use and occupancy taxes; and
- Approval of procedures to provide utility companies with adequate assurance of future payment, which prohibited utility companies from discontinuing service to the Debtors.

C. Retention of Professionals

The Debtors applied for and obtained Bankruptcy Court approval to retain certain professionals to assist the Debtors with their restructuring efforts, including Perkins Coie as the Debtors’ bankruptcy counsel, FBR Capital Markets & Co. (“FBR”) as the Debtors’ financial consultant and investment banker and W&R Hospitality Services d/b/a HVS Global Hospitality

Services (“HVS” and together with Perkins Coie and FBR, the “Professionals”) as the Debtors’ hotel appraiser.

D. Authorization to Use Cash Collateral

As of the Petition Date, Gateway Hotel held the operating proceeds of the Hotel on which the Lender asserts a first priority lien and security interest (the “Cash Collateral”). Cash Collateral is defined in section 363 of the Bankruptcy Code and includes, but is not limited to, “cash, negotiable instruments, documents of title, securities, deposit accounts, . . . other cash equivalents . . . and . . . proceeds, products, offspring, rents or profits of property subject to a security interest . . .” 11 U.S.C. § 363(a). Under the Bankruptcy Code, Gateway Hotel is prohibited from using Cash Collateral unless either the Lender holding a security interest in the Cash Collateral consents or the Bankruptcy Court, after notice and a hearing, authorizes such use.

On the Petition Date, Gateway Hotel filed *Debtor’s Emergency Motion for Interim and Final Orders Authorizing Debtor to Use Cash Collateral and Other Collateral and Granting Adequate Protection Pursuant to Sections 361 and 363 of the Bankruptcy Code, and to Schedule a Final Hearing* (the “Cash Collateral Motion”), pursuant to which Gateway Hotel sought (a) authority on an interim basis to use Cash Collateral in accordance with a proposed budget, (b) authority on an interim basis to provide adequate protection to the Lender, (c) a final hearing on the Cash Collateral Motion, (d) authority on a final basis to use cash collateral in accordance with a proposed budget and (e) authority on a final basis to provide adequate protection to the Lender.

Since the Petition Date, the Bankruptcy Court has entered eight Interim Orders authorizing Hotel Partners to use Cash Collateral on an interim basis, which orders were entered on August 18, 2009, September 17, 2009, October 29, 2009, December 16, 2009, March 16,

2010, April 21, 2010, June 10, 2010, and June 24, 2010. Consequently, Gateway Hotel is authorized to continue to use Cash Collateral through and including September 22, 2010 in accordance with the Eighth Interim Order Authorizing Debtor to Use Prepetition Collateral, including Cash Collateral, and Granting Adequate Protection Pursuant to 11 U.S.C. §§ 361 and 363. The Debtors have not needed to borrow funds since the Petition Date and have been able to maintain their business and satisfy all postpetition operating expenses from the cash proceeds generated by the Hotel.

E. Other Important Events in the Chapter 11 Cases

Prior to the Petition Date, certain contractors and/or subcontractors commenced litigation against both the Debtors and the Lender in the Superior Court for the State of California, County of Los Angeles (the “California State Court”) seeking, among other things, to (a) foreclose their purported mechanic’s lien claims against the Debtors’ Real Property, and (b) enforce payment of their bonded stop notice claims against the Lender pursuant to section 3172 of the California Civil Code (collectively, the “Mechanic’s Lien Litigation”). After the Petition Date, the Debtors filed notices of bankruptcy and suggestions of automatic stay in the Mechanic’s Lien Litigation. Thereafter, the Debtors removed Mechanic’s Lien Litigation from the California State Court to the United States Bankruptcy Court for the Central District of California (the “California Bankruptcy Court”) as the first step in transferring the cases to the Bankruptcy Court to be adjudicated in the context of the Chapter 11 Cases. The California Bankruptcy Court ultimately remanded the Mechanic’s Lien Litigation back to the California State Court, which stayed the mechanic’s lien claimants’ foreclosure actions against the Debtors but permitted the bonded stop notice claims against the Lender to proceed.

On November 24, 2009, LAX Enterprise, L.P. (“Enterprise”), the owner of a vacant office building adjacent to the Hotel, filed a motion (the “Enterprise Motion”) seeking an order

requiring the immediate payment of an administrative priority claim in excess of \$4 million resulting from the Debtors' alleged interference with a purported easement Enterprise claims on the Parking Land. The Debtors' opposed the Enterprise Motion and do not believe that Enterprise is entitled to any administrative expense claim in the Chapter 11 Cases. The Bankruptcy Court set a trial date of November 8, 2010 to resolve the Enterprise Motion.

F. Marketing the Debtors' Business and Assets

At the outset of the Chapter 11 Cases, the Debtors were uncertain what form their plan might take. As a result, the Debtors retained FBR to find either debt or equity to allow the Debtors to reorganize and confirm a plan. FBR is a nationally-recognized, leading investment banking firm with substantial real estate expertise focusing on raising capital for owners and developers of hospitality and lodging properties, commercial and residential developers, and commercial and retail REITs.

In November, 2009, FBR began marketing the Debtors' assets in an effort to generate interest in and offers for additional equity and/or financing alternatives. Since that time, interested parties have conducted extensive due diligence and evaluated the Debtors, their business, their assets, and their liabilities. Specifically, FBR targeted more than 80 individuals and entities regarding the Debtors' business and assets (the "Targets"). The Targets consisted of private equity, hedge funds, public asset managers, public and private hospitality companies, and opportunity funds, all of which had been verified as possessing available capital and the ability to close one or more transactions without any financing contingencies. Of those Targets, 30 executed confidentiality agreements (thereby granting them access to an on-line data room) and the Debtors' representatives and FBR had dozens of telephone conferences and/or in person meetings with these Targets.

After more than five months of marketing, FBR received four offers, including that of LAX Century & Sepulveda Hotel, LLC (the "Stalking Horse Bidder"). The Stalking Horse Bidder submitted the highest and best offer for the acquisition of substantially all of the Debtors' assets. The Stalking Horse Bidder will be comprised at least 95% of Och-Ziff Real Estate Acquisitions LP, or its designee ("OZRE"), which is a New York-based real estate investment firm that is not owned in any way by the Debtors or any of their principals, insiders or affiliates. OZRE has acquired over \$3 billion of real estate assets, including eight million square feet of office and industrial property, over 10,000 multifamily and senior housing units, 3,000 hotel rooms and seven million square feet of retail assets throughout the United States. OZRE is an affiliate of Och-Ziff Capital Management ("OZCM"), which is a global institutional asset management firm that manages over \$22 billion of assets. More information about OZRE and OZCM can be found on the internet at www.ozcap.com.

OZRE is allowing others, including The Harp Group, Inc. ("Harp"), to obtain up to a 5% interest in the Stalking Horse Bidder for cash. Harp does not own an interest in the Debtors, but (a) its sole shareholder, Peter G. Dumon, has an indirect ownership interest in the Debtors and is one of the Debtors' principals and decision-makers, and (b) Harp's Executive Vice President, Timothy G. Franzen, has an indirect ownership interest in the Debtors and is also one of the Debtors' principals and decision-makers. Another entity that may obtain a portion of that five percent interest in the Stalking Horse Bidder is Blue Vista Capital, LLC ("Blue Vista"). Blue Vista also holds an indirect ownership interest in the Debtors. More information about Blue Vista can be found on the internet at www.bluevistallc.com. Thus, the practical effect is that the Debtors' insiders may only acquire a *de minimus* interest in the Stalking Horse Bidder. Moreover, the Hotel's current management company, Portfolio (a wholly owned subsidiary of

Portfolio Hotels & Resorts, LLC), will continue to manage the Hotel if the Stalking Horse Bidder purchases it.

On August __, 2010, the Debtors filed an amended Hotel Asset Purchase and Sale Agreement (the "Asset Purchase Agreement"), which memorializes the terms and conditions of the proposed sale (the "Sale") of the Real Property to the Stalking Horse Bidder pursuant to the Plan. Under the Asset Purchase Agreement and Plan, as applicable, the bankruptcy estates of the Debtors will be substantively consolidated and the Stalking Horse Bidder will pay to the Debtors' Estates a cash purchase price of \$47,500,000 (the "Purchase Price"), plus any additional sums to be paid by the Stalking Horse Bidder pursuant to the Asset Purchase Agreement, by adjustment or otherwise, minus any credits the Stalking Horse Bidder is entitled to under the Asset Purchase Agreement, by adjustment or otherwise (collectively, the "Sale Proceeds"). The Debtors further anticipate that they will have cash totaling approximately \$1,500,000 on hand as of the Effective Date that will have been escrowed by the Debtors for the payment of real estate taxes (the "Real Estate Tax Escrow Reserve"), plus an additional \$3,600,000 of cash as of the Effective Date of the Plan, (the "Cash on Hand" and together with the Real Estate Tax Escrow Reserve, the "Effective Date Cash").

Pursuant to the Asset Purchase Agreement, the Debtors are required to: (a) obtain a final, non-appealable Bankruptcy Court order approving the Bid Procedures on or before August 31, 2010; (b) obtain a final, non-appealable Bankruptcy Court order approving this Disclosure Statement on or before October 11, 2010; (c) obtain a final, non-appealable Bankruptcy Court order confirming the Plan on or before December 16, 2010; and (d) cause the effective date of the Plan to occur on or before December 31, 2010. Should the Debtors not meet any one or more

of the foregoing deadlines, the Stalking Horse Bidder has the right to terminate the Asset Purchase Agreement without any liability.

The Debtors have concluded, in their business judgment, that the Asset Purchase Agreement represents the highest and best proposal received by the Debtors for their assets to date. Moreover, FBR will continue to market the Debtors' assets to try and obtain competing bids. Therefore, the Debtors believe that the value they will realize from the sale process they propose will constitute fair market value for their assets and will support a confirmable Plan that will maximize value to their various creditor constituencies and bring a successful conclusion to these Chapter 11 Cases.

The Plan provides that the Sale Proceeds from the Stalking Horse Bidder, as well as certain assumed obligations by the Stalking Horse Bidder, will be used to pay Administrative Claims, Priority Claims, Secured Claims and Unsecured Claims. The Asset Purchase Agreement will be subject to higher or otherwise better bids at the Auction. However, for any successful bidder to be chosen as the highest or otherwise best bid, that bidder must provide a bid that pays the claims that must be paid to confirm a chapter 11 plan. If any potential bidder provides a bid that will not fund a confirmable chapter 11 plan, such bid will not be chosen as the highest or otherwise best bid. The Debtors presently cannot inform Creditors either if another bidder will be chosen as the successful bidder or the terms that such bidder may propose. However, the Asset Purchase Agreement provides a floor that any successful bidder must "top." To "top" the Stalking Horse Bid, any other bidder must provide no less to Creditors than the Stalking Horse Bidder provides. Creditors must realize, however, that in order to receive any distributions from either the Asset Purchase Agreement or any other successful bid, the Bankruptcy Court must confirm the Plan.

G. Bid Procedures

On June 4, 2010, the Debtors filed *Debtors' Motion for an Order: (A) approving bid procedures for the sale of substantially all of the Debtors' assets; (B) scheduling an auction; (C) approving assumption and assignment procedures; (D) approving form of notice; and (E) granting related relief* (the "Sale and Bid Procedures Motion") with the Bankruptcy Court. Through the Sale and Bid Procedures Motion, the Debtors proposed, among other things, the procedures (the "Sale and Bid Procedures") to sell substantially all of the Debtors' assets, including the Real Property, at an open and fair Auction to the highest and best Qualified Bid, as described in more detail in the Sale and Bid Procedures Motion. On _____, 2010, the Bankruptcy Court granted the Sale and Bid Procedures Motion and approved the Sale and Bid Procedures. Pursuant to the Sale and Bid Procedures, no holder of a lien on any of the Debtors' assets is permitted to credit bid at the Auction. If any of the Debtors' secured creditors wish to bid on the assets, they must do so with Cash. Should a higher and otherwise better bid from someone other than the Stalking Horse Bidder become the successful bid at the Auction, and that successful bidder closes the Sale, the Debtors would become obligated to provide a \$1,425,000 break-up fee to the Stalking Horse Bidder. As a result, any initial competing bids at the Auction must total at least \$49,175,000, which totals the Purchase Price under the Asset Purchase Agreement, plus \$1,425,000 (the break-up fee) and an additional \$250,000 overbid.

H. Substantive Consolidation

The Debtors anticipate filing a motion with the Bankruptcy Court to substantively consolidate the Debtors' Estates in conjunction with seeking Plan confirmation. Substantive consolidation effectively results in the two Debtors being treated as one entity, and correspondingly their creditors being grouped together for Plan purposes.

V. SUMMARY OF THE PLAN

The formulation and confirmation of a plan is the principal function of a chapter 11 case. Such a plan normally includes provisions for (a) settling, altering and modifying the rights of creditors and/or equity holders, (b) dealing with the property of the debtor, (c) paying costs and expenses of administering the chapter 11 case, (d) dealing with executory contracts and unexpired leases and (e) executing the plan. Chapter 11 plans do not necessarily mean that creditors will receive full payment for all of their claims, but do provide a method for obtaining an equitable and optimal recovery for creditors.

The Plan for these Chapter 11 Cases is structured as a joint plan and provides for the Sale of substantially all of the Debtors' assets through a Bankruptcy Court-approved auction process. The Debtors will pursue all reasonably available actions to maximize distributions under the Plan to Holders of Claims.

A. Classification and Treatment of Claims and Interests

The following is a summary of the provisions of the Plan as they relate to the classification and treatment of claims and interests thereunder. This summary is not the Plan. All parties in interest are referred to the Plan for full and complete information as to its provisions. To the extent there are any inconsistencies, the Plan will control.

The Plan generally provides for the following distributions to Holders of Claims and Interests: (a) the Sale Proceeds will first be used to satisfy in full all costs of sale, including, without limitation, FBR's Allowed Administrative Claim; (b) the Sale Proceeds will next be used to satisfy in full the amount of all Allowed Bonded Stop Notice Mechanic's Lien Claims (as may be determined by the California State Court in the Mechanic's Lien Litigation and only to the extent the Lender has not reserved sufficient cash to satisfy all such claims); (c) the balance of the Sale Proceeds will then be distributed to the Holder of the Allowed Lender Secured Claim;

(d) cash in the Real Estate Tax Escrow Reserve will be used to satisfy the Allowed Los Angeles County Tax Collector Claim; (e) Effective Date Cash (excluding funds in the Real Estate Tax Escrow Reserve) will first be used to pay in full all Allowed Administrative Claims (other than FBR's Allowed Claim), any Allowed Priority Tax Claims, any Allowed Miscellaneous Secured Claims, any Allowed Miscellaneous Priority Claims, any monetary cure costs required to be paid by the Debtors as a result of the assumption or assumption and assignment of any executory contracts or unexpired leases by the Debtors, the Los Angeles County Tax Collector Claim (only if the Real Estate Tax Escrow Reserve is insufficient), with the balance of such Effective Date Cash (excluding funds in the Real Estate Tax Escrow Reserve) to be distributed to the Holder of the Allowed Lender Secured Claim.

The Asset Purchase Agreement and Plan further provide that the Stalking Horse Bidder will pay to the Liquidating Trust the Creditor Profit Sharing Income, comprising of a total of \$750,000 in Cash of Creditor Profit Sharing Income, of which \$500,000 shall be distributed *pro rata* to the Holders of Allowed General Unsecured Claims and of which \$250,000 shall be distributed to the Holder of the Allowed Lender Deficiency Claim over a period of three years commencing on the Effective Date.

There are eight classes of Claims and one class of Interests under the Plan. Administrative Claims and Tax Claims are not subject to classification pursuant to 11 U.S.C. § 1123(a)(1) and thus are not entitled to vote. Class 1 and Class 2 Claims are Unimpaired and thus are presumed to have accepted the Plan pursuant to 11 U.S.C. § 1126(f). Interests in Class 8 and Claims in Class 9 will receive nothing under the Plan and thus are presumed to have rejected the Plan pursuant to 11 U.S.C. § 1126(g). Only Claims in Classes 3, 4, 5, 6 and 7 are Impaired and thus entitled to vote on the Plan.

The Plan contemplates distribution of available funds to the following Classes of Claimants in the order provided below.

1. Unimpaired Claims

a. Unclassified Claims

Unclassified Claims consist of Administrative Claims, which are obligations of the Debtors incurred after the Petition Date pursuant to 11 U.S.C. §§ 507(a)(1) and 503(b) that have remained unpaid (primarily fees of Professionals), and Priority Tax Claims entitled to priority pursuant to 11 U.S.C. § 507(a)(2).

During the pendency of these Chapter 11 Cases, the Bankruptcy Court authorized the Debtors to employ Perkins Coie as the Debtors' bankruptcy counsel and FBR as the Debtors' financial advisor and investment banker. The compensation of these Professionals employed by the Debtors is subject to Bankruptcy Court approval. These Professionals are required to file a written application setting forth their compensation requested. All creditors must be provided with notice of the fee application and an opportunity to be heard. Perkins Coie has filed two interim applications seeking compensation from August 13, 2009 through and including April 30, 2010. In connection therewith, the Bankruptcy Court has approved interim compensation to Perkins Coie in the total amount of \$356,795.73. The Debtors estimate that their additional Professional fees from May 1, 2010 through Plan confirmation, excluding FBR's commission on the Sale, will total approximately \$500,000.

Administrative Claims also include claims payable under 28 U.S.C. § 1930, commonly called U.S. Trustee fees, which the Debtors have paid on a quarterly basis during the pendency of these Chapter 11 Cases. The Debtors or the Liquidation Trustee shall pay any remaining unpaid U.S. Trustee fees on or before the Effective Date or as soon thereafter as reasonably

practicable and continue to pay all applicable U.S. Trustee fees until the Chapter 11 Cases are closed.

The Debtors do not believe they have any Priority Tax Claims entitled to priority under 11 U.S.C. § 507(a)(8). To the extent there are any Allowed Priority Tax Claims, the Debtors or the Liquidation Trustee shall pay all such claims in full on the Effective Date or as soon thereafter as is reasonably practicable.

b. Class 1 Claims (Miscellaneous Secured Claims)

Class 1 Claims consist of Miscellaneous Secured Claims, which are any Secured Claims other than the Lender Secured Claim, and the Los Angeles County Tax Collector Claim. The Debtors are not aware of any Class 1 Claims. To the extent that there are any Class 1 Claims, each Holder of an Allowed Class 1 Miscellaneous Secured Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) Cash equal to the amount of such Allowed Miscellaneous Secured Claim from the Effective Date Cash (excluding the Cash in the Real Estate Tax Escrow Reserve); (b) Reinstatement of such Allowed Miscellaneous Secured Claim; (c) the Property securing such Miscellaneous Secured Claim; or (d) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors or the Liquidation Trustee, as the case may be. Distributions to each Holder of Class 1 Miscellaneous Secured Claims shall be made on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date that such Miscellaneous Secured Claim becomes Allowed, or (iii) a date agreed to by the Debtors or the Liquidation Trustee, as the case may be, and the Holder of such Class 1 Miscellaneous Secured Claim.

c. Class 2 Claims (Miscellaneous Priority Claims)

Class 2 Claims consist of Miscellaneous Priority Claims, which are Claims against the Debtors entitled to Priority pursuant to 11 U.S.C. § 507(a), other than the Administrative Claims and Priority Tax Claims. On August 20, 2009, the Bankruptcy Court entered an order permitting the Debtors to satisfy all prepetition employee obligations, including the payment of prepetition trust fund taxes, which the Debtors have done. Accordingly, the Debtors are not aware of any Class 2 Claims. To the extent there are any Class 2 Claims, each Holder of an Allowed Class 2 Miscellaneous Priority Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Miscellaneous Priority Claim in Cash from the Effective Date Cash (excluding the Cash in the Real Estate Tax Escrow Reserve); or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors or the Liquidation Trustee, as the case may be. Distributions to each Holder of Class 2 Miscellaneous Priority Claims shall be made on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Class 2 Claim becomes Allowed, or (iii) a date agreed to by the Debtors or the Liquidation Trustee, as the case may be, and the Holder of such Class 2 Miscellaneous Priority Claim.

2. Impaired Claims

a. Class 3 Claim (Lender Secured Claim)

The Class 3 Claim consists of the Lender Secured Claim, which is the Claim of the Lender, but only to the extent that such Claim is a Secured Claim as determined by 11 U.S.C. § 506(a)(1). The Holder of the Allowed Class 3 Lender Secured Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the Sale Proceeds in Cash after satisfaction in full of (i) any Allowed Administrative Claim of FBR and (ii) all Allowed Class 4 Claims (as may be determined by the California State Court); and (b) the

balance of any Effective Date Cash (excluding Cash in the Real Estate Tax Escrow Reserve) after satisfaction in full of any Allowed Administrative Claims, any Allowed Priority Tax Claims, any Allowed Class 1 Claims, any Allowed Class 2 Claims, any monetary cure amounts that are required to be paid to nondebtor parties to executory contracts and unexpired leases in connection with the assumption or assumption and assignment of such executory contracts and unexpired leases by the Debtors and, only to the extent that the Cash in the Real Estate Tax Escrow Reserve is insufficient, the Allowed Los Angeles County Tax Collector Claim; or (c) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors or the Liquidation Trustee, as the case may be. Distributions to the Holder of Class 3 Lender Secured Claim shall be made on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Class 3 Claim becomes Allowed, (iii) the entry of one or more Final Orders by the California State Court in the Mechanic's Lien Litigation determining the amount and validity of the Bonded Stop Notice Mechanic's Lien Claims, or (iv) a date agreed to by the Debtors or the Liquidation Trustee, as the case may be, and the Holder of such Class 3 Lender Secured Claim.

b. Class 4 Claims (Bonded Stop Notice Mechanic's Lien Claims)

Class 4 Claims consist of Bonded Stop Notice Mechanic's Lien Claims, which are prepetition bonded stop notice claims asserted by the mechanic's lien claimants against the Lender, which Claims shall be deemed Allowed under the Plan only if such Claims are deemed valid and enforceable against the Lender by the California State Court in the Mechanic's Lien Litigation and it is determined that the Lender has not reserved sufficient Cash to satisfy all such Allowed Claims. Each Holder of an Allowed Class 4 Bonded Stop Notice Mechanic's Lien Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim without interest, penalties or expenses in

Cash from Sale Proceeds after satisfaction in full of any Allowed Administrative Claim of FBR; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors or the Liquidation Trustee, as the case may be. Distributions to the Holders of Class 4 Bonded Stop Notice Mechanic's Lien Claims shall be made on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Class 4 Claim becomes Allowed, (iii) the entry of one or more Final Orders by the California State Court in the Mechanic's Lien Litigation determining the amount and validity of the Bonded Stop Notice Mechanic's Lien Claims, or (iv) a date agreed to by the Debtors or the Liquidation Trustee, as the case may be, and the Holder of such Class 4 Bonded Stop Notice Mechanic's Lien Claim.

c. Class 5 Claim (Los Angeles County Tax Collector Claim)

The Class 5 Claim consist of the Los Angeles County Tax Collector Claim, which is the principal amount of the Secured Claim of the Los Angeles County Tax Collector for real estate taxes related to the Real Property. The Holder of the Allowed Class 5 Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim without interest, penalties or expenses in Cash from the Real Estate Tax Escrow Reserve (or Effective Date Cash in the event the funds in the Real Estate Tax Escrow Reserve are insufficient); or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors or the Liquidation Trustee, as the case may be. Distributions to the Holder of the Allowed Class 5 Los Angeles County Tax Collector Claim shall be made on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Class 5 Claim becomes Allowed, or (iii) a date agreed to by the Debtors or the Liquidation Trustee, as the case may be, and the Holder of such Class 5 Los Angeles County Tax Collector Claim.

d. Class 6 Claims (General Unsecured Claims)

Class 6 Claims consist of General Unsecured Claims, which are all of the Allowed Claims that are not Administrative Claims, Priority Tax Claims, Miscellaneous Secured Claims, Miscellaneous Priority Claims, the Lender Secured Claim, the Los Angeles County Tax Collector Claim, the Lender Deficiency Claim or Insider Claims. Each Holder of an Allowed Class 6 Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim its Pro Rata Share of: (a) \$500,000 in Cash from the Creditor Profit Sharing Income paid over a period of three years from the Effective Date; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors or the Liquidation Trustee, as the case may be. Distributions to Holders of Class 6 General Unsecured Claims shall be made as follows: (i) the first Cash distribution of \$100,000 shall be made within ninety (90) Days following the expiration of the first Operating Year, the second Cash distribution of \$200,000 shall be made within ninety (90) Days following the expiration of the second Operating Year, and the third Cash distribution of \$200,000 shall be made within ninety (90) Days following the expiration of the third Operating Year; or (ii) other date(s) agreed to by the Debtors or the Liquidation Trustee, as the case may be, and the Holder of such Class 9 Other General Unsecured Claims.

e. Class 7 Claim (Lender Deficiency Claim)

The Class 7 Claim consists of the Lender Deficiency Claim, which is the Claim of the Lender, but only to the extent that such Claim is an Unsecured Claim as determined by 11 U.S.C. § 506(a)(1). The Holder of the Allowed Class 7 Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) \$250,000 in Cash from the Creditor Profit Sharing Income paid over a period of three years from the Effective Date; or (b)

such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors or the Liquidation Trustee, as the case may be. Distributions to Holders of Class 7 Lender Deficiency Claim shall be made as follows: (i) the first Cash distribution of \$50,000 shall be made within ninety (90) Days following the expiration of the first Operating Year, the second Cash distribution of \$100,000 shall be made within ninety (90) Days following the expiration of the second Operating Year, and the third Cash distribution of \$100,000 shall be made within ninety (90) Days following the expiration of the third Operating Year; or (ii) other date(s) agreed to by the Debtors or the Liquidation Trustee, as the case may be, and the Holder of such Class 7 Deficiency Claim.

f. Class 8 (Interests)

Class 8 consists of Interests, including any and all equity interests, ownership interests or shares in the Debtors issued by the Debtors prior to the Petition Date. Holders of Class 8 Interests shall not receive or retain any property under the Plan on account of such Interests. On the Effective Date, all Interests shall be cancelled.

g. Class 9 Claims (Insider Claims)

Class 9 Claims consist of Insider Claims, which are any Claim of an Insider against any of the Debtors. Holders of Class 9 Claims shall not receive or retain any property under the Plan on account of such Claims. On the Effective Date, all Class 9 Claims shall be extinguished.

B. Reservation of Rights Regarding Claims

Except as otherwise explicitly provided in the Plan, nothing will affect the Debtors' or the Liquidation Trustee's rights and defenses, both legal and equitable, with respect to any Claims, including, but not limited to, all rights with respect to legal and equitable defenses to

alleged rights of setoff or recoupment. The Debtors specifically reserve all rights, remedies, claims, defenses and Causes of Action.

C. Liquidating Trust

On the Effective Date, the Liquidation Trustee shall receive the Effective Date Cash, the Sale Proceeds and all other property of the Debtors not conveyed to the Purchaser in accordance with the Asset Purchase Agreement. The Liquidating Trust shall also receive the Creditor Profit Sharing Income, with \$150,000 in Cash delivered to the Liquidation Trustee within sixty (60) Days following the expiration of the first Operating Year, \$300,000 in Cash delivered to the Liquidation Trustee within sixty (60) Days following the expiration of the second Operating Year, and \$300,000 in Cash delivered to the Liquidation Trustee within sixty (60) Days following the expiration of the third Operating Year. All of the assets delivered to the Liquidation Trustee shall vest in the Liquidating Trust when delivered free and clear of all Claims, encumbrances and interests pursuant to section 1141 of the Bankruptcy Code, but subject to the rights of Holders of Allowed Claims to obtain the distributions provided for in this Plan, as summarized above in Article V of this Disclosure Statement. The Liquidation Trustee shall administer and maintain the Liquidating Trust and shall deposit all funds received from whatever source into the Liquidating Trust. The Liquidation Trustee shall make all of the distributions to Creditors as set forth in the Plan and pay any post-confirmation tax liability, U.S. Trustee quarterly fees, professional fees and other expenses or costs that the Liquidation Trustee reasonably believes is necessary.

From and after the Effective Date and continuing through the date of entry of a Final Decree, the Liquidation Trustee shall: (a) possess the rights of a party in interest pursuant to section 1109(b) of the Bankruptcy Code for all matters arising in, arising under, or related to the Chapter 11 Cases and, in connection therewith, shall (i) have the right to appear and be heard on

matters brought before the Bankruptcy Court or other courts, (ii) be entitled to notice and opportunity for hearing on all such issues, (iii) participate in all matters brought before the Bankruptcy Court, and (iv) receive notice of all applications, motions, and other papers and pleadings filed in the Bankruptcy Court; (b) have the authority to act on behalf of the Debtors in all adversary proceedings and contested matters pending in the Bankruptcy Court and in all actions and proceedings pending elsewhere; (c) have the right, pursuant to section 1123(b)(3) of the Bankruptcy Code, to enforce and prosecute any Causes of Action against any Entity that arose before the Effective Date other than those expressly conveyed, released or compromised as part of or pursuant to the Plan or the Asset Purchase Agreement; and (d) have the authority to retain such personnel or professionals (including, without limitation, legal counsel, financial advisors or other agents who have provided professional services to the Debtors prior to the Effective Date) as he deems appropriate and compensate such personnel and professionals as he deems appropriate, all without prior notice to or approval of the Bankruptcy Court. Professionals and personnel retained or employed by the Liquidating Trust or the Liquidation Trustee need not be disinterested as that term is defined in the Bankruptcy Code.

D. Allowed Claims, Distribution Rights and Objections to Claims

1. Allowance Requirement

Only Holders of Allowed Claims are entitled to receive distributions under the Plan. An Allowed Administrative Claim is a Claim or any portion thereof that has been Allowed, or adjudicated in favor of the Holder by estimation or liquidation, by a Final Order, that was incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases and as to which there is no dispute as to the Debtors' liability, or that has become Allowed by failure to object pursuant to Section 8.05 of the Plan. An Allowed Claim is such Claim or any portion thereof (other than an Administrative Claim) of (a) any Claim against any of the Debtors that has

been listed by the Debtors in the Schedules, as such Schedules may have been amended by the Debtors from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent, and with respect to which no contrary proof of claim has been filed, (b) any Claim specifically allowed under the Plan, (c) any Claim the amount or existence of which has been determined or allowed by a Final Order, or (d) any Claim as to which a proof of claim has been timely filed before the Bar Date, provided that at the time of the Effective Date the Debtors have not identified such Claim as being objectionable in part or in whole and no objection to the allowance thereof has been filed by the Claims Objection Deadline; provided, however, that the term Allowed, with reference to any Claim, shall not include (x) any unliquidated claim or (y) interest or attorneys' fees on or related to any Claim unless otherwise expressly provided for in the Plan.

2. Date of Distribution

All Distributions to Holders of Allowed Claims as of the Effective Date will be made as and when provided in the Plan.

3. Making of Distributions

Distributions to Holders of Allowed Claims will be made by the Liquidation Trustee as provided in the Plan (a) to the last known addresses of such Holders, or (b) to the addresses set forth in any written notices of address changes delivered to the Liquidation Trustee. If any Holder's distribution is returned as undeliverable, no further distributions to such Holder shall be made unless and until the Liquidation Trustee is notified of such Holder's then current address, at which time all missed distributions shall be made to such Holder without interest. Unless otherwise agreed by the Liquidation Trustee, amounts in respect of undeliverable distributions made by the Liquidation Trustee will be returned to the Liquidation Trustee until such distributions are claimed.

All Property distributed on account of Claims must be claimed within the later of (a) three (3) years after the Effective Date or (b) one (1) year after such distribution is made to such Holder or, in the case of a distribution made in the form of a check, must be negotiated and a request for reissuance be made as provided for in Section 5.06 of the Plan. All Unclaimed Property will be retained by and will revert in the Liquidating Trust. All full or partial payments made by the Liquidation Trustee and received by the Holder of a Claim prior to the Effective Date will be deemed to be payments under the Plan for purposes of satisfying the obligations of the Debtors pursuant to the Plan. Nothing contained in the Plan shall require the Liquidation Trustee to attempt to locate any Holder of an Allowed Claim other than by reviewing the records of the Debtors and any Claims filed in the Chapter 11 Cases. Pursuant to section 1143 of the Bankruptcy Code, all claims in respect of Unclaimed Property shall be deemed Disallowed under Section 5.07 of the Plan and the Holder of any Claim Disallowed under Section 5.07 of the Plan will be forever barred, expunged, estopped and enjoined from assertion in any manner against the Debtors, the Purchaser, or the Liquidation Trustee.

4. Objection Procedures

Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, under the Plan, the Liquidation Trustee shall have the exclusive right, on and after the Effective Date, to file objections to Claims (other than Claims specifically Allowed in the Plan) and shall serve a copy of each such objection upon the Holder of the Claim to which the objection is made as soon as practicable, but in no event later than the latest of (a) 75 days after the Effective Date, (b) 75 days after the date on which any Claim is Filed, or (c) such later date as may be fixed by the Bankruptcy Court, whether fixed before or after the date specified in clauses (a) and (b) above. The foregoing deadlines may be extended by order of the Bankruptcy Court. An objection to any Claim shall be deemed properly served on the Holder thereof if the Liquidation Trustee

effects service in any of the following manners: (i) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Federal Rule of Bankruptcy Procedure 7004; (ii) by first class mail, postage prepaid, on the signatory on the proof of claim or interest or other representative identified in the proof of claim or interest or any attachment thereto; or (iii) by first class mail, postage prepaid, on any counsel who has appeared on the Holder's behalf in the Chapter 11 Cases.

E. Disposition of Executory Contracts and Unexpired Leases

1. Contracts and Leases Deemed Rejected

The Plan provides that all contracts and unexpired leases of the Debtors shall be deemed rejected by the Debtors as of the Effective Date, except for any executory contract or unexpired lease that: (a) has previously been assumed, assumed and assigned, or rejected pursuant to an order of the Bankruptcy Court on or prior to the Confirmation Date; (b) is the subject of a pending motion to assume, assume and assign, or reject as of the Confirmation Date; or (c) is listed on the Schedule of Assumed Contracts; provided, however, that the Debtors and the Purchaser shall have the right, at any time prior to the Confirmation Date, to amend the Schedule of Assumed Contracts in any manner set forth in the Asset Purchase Agreement, the Sale and Bid Procedures Motion, or by any other means approved by the Bankruptcy Court or to delete any executory contract or unexpired lease listed therein, thus providing for its rejection pursuant to the Plan or to add any executory contract or unexpired lease thereto, thus providing for its assumption and assignment pursuant to the Plan and the terms of the Asset Purchase Agreement. The assumption, assumption and assignment, and rejection of executory contracts and unexpired leases under the Plan shall be governed by the terms of the Asset Purchase Agreement, the Sale Documents, the Sale and Bid Procedures, and other orders of the Bankruptcy Court.

2. Cure with Respect to Assumed Contracts and Leases

The cure of all defaults under executory contracts and unexpired leases to be assumed and assigned under the Asset Purchase Agreement, including the resolution of all objections to the adequacy of assurance of future performance under such contracts and leases and as to the adequacy of amounts proposed to cure defaults under such contracts and leases, shall be governed by the terms and conditions of the Sale and Bid Procedures, the Asset Purchase Agreement, the Sale Documents, any order approving the Asset Purchase Agreement or authorizing the Sale, and other orders of the Bankruptcy Court. All such cure amounts shall be satisfied by the Debtors from Effective Date Cash.

3. Rejection Damages

Claims arising out of the rejection of any executory contract or unexpired lease pursuant to Article VI of the Plan must be filed with the Bankruptcy Court no later than the latest of (a) twenty (20) days after the Effective Date, or (b) thirty (30) days after the entry of a Bankruptcy Court order rejecting such executory contract or unexpired lease. Any Claim not filed within such time period shall be forever barred. The Liquidation Trustee shall have the right to object to any Claim arising out of the rejection of an executory contract or unexpired lease pursuant to the terms of Section 8.05 of the Plan.

VI. CONFIRMATION AND/OR CONSUMMATION

Described below are certain important considerations under the Bankruptcy Code in connection with the Plan's confirmation. In addition to the information provided herein, all parties in interest are encouraged to review the relevant provisions of the Bankruptcy Code and consult their own attorneys.

A. Requirements for Confirmation of the Plan

In order for the Plan to be confirmed, the Bankruptcy Code requires the Bankruptcy Court to determine that the Plan complies with the requirements of chapter 11 of the Bankruptcy Code. In addition, the Bankruptcy Court must determine that the Plan has been proposed in good faith and not by any means forbidden by law.

Some specific requirements under the Bankruptcy Code for confirmation of the Plan are: (a) the Plan must be accepted by the requisite votes of Creditors and Interest holders, except to the extent that confirmation despite dissent is available under section 1129(b) of the Bankruptcy Code; and (b) the Plan must be in the “best interests” of all of the Debtors’ Creditors (i.e., Creditors will receive at least as much pursuant to the Plan as they would receive in liquidation under chapter 7 of the Bankruptcy Code (*see* Article VII of this Disclosure Statement)).

To confirm a plan, the Bankruptcy Court must find that all of the above conditions are met, unless the applicable provisions of section 1129(b) of the Bankruptcy Code are employed. Thus, even if all of the Classes accept the Plan by the requisite number of votes, the Bankruptcy Court must make independent findings concerning whether the Plan conforms to the requirements of the Bankruptcy Code and whether the Plan is in the best interests of the Debtors’ Creditors before it may confirm the Plan.

The Debtors believe that, upon receipt of the votes required to confirm the Plan, the Plan will satisfy all the statutory requirements of chapter 11 of the Bankruptcy Code, that the Debtors have complied or will have complied with all of the requirements of chapter 11 and that the Plan has been proposed and submitted to the Bankruptcy Court in good faith.

Even if all of the foregoing are satisfied, if any Class of Claims is Impaired and votes to reject the Plan, the Debtors must satisfy the applicable “cramdown” standard with respect to that Class. Section 1129(b) of the Bankruptcy Code requires that the plan “not discriminate unfairly”

and be “fair and equitable” with respect to such dissenting Class of Claims. In the event any Class of Claims votes to reject the Plan, the Debtors believe they will satisfy the cramdown standards in section 1129(b) with respect to any such rejecting class.

The Plan specifies conditions precedent to the Effective Date. The conditions that must be satisfied on or prior to the Effective Date, which is the Business Day upon which all conditions to the consummation of the Plan have been satisfied or waived, and is the date on which the Plan becomes effective, are that: (a) the Bankruptcy Court shall have approved the information contained in the Disclosure Statement as adequate; (b) the Confirmation Order shall have been entered and become a Final Order and shall not be stayed by order of a court of competent jurisdiction; (c) all conditions precedent to the obligations of the Debtors and the Purchaser under the Asset Purchase Agreement have occurred; (d) the transactions contemplated in the Asset Purchase Agreement have been consummated; (e) the Bankruptcy Court shall have entered an order (contemplated to be part of the Confirmation Order), which shall have become a Final Order, authorizing and directing the Debtors to take all actions necessary or appropriate to enter into, implement, and consummate the documents created, amended, supplemented, modified or adopted in connection with the Plan; (f) all authorizations, consents and regulatory approvals required, if any, in connection with the Plan’s effectiveness shall have been obtained; (g) the Debtors shall have appointed the Liquidation Trustee, the parties shall have executed the Liquidating Trust Agreement and the other Liquidating Trust Documents, and the Liquidation Trustee shall have received the Sale Proceeds and the Effective Date Cash; (h) no order of any court shall have been entered and shall remain in effect restraining the Debtors from consummating the Plan; and (i) each of the foregoing conditions shall have occurred (or been

waived) on or before December 31, 2010, unless such date is extended by agreement of the Purchaser.

B. Releases, Discharge, Injunctions, Exculpation and Indemnification

1. Releases by Debtors in Favor of Third Parties

The Plan provides for certain releases to be granted by the Debtors on and as of the Effective Date. Specifically, effective as of the Effective Date, and except as otherwise provided in the Plan or the Confirmation Order, the Debtors, in their individual capacities and as debtors in possession, will be deemed to have forever released, waived and discharged the Releasees from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the rights of the Debtors, the Purchaser or the Liquidation Trustee to enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder), whether for tort, contract, violations of federal or state securities laws, or otherwise, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence, including actions in connection with indebtedness for money borrowed by the Debtors, taking place on or prior to the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, or the Plan; provided, however, that no Releasee shall be released or discharged from any Claims, obligations, suits, judgments, debts or Causes of Action arising out of or in connection with indebtedness for money borrowed by any such person from any of the Debtors and provided further the releases provided in Section 10.04(a) of the Plan shall not be applicable to any Holder of a Claim that timely votes to reject the Plan.

As to the Debtors' principals, directors, officers and employees, the Debtors assert that the consideration for such release is the service rendered by such individuals during the

pendency of the Chapter 11 Cases and the need for their continued dedication after the Effective Date to fully consummate a successful Sale. The Debtors further assert that they will be hampered in their consummation efforts if their principals, directors, officers and employees are subject to claims and potential litigation that will distract their attention from operational and other business matters.

2. Releases by Creditors of Claims Against Third Parties

In furtherance of the release provisions of the Plan, effective as of the Effective Date, and except as otherwise provided in the Plan or the Confirmation Order, to the fullest extent permitted under applicable law, in consideration for the obligations of the Persons set forth below under the Plan and, if applicable, the Cash, securities, contracts, releases and other agreements or documents to be delivered in connection with the Plan, each Holder of a Claim or Interest who votes in favor of the Plan and any Affiliate of any such Holder (as well as any trustee or agent on behalf of each such Holder) shall be deemed to have forever waived, released and discharged (i) the Debtors, (ii) the Liquidation Trustee, (iii) the Liquidating Trust, and (iv) the Releasees from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the rights of the Debtors or Liquidation Trustee to enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder), whether for tort, contract, violations of federal or state securities laws, or otherwise, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence, including actions in connection with indebtedness for money borrowed by the Debtors, taking place on or prior to the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, or the Plan.

3. Discharge and Discharge Injunction

Confirmation of the Plan effects a discharge of all Claims against the Debtors. To the fullest extent permitted by applicable law (including, without limitation, section 105 of the Bankruptcy Code), and except as otherwise provided in the Plan or in the Confirmation Order all consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge and release of, all Claims of any nature whatsoever against the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims. Upon the Effective Date, and except as expressly contemplated in the Plan, the Debtors, and each of them, shall (a) be deemed discharged and released under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims, including, but not limited to, demands and liabilities that arose before the Effective Date, debts (as such term is defined in section 101(12) of the Bankruptcy Code), Liens, security interests, and encumbrances of and against all Property of the respective Estates, the Debtors, or the Liquidation Trustee that arose prior to the Effective Date, including without limitation, all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (i) such Claim has been Allowed pursuant to section 502 of the Bankruptcy Code, or (ii) the Holder of such Claim has voted to accept the Plan, and (b) terminate all Interests. Further, as of the Effective Date, all entities, including, without limitation, all Holders of Claims or Interests, shall be barred and enjoined from asserting against the Debtors, the Liquidating Trust, the Liquidation Trustee, the Purchaser their respective successors or their property any other or further Claims, debts, rights, Causes of Action, liabilities or Interests relating to the Debtors based upon any act, omission, transaction or other activity of any nature that occurred prior to the Effective Date, except for those obligations expressly created by, or reserved in, the Plan. In accordance with the foregoing, except as provided in the Plan or the Confirmation Order, the

Confirmation Order shall be a judicial determination of discharge of all such Claims and other debts and liabilities against the Debtors and termination of all Interests, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge and termination shall void any judgment obtained against the Debtors, the Liquidating Trust, the Liquidation Trustee or the Purchaser at any time, to the extent that such judgment relates to a discharged Claim or terminated Interest.

In furtherance of the discharge of Claims and the termination of Interests, the Plan provides that, except as otherwise provided in the Plan or the Confirmation Order and to the fullest extent authorized or provided by the Bankruptcy Code, including sections 524 and 1141 thereof, the entry of the Confirmation Order shall, provided that the Effective Date occurs, permanently enjoin all Persons that have held, currently hold or may hold a Claim or other debt or liability that is discharged or an Interest or other right of an equity security Holder that is Impaired or terminated pursuant to the terms of the Plan from taking any of the following actions against the Debtors, the Liquidating Trust, the Liquidation Trustee, the Purchaser, or their property on account of any such discharged Claims, debts or liabilities or such terminated Interests or rights: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order; (c) creating, perfecting or enforcing in any manner directly or indirectly, any Lien or encumbrance of any kind; (d) asserting any setoff, offset, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors; and (e) proceeding in any manner in any place whatsoever, including employing any process, that does not conform to or comply with or is inconsistent with the provisions of the Plan.

4. Exculpation Relating to Chapter 11 Cases

The Plan contains standard exculpation provisions applicable to certain of the key parties in interest with respect to their conduct in the Chapter 11 Cases. Specifically, the Plan provides that none of the Debtors, the Liquidating Trust, Liquidation Trustee, the Purchaser or Exculpated Persons shall have or incur any liability to any Person, including, without limitation, any Holder of a Claim or Interest or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys or affiliates or any of their successors or assigns, for any act taken or omission made in good faith in connection with, relating to, or arising out of, the Chapter 11 Cases, filing, negotiating, prosecuting, administering, formulating, implementing, confirming or consummating the Plan, or the Property to be distributed under the Plan, including all prepetition activities leading to the promulgation and confirmation of the Plan, the Disclosure Statement (including any information provided or statement made in the Disclosure Statement or omitted therefrom), or any contract, instrument, release or other agreement or document created in connection with or related to the Plan or the administration of the Debtors or these Chapter 11 Cases, provided, however, that the exculpation will not apply to any act of gross negligence or willful misconduct.

5. Post-Effective Date Indemnifications

To the extent not inconsistent with the Plan, any obligations of the Debtors, pursuant to their respective articles of incorporation or by-laws, applicable state law or their specific agreement, to indemnify a Person with respect to all present and future actions, suits and proceedings against the Debtors or such indemnified Person, based upon any act or omission related to service with, or for or on behalf of, the Debtors, shall terminate as of the Effective Date; provided, however, that to the extent such liabilities and/or obligations are expressly assumed by the Purchaser under the Asset Purchase Agreement, such obligations and liabilities

shall be deemed to be and treated as executory contracts that are assumed and assigned to the Purchaser, except to the extent any such obligation has been released, discharged or modified pursuant to the Plan. Such indemnification obligations described in the foregoing proviso shall survive unaffected by the Plan and shall be performed and honored by the Purchaser.

C. Preservation of Rights of Action

Except to the extent that any Claim is Allowed during the Chapter 11 Cases or expressly by the Plan, nothing, including, but not limited to, the failure of the Debtors or the Liquidation Trustee to object to a Claim or Interest for any reason during the pendency of the Chapter 11 Cases, shall affect, prejudice, diminish or impair the rights and legal and equitable defenses of the Debtors or the Liquidation Trustee with respect to any Claim or Interest, including, but not limited to, all rights of the Debtors or the Liquidation Trustee to contest or defend themselves against such Claims or Interests in any lawful manner or forum when and if such Claim or Interest is sought to be enforced by the Holder thereof.

All Causes of Action, including Avoidance Actions, other than those expressly released or compromised as part of or pursuant to the Plan, shall be transferred to and become property of the Liquidating Trust to be administered by the Liquidation Trustee.

D. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain after the Effective Date exclusive jurisdiction of all matters arising out of, arising in or related to, the Chapter 11 Cases to the fullest extent permitted by applicable law, including, without limitation, jurisdiction to:

- classify, re-classify or establish the priority or secured or unsecured status of any Claim (whether Filed before or after the Effective Date and whether or not contingent, Disputed or unliquidated) or resolve any dispute as to the treatment of any Claim or Interest pursuant to the Plan;

- grant or deny any applications for allowance of compensation or reimbursement of expenses pursuant to sections 330, 331 or 503(b) of the Bankruptcy Code or otherwise provided for in the Plan, for periods ending on or before the Effective Date;
- determine and resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which any Debtor is a party or with respect to which any Debtor may be liable, and to hear, determine and, if necessary, liquidate any Claims arising therefrom;
- ensure that all payments due under the Plan and performance of the provisions of the Plan are accomplished as provided herein and resolve any issues relating to distributions to Holders of Allowed Claims pursuant to the provisions of the Plan;
- construe, take any action and issue such orders, prior to and following the Confirmation Date and consistent with section 1142 of the Bankruptcy Code, as may be necessary for the enforcement, implementation, execution and consummation of the Plan and all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan, including, without limitation, the Disclosure Statement and the Confirmation Order, for the maintenance of the integrity of the Plan and protection of the Liquidation Trustee in accordance with sections 524 and 1141 of the Bankruptcy Code following consummation;
- determine and resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation, implementation or enforcement of the Plan (and all exhibits to the Plan) or the Confirmation Order, including the indemnification and injunction provisions set forth in and contemplated by the Plan or the Confirmation Order, or any Entity's rights arising under or obligations incurred in connection therewith;
- hear any application of the Debtors or Liquidation Trustee to modify the Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code and the Plan or modify the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, in such manner as may be necessary or appropriate to

consummate the Plan, to the extent authorized by the Bankruptcy Code and the Plan;

- issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation, implementation or enforcement of the Plan or the Confirmation Order;
- enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;
- determine any other matters that may arise in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, except as otherwise provided in the Plan;
- determine such other matters and for such other purposes as may be provided in the Confirmation Order;
- hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code;
- hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;
- enter one or more Final Decrees closing each of the Chapter 11 Cases;
- determine and resolve any and all controversies relating to the rights and obligations of the Liquidation Trustee in connection with the Chapter 11 Cases;
- allow, disallow, determine, liquidate, reduce, re-classify or estimate any Claim, including the compromise, settlement and resolution of any request for payment of any Claim, the resolution of any Objections to the allowance of Claims and to hear and determine any other issue presented hereby or arising hereunder, including during the pendency of any appeal relating to any Objection to such Claim (to the extent permitted under applicable law);
- permit the Debtors (and the Liquidation Trustee or the Purchaser to the extent provided for in the Plan, the Asset Purchase Agreement or the Liquidating Trust Agreement) to recover all assets of the Debtors and Property of their respective Estates, wherever located;
- hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax benefits and similar or related matters with

respect to the Debtors or the Debtors' respective Estates arising prior to the Effective Date or relating to the period of administration of the Chapter 11 Cases, including, without limitation, matters concerning federal, state and local taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

- hear and determine any motions, applications, adversary proceedings, contested matters and other litigated matters pending on, Filed or commenced after the Effective Date that may be commenced by the Liquidation Trustee thereafter, including Avoidance Actions, proceedings with respect to the rights of the Liquidation Trustee to recover Property under sections 542, 543 or 553 of the Bankruptcy Code, or proceedings to otherwise collect to recover on account of any claim or Cause of Action that the Debtors' estates may have; and
- hear any other matter not inconsistent with the Bankruptcy Code.

If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in or related to the Debtors, including with respect to the matters set forth above, nothing in the Plan shall prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

E. Amendment, Alteration and Revocation of Plan

The Debtors may alter, amend or modify the Plan in accordance with section 1127 of the Bankruptcy Code or as otherwise permitted at any time prior to the Confirmation Date. In addition, pursuant to the Bid Procedures Order, to the extent the terms of the Successful Bid approved by the Bankruptcy Court are inconsistent with, modify, amend or supplement the terms of the Plan, the Debtors and the Successful Bidder shall cooperatively work to modify the Plan consistent with the Successful Bid, and the Debtors shall take all actions necessary to promptly file an amended Plan reflecting such modifications and solicit acceptance and obtain confirmation of such amended Plan. After the Confirmation Date and prior to the substantial consummation of the Plan, and in accordance with the provisions of section 1127(b) of the Bankruptcy Code and the Bankruptcy Rules, the Debtors may, so long as the treatment of

Holders of Claims or Interests under the Plan is not adversely affected, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, prior notice of such proceedings shall be served in accordance with Bankruptcy Rules 2002 and 9014.

The Debtors reserve the right, at any time prior to the earlier of Confirmation of the Plan or at the closing of the Sale to withdraw the Plan. If the Plan is withdrawn or if the Confirmation Date does not occur, the Plan shall be null and void and have no force and effect. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors.

F. Plan Implementation Documents

The documents necessary to implement the Plan include the following:

- Asset Purchase Agreement

Such document has been filed with the Court as an exhibit to the Plan. All documents included as an exhibit to the Plan may be viewed and downloaded from the Bankruptcy Court's electronic case filing system or inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. Holders of Claims or Interests may obtain a copy of any document included as an exhibit to the Plan upon written request to the Debtors' counsel, Perkins Coie LLP, 131 South Dearborn Street, Suite 1700, Chicago, IL 60603-5559 (Attn: David Neff).

VII. FEASIBILITY OF THE PLAN AND BEST INTERESTS OF CREDITORS

A. Feasibility of the Plan

In connection with confirmation of the Plan, the Debtors must demonstrate and the Bankruptcy Court must find that the Plan is feasible pursuant to section 1129(a)(11) of the

Bankruptcy Code, which means that the confirmation of the Plan is not likely to be followed by the liquidation or the need for a further financial reorganization of the Debtors.

The Plan provides for the Sale of substantially all of the Debtors' assets to the Stalking Horse Bidder, or other successful Purchaser that can demonstrate (or in the case of the Stalking Horse Bidder has demonstrated) the financial wherewithal to close on the Sale and provide adequate assurance of future performance under any and all executory contracts and unexpired leases assumed and assigned by the Debtors. Moreover, the Debtors will have sufficient Cash to fund their business and satisfy all postpetition operating expenses through the closing of the Sale contemplated by the Plan. Accordingly, the Debtors believe that the Plan complies with the financial feasibility standard of section 1129(a)(11) of the Bankruptcy Code.

B. Acceptance of the Plan

As a condition to Confirmation, the Bankruptcy Code requires that each Class of Impaired Claims vote to accept the Plan, except under certain circumstances. Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds ($\frac{2}{3}$) in dollar amount and more than one-half ($\frac{1}{2}$) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Plan. Thus, Holders of Claims in each of Classes 3, 4, 5, 6 and 7 will have voted to accept the Plan only if two-thirds ($\frac{2}{3}$) in amount and a majority in number of the Claims actually voting in each Class cast their ballots in favor of the Plan's acceptance. Holders of Claims who fail to vote are not counted as either accepting or rejecting the Plan.

C. Best Interests Test

Even if a plan is accepted by each class of claims and interests, the plan must still be in the best interests of all holders of claims or interests that are impaired by the plan and that have not accepted the plan. The "best interests" test, as set forth in section 1129(a)(7) of the

Bankruptcy Code, requires a bankruptcy court to find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

To calculate the probable distribution to holders of each impaired class of claims and interests if the debtor were liquidated under chapter 7, a bankruptcy court must first determine the aggregate dollar amount that would be generated from the debtor's assets if its chapter 11 case was converted to chapter 7 case under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the debtor's assets by a chapter 7 trustee.

The amount of liquidation value available to unsecured creditors in a chapter 7 liquidation would be reduced by, first, the claims of secured creditors to the extent of the value of their collateral and, second, by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the chapter 7 case and the chapter 11 case. Costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as attorneys and other professionals retained by the trustee, asset disposition expenses, all unpaid administrative expenses incurred by the debtor in its chapter 11 case that are allowed in the chapter 7 case, litigation costs and claims arising from the operations of the debtor during the pendency of the chapter 11 case. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general unsecured claims or to make any distribution in respect of equity security interests. The

liquidation would also prompt the rejection of a large number of executory contracts and unexpired leases and thereby significantly enlarge the total pool of unsecured claims by reason of resulting rejection damages claims.

Once the bankruptcy court ascertains the anticipated recoveries of secured creditors and priority claimants in a liquidation, it must then determine the probable distribution to general unsecured creditors and equity security holders from the remaining available proceeds. If such probable distribution has a value greater than the distributions to be received by such creditors and equity security holders under the plan, then the plan is not in the best interests of creditors and equity security holders.

D. Liquidation Analysis

For purposes of the best interests test, in order to determine the amount of liquidation value available to Creditors, the Debtors prepared a liquidation analysis, attached hereto as Exhibit B (the “Liquidation Analysis”), which concludes that in the event of a forced liquidation of the Debtors’ assets under chapter 7, the aggregate value to be realized by the Debtors’ estates would be approximately \$40,700,000 as opposed to \$52,600,000 under the Plan. Under this scenario, all such value would be distributed to Holders of Allowed Class 3, 4, and 5 Claims and, as applicable, to Holders of any Allowed Secured Claims senior in priority to Class 3 Claims. No Holder of a General Unsecured Claim would receive a distribution in a forced chapter 7 liquidation.

E. Application of the “Best Interests” of Creditors Test to the Liquidation Analysis and the Valuation

It is impossible to determine with certainty the value each Holder of a Claim will receive under the Plan as a percentage of any Allowed Claim. Notwithstanding the difficulty in quantifying recoveries with precision, the Debtors believe that the financial disclosures contained

herein imply a greater recovery to Holders of Claims in Impaired Classes than the recovery available in a chapter 7 liquidation. Accordingly, the Debtors believe that the “best interests” test of section 1129 of the Bankruptcy Code is satisfied.

F. Confirmation Without Acceptance of All Impaired Classes: The “Cramdown” Alternative

In the event any Class of Impaired Claims rejects the Plan, the Debtors may seek confirmation of the Plan pursuant to the “cramdown” provisions of the Bankruptcy Code.

Section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. The Bankruptcy Court may confirm a plan at the request of a debtor if the plan “does not discriminate unfairly” and is “fair and equitable” as to each impaired class that has not accepted the plan. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank. The Debtors believe the Plan does not discriminate unfairly with respect to the Claims and Interests in Classes 3 through 7. Although the Plan does treat certain classes of Claims different from other classes of equal rank, those differences are required to maintain business relationships with certain of the Debtors’ trade vendors that are critical to the successful operation of the Hotel after the Effective Date.

A plan is fair and equitable as to a class of secured claims that rejects a plan if the plan provides: (a) that the holders of secured claims retain the liens securing such claims and that each holder of a secured claim receives on account of such claim deferred cash payments totaling at least the allowed amount of such claim; (b) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing the secured claims with

such liens to attach to the proceeds of such sale; or (c) for the realization by such holders of the indubitable equivalent of the secured claims.

A plan is “fair and equitable” as to holders of unsecured claims that reject the plan if the plan provides either that: (a) each holder of a claim of such class receives or retains on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (b) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property.

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides: (a) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled or the value of such interest; or (b) that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property at all.

The Debtors believe that they could, if necessary, meet the “fair and equitable” requirements of section 1129(b) of the Bankruptcy Code with respect to Holders of Claims in Classes 3A through 10.

VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe that the Plan affords Holders of Claims in Classes 3, 4, 5, 6 and 7 the potential for the greatest realization on the Debtors’ assets and, therefore, is in the best interests of such Holders. If, however, the requisite acceptances are not received, or the Plan is not confirmed and consummated, the theoretical alternatives include (a) formulation of an alternative

plan or plans of reorganization, or (b) liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

A. Alternative Plan(s) of Reorganization

If the requisite acceptances are not received or if the Plan is not confirmed, the Debtors (or, if the Debtors' exclusive periods in which to file and solicit acceptances of a plan of reorganization have expired, any other party in interest) could attempt to formulate and propose a different plan or plans of reorganization. Such a plan or plans might involve either a reorganization and continuation of the Debtors' business or an orderly liquidation of the Debtors' assets.

The Debtors believe that the Plan enables Creditors to realize the greatest possible value under the circumstances and has the greatest chance to be confirmed and consummated.

B. Liquidation Under Chapter 7

If no plan is confirmed, the Debtors' cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtors' assets for distribution in accordance with the priorities established by the Bankruptcy Code. It is impossible to predict with certainty how the proceeds of the liquidation would be distributed to the respective Holders of Claims against or Interests in the Debtors. It is, however, possible to predict that the Lender and mechanic's lien claimants would assert that they held security interests in substantially all assets to be liquidated, likely resulting in nothing to distribute to any other Class of Claims or Interests.

The Debtors believe that a liquidation under chapter 7 would cause a substantial diminution in the Debtors' Estates given the substantial premium in the enterprise value of their businesses over the liquidation value of their assets, and the additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants and other

professionals to assist such trustees. The assets available for distribution to Creditors would be reduced by such additional expenses and by Claims, some of which would be entitled to priority, arising by reason of the liquidation and from the rejection of leases and other executory contracts in connection with the cessation of operations and the failure to realize the greater going concern value of the Debtors' assets.

Rather than try to sell the Debtors' assets, a chapter 7 trustee could abandon the Debtors' Real Property or consent to relief from the automatic stay to permit the Lender and/or mechanic's lien claimants to foreclose on the Real Property. In such instance, only the Lender, mechanic's lien claimants, certain administrative priority claimants and other secured and priority creditors would realize any distribution from the disposition of the Debtors' assets; general unsecured creditors would receive nothing.

IX. THE SOLICITATION; VOTING PROCEDURES

A. Parties in Interest Entitled to Vote

In general, a holder of a claim or interest may vote to accept or to reject a plan if (a) the claim or interest is "allowed," which means generally that no party in interest has objected to such claim or interest, and (b) the claim or interest is "impaired" by the plan but entitled to receive or retain property under the plan.

Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under a plan unless (a) the plan leaves unaltered the legal, equitable and contractual rights to which such claim or interest entitles the holder thereof or (b) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

If, however, the holder of an impaired claim or interest will not receive or retain any distribution under the plan on account of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan and, accordingly, holders of such claims and interests do not actually vote on the plan. If a claim or interest is not impaired by the plan, the Bankruptcy Code deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests are not entitled to vote on the plan.

B. Classes Entitled to Vote to Accept or Reject the Plan

Holders of Claims in Classes 3, 4, 5, 6 and 7 are entitled to vote to accept or reject the Plan. By operation of law, each Unimpaired Class of Claims is deemed to have accepted the Plan and each Impaired Class of Claims or Interests that will receive nothing under the Plan is deemed to have rejected the Plan and, therefore, the Holders of Claims or Interests in such Classes are not entitled to vote to accept or reject the Plan. Consequently, Classes 1 and 2 are deemed to have accepted the Plan and Classes 8 and 9 are deemed to have rejected the Plan and, therefore, none of the Holders of Claims or Interests in such Classes are entitled to vote to accept or reject the Plan.

C. Solicitation Order

Upon approval of this Disclosure Statement, the Bankruptcy Court entered an order that, among other things, determines the dates, procedures and forms applicable to the process of soliciting votes on the Plan and establishes certain procedures with respect to the tabulation of such votes (the "Solicitation Order"). Parties in interest may obtain a copy of the Solicitation Order through the Bankruptcy Court's electronic case filing system or by making written request upon the Debtors' counsel.

D. Waivers of Defects, Irregularities, Etc.

All questions with respect to the validity, form, eligibility (including time of receipt), acceptance and revocation or withdrawal of ballots will be determined by the Bankruptcy Court. Any withdrawal of a ballot must be delivered to the Clerk of the Bankruptcy Court prior to the Voting Deadline. The Debtors reserve the absolute right to contest the validity of any such withdrawal. The Debtors also reserve the right to seek rejection of any and all ballots not in proper form. The Debtors further reserve the right to seek waiver of any defects or irregularities or conditions of delivery as to any particular ballot. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) may be invalidated by the Bankruptcy Court.

E. Voting Rights of Disputed Claimants

Holders of Disputed Claims in Classes 3, 4, 5, 6 and 7 whose Claims are asserted as wholly unliquidated or wholly contingent in Proofs of Claim filed prior to the Distribution Record Date (collectively, the “Disputed Claimants”) are not permitted to vote on the Plan except as provided in the Solicitation Order. Pursuant to the procedures outlined in the Solicitation Order, Disputed Claimants may obtain a ballot for voting on the Plan only by filing a motion under Bankruptcy Rule 3018(a) seeking to have their Claims temporarily Allowed for voting purposes (a “Rule 3018 Motion”). Any such Rule 3018 Motion must be filed and served upon the Debtors’ counsel and the Clerk of the Bankruptcy Court no later than 5:00 p.m. (Central time) on the fourteenth (14th) day after the later of (a) the Solicitation Date, and (b) the date of service of an objection, if any, to such claim. The ballot of any creditor filing such a motion will not be counted unless temporarily allowed by the Bankruptcy Court for voting purposes, after notice and a hearing. Any party timely filing and serving a Rule 3018 Motion will be provided a ballot and be permitted to cast a provisional vote to accept or reject the Plan. If and to the extent

that the Debtors and such party are unable to resolve the issues raised by the Rule 3018 Motion prior to the Voting Deadline established by the Bankruptcy Court, then at the Confirmation Hearing the Bankruptcy Court will determine whether the provisional ballot should be counted as a vote on the Plan. Nothing herein affects the Debtors' right to object to any Proof of Claim after the Distribution Record Date.

F. Further Information; Additional Copies

If you have any questions or require further information about the voting procedures for voting your Claim or about the package of materials you received, or if you wish to obtain an additional copy of the Plan or this Disclosure Statement, or any exhibits or appendices to such documents (at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d) or the Solicitation Order), please contact the Debtors' counsel at:


David M. Neff
Perkins Coie LLP
131 South Dearborn Street, Suite 1700
Chicago, IL 60603-5559
Telephone: (312) 324-8400
Facsimile: (312) 324-9400
dneff@perkinscoie.com

X. SOLICITATION OF ACCEPTANCES

For all of the reasons set forth in this Disclosure Statement, the Debtors believe that confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtors urge all Holders of Claims in Classes 3, 4, 5, 6 and 7 to vote to ACCEPT the Plan, and to complete and return their ballots so that they will be RECEIVED on or before _____, 2010, at 5:00 p.m. prevailing Central time.

Dated: August 20, 2010

RADLAX GATEWAY HOTEL, LLC
RADLAX GATEWAY DECK, LLC

By:  _____

Authorized Agent and Representative

EXHIBIT A

(DEBTORS' FIRST AMENDED JOINT CHAPTER 11 PLAN)

EXHIBIT B

(LIQUIDATION ANALYSIS)

LIQUIDATION ANALYSIS

As required by Local Rule 3016-1(1)(b), this Liquidation Analysis is a “summary exhibit setting forth a liquidation analysis as if assets of the debtor[s] were liquidated under chapter 7.” In order to confirm the Plan over a non-accepting class, section 1129(a)(7) of the Bankruptcy Code requires that creditors in non-accepting classes receive at least as much as they would receive if the debtors were instead liquidated pursuant to chapter 7 of the Bankruptcy Code.

As the following comparative analysis demonstrates, any classes of non-accepting creditors will fare better under the Plan than they would in a hypothetical chapter 7 case because: (1) conversion to chapter 7 would require that at least one trustee be appointed (and possibly one trustee for each Debtor); (2) the chapter 7 trustee(s) would necessarily hire their own professionals, who would take months, if not years, to analyze each of the Debtor’s affairs and reconcile claims, with the resulting professional expenses likely to total approximately \$1 million, a \$500,000 increase from the remaining professional expenses now estimated under chapter 11; (3) the forced liquidation of the Debtors’ assets would result in approximately \$40,700,000 of proceeds compared to at least \$52,600,000 in proceeds generated under the Plan;; (4) the liquidation of the Debtors’ assets would likely also result in the rejection of numerous executory contracts and unexpired leases, giving rise to additional rejection damage claims that would further reduce any distributions to general unsecured creditors; and (5) in a liquidation of the Debtors’ assets, the chapter 7 trustee(s) would receive statutory fees equal to approximately \$1,200,000 (3% of \$40.7 million). Alternatively, the chapter 7 trustee(s) could abandon the Debtors’ assets or consent to relief from the automatic stay to permit the mechanic’s lien claimants and the Lender to foreclose on the Real Property, thereby resulting in no distributions to general unsecured creditors.

Accordingly, for purposes of the attached analysis, it is assumed that in a hypothetical chapter 7 liquidation, there would be an increase in administrative costs of \$1.7 million, a decrease in distributions to the Lender totaling \$13.6 million and general unsecured creditors would receive no distribution, as opposed to \$750,000 in distributions provided for under the Plan.

<u>Category of Claim</u>	<u>Chapter 7 (\$)</u>	<u>Chapter 11 (\$)</u>	<u>Recovery % (7/11)</u>
Unclassified	\$5,000,000 ¹	\$3,200,000	100% / 100%
Class 1	\$0	\$0	0% / 0%
Class 2	\$0	\$0	0% / 0%
Class 3	\$12,400,000	\$25,900,00	10% / 20%
Class 4	23,000,000 ²	23,000,000	100% / 100%
Class 5	\$1,083,000	1,083,000	100% / 100%
Class 6	\$0	\$500,000	0% / 16%
Class 7	\$0	\$250,000	0% / 1%
Class 8	\$0	\$0	0% / 0%
Class 9	\$0	\$0	0% / 0%

¹ The increase in Unclassified Claims includes an additional \$500,000 in professional fees incurred by a chapter 7 trustee(s) and an additional \$1,200,000 of statutory chapter 7 trustee fees.

² Distributions to Holders of Class 4 Claims depends on the (a) a determination of the validity of the Bonded Stop Notice Mechanic's Lien Claims by the California State Court in the Mechanic's Lien Litigation and (b) if the Lender reserved sufficient Cash to satisfy all valid Bonded Stop Notice Mechanic's Lien Claims, as described in more detail in the Disclosure Statement.