

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

IN RE: )  
Hartford Court Development, Inc. ) Bankruptcy No. 17 B 01356  
) Chapter 11  
)  
Debtor ) Judge Jack B. Schmetterer  
)  
) Date: November 10, 2017

**SECOND AMENDED DISCLOSURE STATEMENT**

This Disclosure Statement is issued in conjunction with the Second Amended Plan of Reorganization dated November 10, 2017.

**INTRODUCTION AND SUMMARY OF THE PLAN**

The Debtor’s Plan of Reorganization provides for payment of \$37,800.00 to general unsecured creditors, to be divided among general unsecured creditors pro rata. This amount will be paid over a five-year period, with payments of \$1,890.00/quarter. The percentage paid on general unsecured claims will depend on the resolution of an objection to a claim filed by creditors Ewa and Dariusz Wejda in the amount of \$3,401,734.26. The Debtor has reach an agreement with the Wejdas for the allowance of their claim in the amount of \$121,815.00. At the time of the filing of this Disclosure Statement, the Debtor’s motion to approve the settlement of the Wejda claim was still pending in court.

Including the Wejda claim in the reduced amount, the total of general unsecured claims is \$243,630.00. If the settlement of the Wejda claim is allowed by the Court, the distribution to general unsecured claims will be approximately 15%. The Debtor expects that the settlement with the Wejdas will be approved before the Effective Date of the Plan.

The Plan provides for the deposit of the \$1,890.00 quarterly payment to a distribution account. The Debtor will pay the \$1,890.00 quarterly payment, divided pro rata among holders of allowed secured claims, each quarter, until the end of the five-year term of the Plan. The Debtor will distribute the amount in the distribution account each quarter immediately upon availability of the funds in the distribution account.

The Debtor will pay the priority claim of the Internal Revenue Service, in the amount of \$116.27, in full upon the Effective Date of the Plan. The remaining balance of the Internal Revenue Service claim, in the amount of \$390.00, is a general unsecured claim and will be paid a 15% distribution, or \$58.50, upon the Effective Date of the Plan.

The Debtor will pay the secured claims of Hinsdale Bank & Trust Company, secured by 13 condominium units, and John Modzelewski, secured by one condominium unit, in monthly payments over 30 years, with interest at 5% per annum.

The Debtor will pay the secured claim of Catherine Courts Condominium Association, representing pre-petition condominium assessments, in monthly payments, without interest, over five years.

The classes of creditors are as follows:

<u>Class</u>	<u>Type of Creditor</u>	<u># of Creditors</u>	<u>Total \$ Amount</u>	<u>Treatment of Creditors</u>
I	Governmental	1-IRS	\$506.27	Priority paid in full on Effective Date; General unsecured paid on Effective Date at 15%
II	Priority	None Known	-0-	In full on Effective Date
III	Secured	1-Hinsdale Bank	\$823,989.84 (Amt. filed)	In full, monthly payments, 5% interest, 30 years
IV	Secured	1-John Modzelewski	\$100,000.00	In full, monthly payments, 5% interest, 30 years
V	Secured  (General Unsecured)	1-Catherine Courts	\$4,268.79  \$60,000.00	In full, no interest, monthly payments, five years Paid over 5 years at 15% of claim
VI	General Unsecured	1-E. & D. Wejda	121,815.00	Paid over 5 years at 15% of claim
VII	General Unsecured	1	\$61,815.00	Paid over 5 years at 15% of claim

The Plan provides for payment in full of priority claims, other than tax claims, on the Effective Date of the Plan, but the Debtor is not aware of any such priority claims.

The Debtor projects sufficient income to pay all required payments under the plan. The Debtor is paying an administrative expense claim in favor of Ryan McNaughton, former receiver for Hinsdale Bank & Trust, in the total amount of \$3,606.75, with payments of \$1,000.00/month.

The Debtor will continue to make this monthly payment to Mr. McNaughton. The Debtor will pay all other costs of administration, such as the fees due to the United States Trustee, attorneys' fees, and accountants' fees, on the Effective Date of the Plan, which is the last day of the calendar month after confirmation of the Plan, unless the parties to whom those costs are payable agree to payment over time. The Debtor has been paying the monthly payment to Mr. McNaughton, and expects that this administrative claim will be paid by the Effective Date of the Plan; but the Debtor will continue to make monthly payments as necessary.

After confirmation of the Plan, the Debtor will make quarterly deposits to a Disbursement Account and make distributions to creditors on a quarterly basis. All unsecured claims, other than Convenience Class claims described above, will be paid from the Disbursement Account on a quarterly basis. The Debtor will pay the priority portion of the claim of the Internal Revenue Service in full upon the Effective Date of the Plan. Other creditors entitled to priority under Section 507(a) of the Bankruptcy Code will be paid in full before general unsecured creditors are paid (the Debtor know of no such claims, except for costs of administration such as attorneys' fees and accountants' fees, and does not anticipate any need to pay any such priority claim). Thereafter, unsecured creditors will share pro rata in all quarterly distributions.

This Disclosure Statement is intended to provide sufficient information to all creditors to allow them to vote on the proposed Plan of Reorganization. Any creditor desiring more information about the Debtor may contact the office of David P. Lloyd, Ltd., attorney for the Debtor, at the address and telephone number shown at the end of this Disclosure Statement.

### **ASSETS AND LIABILITIES**

Assets: At the time of the filing of this case, the Debtor owned 14 condominium units in one complex on Cumberland Avenue in Chicago, Illinois. Seven of the units, in the 5306 N. Cumberland building, were valued at \$75,000 each. Five units, in the 5348 N. Cumbland building, were valued at \$55,000 each. The total value of these condominium units is estimated at \$885,000. This real estate is subject to a mortgage in favor of Hinsdale Bank & Trust Company. The creditor filed a claim in the amount of \$823,989.84, though the Debtor scheduled the claim in the amount of \$631,515.75. If the creditor's figure is correct, and assuming costs of sale of 7%, there is no equity in this real estate. One additional unit in the 5306 N. Cumberland building was value at \$85,000, and is subject to a mortgage in favor of John Modzelewski in the amount of \$100,000. This unit has no equity. Catherine Courts Condominium Association has filed a claim of \$4,268.79, secured by all of the condominium units, for pre-petition condominium assessments.

The Debtor has two bank accounts, at TCF Bank and Hinsdale Bank & Trust Company. The amounts on deposit in these accounts, at the time of the filing of this case, was approximately \$7,200. The Debtor also had deposited \$1,382.70 in trust with an attorney, in connection with a dispute with Catherine Courts Condominium Association over the rent for laundry room space that the Debtor leases from the Association.

The Debtor has deposited approximately \$35,000 with Ridgebrook Enterprises prior to the filing of this case, in connection with an attempt to resolve issues with the Debtor's mortgage lender. In connection with the filing of this case, the Debtor instructed Ridgebrook to pay \$6,717.00 to Debtor's counsel for fees and costs, and Ridgebrook did issue a check in that amount, but Ridgebrook's check was returned for non-sufficient funds. Ridgebrook later turned over \$4,300.00 to the Debtor's attorney, and paid \$17,000.00 to the Debtor in July, 2017. Ridgebrook has failed and refused to return the balance, in excess of \$13,000. The Debtor has filed a motion for turnover of the funds, and Ridgebrook has been ordered to turn over the funds, but has not complied. Ridgebrook has filed a response to the Debtor's motion for judgment, alleging that it incurred an additional \$6,100 in fees and costs. The value of this claim is difficult to determine.

The Debtor also has potential claims against Catherine Courts Condominium Association related to water damage to one of the Debtor's condominium units. This claim is not currently being litigated and the value of the claim is unknown.

The Debtor owns six clothes washers and six clothes dryers that it uses in generating laundry revenue in rented space. These appliances were valued at \$5,000 in the Debtor's schedules.

The total liquidation value of the Debtor's personal property, including bank accounts and equipment, is approximately \$12,200. The equity in the Debtor's real estate is questionable, but may be zero. The value of the Debtor's claim against Ridgebrook Enterprises is questionable, and the value of the claim against Catherine Courts Condominium Association is unknown.

Under the Plan, the Debtor proposed to make a distribution to general unsecured creditors, including the lease rejection claims of Marlin Business Bank, convenience class creditors, and other general unsecured creditors, totaling \$35,600. General unsecured creditors will receive substantially more under the Plan as they would if the Debtor's assets were liquidated in a Chapter 7.

Liabilities: In addition to the secured claims in the above section on "Assets," the Debtor owes \$506.27 to the Internal Revenue Service and acknowledges a claim of \$61,815.00 to Ella's Maid Service. Creditors have filed claims, to which the Debtor has objected, totaling \$3,461,734.26.

#### **HISTORY OF THE DEBTOR'S FINANCIAL CONDITION AND DETAILS OF PENDING ISSUES**

Hartford Court Development, Inc. has been operating as a Subchapter "S" corporation for 18 years, since its inception in 1999. At the time of incorporation the shareholders were Paula and Piotr Walega, each having 50% ownership. The primary business activity was real estate development and sales. Hartford purchased apartment buildings and converted the units to condominiums. The process involved remodeling the units and upgrades to the common areas of the property. After converting several hundred units Hartford had extensive knowledge of construction, marketing and sales of multifamily real estate. Until 2008 when the market took a

turn, all property acquired by Hartford was resold.

In addition to converting its own property Hartford was hired to perform construction and act as the general contractor for other developers doing similar projects. One such project was the conversion of the Catherine Courts property, the location of the corporation's current assets.

In 2013, Paula and Piotr Walega filed a personal Chapter 7 bankruptcy. The trustee in that case conducted an auction of the assets of the Walegas in 2013. The successfully bid on the shares of Hartford Court Development, Inc., the debtor in the present Chapter 11. At the time, the Debtor owned 15 condominium units at the Catherine Courts Condominium Complex and leased space in the common area of the complex from Catherine Courts Condominium Association. In 2015, one of the condos was sold, leaving 14 remaining.

After the close of the Walegas' personal Chapter 7 case in 2014, Paula Walega purchased from Piotr his 50% interest in Hartford Court Development, Inc. for \$7,500.00. The purchase price was determined by the amount the asset was purchased for in the Chapter 7 case. Since that time, Paula Walega has been the sole owner of the stock of the Debtor and has been solely responsible for its operations. Paula Walega has served on the board of Catherine Courts Condominium Association.

Litigation with Catherine Courts Condominium Association:

In July, 2008, the Debtor entered into a lease with Catherine Courts Condominium Association for laundry room facilities. The Debtor leased space and managed coin-operated laundry machines. The rent was based on a percentage of the laundry machine income. During the next several years, disputes arose between the Association and the Debtor over the accounting of the rents. In addition, the Debtor asserted a claim against the Association, based on water damage to one of the Debtor's condominium units, which the Debtor alleged was caused by a failure of maintenance in common areas managed by the association, with the result that water leaked into and damaged the Debtor's unit. To this day, that unit remains untenable because it is subject to frequent leaking and water damage. In August, 2017, the Debtor retained an insurance adjustor to determine the value of the damage claim. As of the date of this Disclosure Statement, the adjustment process is pending, and once the Debtor obtains a claim amount, the Debtor intends to file a claim against its insurance company for the amount of the damage. The amount of this claim is unknown at this time.

The Association filed suit against the Debtor in 2015 in Case No. 15 CH 15379 in the Circuit Court of Cook County. The parties came to a resolution of the suit, and the case was dismissed in June, 2016. However, the Association never executed settlement documents, and the claims of each party against the other were never fully released. The Debtor and the Association have discussed a final resolution of the issues between them, but no final settlement has been reached.

In October, 2016, Ghaleb Azroui, a resident of one of the units in Catherine Courts, filed suit in the Circuit Court of Cook County, in Case No. 16 CH 13990, against the Debtor; its principal, Paula Walega; other board members of Catherine Courts Condominium Association, and the Association itself. The suit is a “derivative action,” unde which the plaintiff, Azroui, seeks to recover from the defendants on behalf of the Association, based on alleged breaches of fiduciary duties by the board members and the old rent dispute between the Association and the Debtor. This suit was never terminated and has been stayed by the filing of the present Chapter 11. Ghaleb Azroui has filed a claim, in the same derivative capacity, in this Chapter 11 case, in the amount of \$60,000.00. The Debtor objected to that claim, but in view of the amount of the claim and the cost and delay in litigating the objection, the Debtor withdrew the objection, and the claim is now an allowed claim in the amount of \$60,000.00.

The Claim Against Ridgebrook Enterprises, Inc.

In 2016, in connection with an attempt to renew its existing mortgage with Hinsdale Bank & Trust Company, the Debtor entered into an engagement agreement with Ridgebrook Enterprises, Inc., for advisory services. Under the agreement, the Debtor deposited the total of \$35,111.40 in escrow with Ridgebrook Enterprises, Inc., over the period of April, 2016, through December, 2016; in addition, the Debtor paid \$3,000.00 to Ridgebrook Enterprises, Inc., for fees in connection with its advisory services.

In January, 2017, in connection with and prior to the filing of this case, the Debtor directed Ridgebrook Enterprises, Inc., to issue payment to Debtor’s counsel, David P. Lloyd, Ltd., in partial payment of his fees and costs. Ridgebrook issued a check in the amount of \$6,717.00, to be applied to \$5,000.00 in fees and \$1,717.00 toward the filing fee for this case. That check was returned for non-sufficient funds. Ridgebrook later paid \$2,500.00 in cash to Debtor’s counsel, on January 17, 2017, and an additional payment of \$1,800.00 on January 23, 2017, but has not otherwise replaced the NSF check. The Debtor made demand for return of the entire \$35,111.40 (less the \$4,300.00 paid in cash), but Ridgebrook refused to return the funds. The Debtor then filed with the Court in this case a motion for turnover against Ridgebrook. The Court determined that the funds were property of the Debtor, being held by Ridgebrook as a custodian, and issued an order against Ridgebrook and its president, David E. Bross, for turnover, and ultimately entered an order of contempt against each. That contempt proceeding is pending with the Court at the time of the filing of this Disclosure Statement. In addition, the Debtor filed a motion for entry of a judgment against Ridgebrook, in order to enforce the claim by supplemental proceedings, and that motion is also pending.

On July 7, 2017, Ridgebrook tendered to the Debtor a cashier’s check in the amount of \$17,000.00, in part payment of the Debtor’s claim. The Debtor computes the amount still due from Ridgebrook at \$13,811.40. On July 25, 2017, Ridgebrook filed with the court a response to the Debtor’s motion for judgment, alleging that it paid, from the escrowed funds, \$1,000.00 for an appraisal fee, \$4,600.00 in state court legal fees, and \$500.00 in advisory fees. Ridgebrook has not provided documentation of these claimed expenses. The Debtor has requested documentation of

these amounts. It is unclear whether the claimed expenses will be substantiated, and it is unclear whether the Debtor will succeed in recovering the remaining \$13,811.40 of its funds from Ridgebrook or its principals.

The Claim of Ewa and Dariusz Wejda:

Ewa and Dariusz Wejda have filed a claim in this case in the amount of \$3,401,734.26. In an addendum to the claim, the Wejdas allege that, in 2005, they entered into a joint venture agreement with Piotr Walega, former shareholder in the Debtor corporation, to purchase a partial interest in an LLC known as Catherine Court Condominium, LLC. They allege that Piotr Walega sold his remaining interest in the LLC and used the proceeds to fund the Debtor during the time that he was a shareholder of the Debtor. On this basis, they allege that they have succeeded, in some way, to Piotr Walega's interest in the Debtor corporation. On that basis, they have alleged a claim of more than \$3.4 million as creditors of the bankruptcy estate.

The Debtor has objected to the Wejda claim. The Debtor's defenses include the fact that any claim they had was against Piotr Walega, personally; that they had no interest in Piotr Walega's ownership share of the Catherine Court Condominium LLC; that they never gained any ownership interest in the Debtor corporation; that all ownership interests in the Debtor corporation were administered by the bankruptcy trustee in the Chapter 7 case of Piotr and Paula Walega, which was filed in 2013; that the bankruptcy trustee sold the stock of the Debtor corporation free and clear of liens and interests to Piotr and Paula Walega in 2013; that Piotr later sold his interest to Paula Walega; and that any claim that they may have against Piotr Walega remains against him, solely, and not against the Debtor corporation.

The Debtor has reached a settlement agreement with Ewa and Dariusz Wejda, under which the Wejda claim will be allowed in the amount of \$121,815.00. This will allow the Wejdas to received one half of the funds being paid on general unsecured claims over the five-year term of the Plan. The Debtor has filed a motion with the Court for approval of the settlement. If the settlement is approved, the claim will be allowed in the amount of \$121,815.00.

Income of the corporation currently comes from rental of the condominiums and proceeds of the laundry lease. The business provides positive cash flow. During the pendency of this Chapter 11 case, the Debtor has continued to operate at a modest profit, and has made payments under a cash collateral order to Hinsdale Bank & Trust Company. The Debtor is current on real estate taxes. The rental market in the area is very strong but the property currently faces some challenges after years of neglect by the developer. The Debtor's principal, Paula Walega, currently serves as a board member of the Catherine Courts Condominium Association and is involved in working with the other members to improve the property and quality of life for its residents.

**DESCRIPTION OF THE PLAN OF REORGANIZATION**

The Debtor has filed a Plan of Reorganization classifying claims as follows:

CLASS I: The claims of all creditors entitled to priority under Section 507(a)(8) of the Code. Such claims shall be known as Governmental Unit Claims. The Internal Revenue Service filed a claim in the total amount of \$506.27, composed of a priority claim of \$116.27 and a general unsecured claim of \$390.00. This is the only governmental unit claim known to the Debtor.

CLASS II: The claims of all other creditors entitled to priority under Section 507(a) of the Code, with the exception of holders of administrative expense claims. This class shall be known as Priority Creditors. The Debtor is not aware of the existence of any creditors in this class.

CLASS III: The claim of Hinsdale Bank & Trust Company, secured by 13 condominium units. The Debtor scheduled the claim in the amount of \$631,515.75, and the creditor filed a claim for \$823,989.84.

CLASS IV: The claim of John Modzelewski, secured by one condominium unit. The Debtor scheduled the claim in the amount of \$100,000.00. The creditor has not filed a claim.

CLASS V: The claims of Catherine Court Condominium Association. The creditor filed a secured claim in the amount of \$4,268.79, for pre-petition condominium assessments, and a second claim, without an amount, related to rent for laundry room space leased by the Debtor from the association. In addition, one Ghaleb Azroui, a homeowner within the Association, filed a claim for \$60,000.00 on behalf of the Association, in the nature of a shareholder derivative claim.

CLASS VI: The claim of Ewa and Dariusz Wejda. The Debtor did not schedule these creditors as holding any claim. The creditors filed a claim in the amount of \$3,401,734.26. The Debtor has objected to this claim, but has reached a settlement that is pending approval as of the date of this Disclosure Statement. Under the settlement, this claim will be allowed in the amount of \$121,815.00.

CLASS VII: The claims of all other unsecured creditors of the Debtor as the same are allowed and ordered paid by the court

The Plan of Reorganization provides that the Debtor will pay claims as follows:

CLASS I: Governmental Unit Claims: The Internal Revenue Service shall receive payment of its priority claim in the amount of \$116.27 in full, upon the Effective Date of the Plan. The general unsecured claim of the Internal Revenue Service, in the amount of \$390.00, shall be paid in the same manner as Class VII unsecured claims, and will be paid a dividend of approximately 15%.

CLASS II: The claims of Priority Creditors shall be paid in full, with interest at 5% per annum, in quarterly installments until paid in full. The Debtor is not aware of the existence of any creditors in this class.



CLASS III: The claim of Hinsdale Bank & Trust Company shall be paid in full, with interest at 5.0% per annum, amortized over a 30-year period, in monthly payments, with the first payment due on the Effective Date of the Plan. The monthly payment amount will be between \$3,390.11/month (if the Debtor's scheduled amount of \$631,515.75 is correct), and \$4,423.36/month (if the creditor's claim amount of \$823,989.84 is correct). The final amount of the creditor's claim will be affected by cash collateral payments since the filing of this case, and will be determined by negotiation of the parties, or ultimately by order of the Court.

CLASS IV: The claim of John Modzelewski, in the amount of \$100,000.00, shall be paid in full, with interest at 5.0% per annum, amortized over a 30-year period, in monthly payments, with the first payment due on the Effective Date of the Plan. The monthly payment will be \$536.82/month.

CLASS V: The secured claim of Catherine Courts Condominium Association, for pre-petition condominium assessments, shall be paid in monthly installments, without interest, over 60 months, with the first payment due on the Effective Date of the Plan. The monthly payment will be \$71.15/month.

The claim filed by the Association for rent does not specify an amount due. The Debtor believes that the Association's claim, if any, was settled prior to the filing of this case, or that the amount due is zero. If the claim is allowed in any amount, this claim shall be paid a dividend of between 1% and 60%, depending on the allowance or disallowance of other unsecured claims.

The derivative claim filed by Ghaleb Azroui is an allowed claim. This claim shall be paid a dividend of 15%.

CLASS VI: The claim of Ewa and Dariusz Wejda has been objected to by the Debtor. The Debtor has reached a settlement agreement under which the claim will be allowed in the amount of \$121,815.00. If the settlement is approved and the claim is allowed in this amount, this claim shall be paid a dividend of 15%.

CLASS VII: All other general unsecured claims. The only claim in this class known to the Debtor is the claim of Ella's Maid Service, filed in the amount of \$61,815.00. This claim shall be paid a dividend of 15%.

ADMINISTRATIVE EXPENSES: The Debtor will pay the administrative expense claim of Ryan McNaughton, former receiver, at the rate of \$1,000.00/month, until paid in full. Other administrative expense claims, including claims of the United States Trustee, the Debtor's attorneys, and the Debtor's accountants, will be paid in full at the Effective Date of the Plan; however, the attorneys or accountants may agree to accept payment over time if the Debtor are unable to pay their fees in full. No payment arrangement between the attorneys or accountants and the Debtor will affect the Debtor's obligations to pay other claims over time as provided by the

Plan. The Debtor will continue to pay quarterly fees to the United States Trustee as they become due until the case is converted, dismissed, or closed after plan confirmation.

The Debtor's counsel, David P. Lloyd, Ltd., received an initial payment of \$5,000.00 toward its fees at the time of the filing of this by Ridgebrook Enterprises, Inc., custodian for the Debtor. However, that payment was returned for non-sufficient funds and only \$4,300.00 was paid, in cash and check, by Ridgebrook, and \$1,717.00 of that amount was used to reimburse Debtor's counsel for the filing fee in this case. Debtor's counsel estimates that its total fees will exceed \$15,000. The total fees of Debtor's counsel will be subject to determination by the Court, and the Debtor and, if counsel's fees exceed the amount of the initial payment, the Debtor and its counsel will make arrangements for payment of allowed fees.

**EQUITY INTERESTS:** The Debtor has one shareholder, Paula Walega, who owns 100% of the stock. Paula Walega is the president of the Debtor and will continue to be employed as president. During the pendency of this case, Paula Walega has not taken a salary for her services as president. Prior to the filing of this case, Ms. Walega would receive compensation of up to \$2,500/month (but would not take compensation in months in which the Debtor did not have funds to pay her salary). The Debtor intends that, after confirmation of a Plan, it will pay Ms. Walega a salary of \$2,500/month if it has the funds after making all payments under the Plan.

The Plan provides for the current shareholder of the Debtor to retain her equity interest in the debtor corporation, with payment of \$1,000.00 in new value as required to satisfy the "absolute priority rule" under Section 1129(b)(2) of the Bankruptcy Code. In order to determine the value of the corporate stock and the adequacy of the new value contribution by the Debtor's shareholders, the Debtor will conduct an auction of the stock of the Debtor on a date to be determined, at the office of the Debtor's counsel. The auction will be held at least three business days prior to the initial hearing on confirmation of the Plan.

The Debtor will place a notice of the auction in a newspaper of general circulation with the date of publication no less than 7 days and no more than 14 days prior to the auction. The text of the auction is contained in an exhibit to this Disclosure Statement. The Debtor will serve on all creditors and parties in interest a copy of the notice, concurrent with the first publication of the notice.

### **LEASES AND EXECUTORY CONTRACTS**

The Debtor has leases on 13 of the 14 condominium units that it owns. The leases were listed on Schedule G, filed with the Chapter 11 petition in this case. The Debtor elects to assume all leases on its condominium units.

Laundry room lease: The Debtor leases laundry room space from Catherine Courts Condominium Association. The Debtor elects to assume the lease.

**EXECUTION OF THE PLAN: FUNDING AND DISTRIBUTION**

Payment to General Unsecured Creditors Based on Net Income: The Debtor will make deposits of \$1,890.00/quarter to a distribution account, to be distributed pro rata to all holders of allowed general unsecured claims for five years. No distributions will be made until all general unsecured claims have been determined. This amount is based on the Debtor's disposable income to be received during the 5-year period after the first payment is due under the Plan. These creditors' claims are in Classes V, VI, and VII. The total payment to general unsecured creditors is \$37,800.00.

The Debtor has objected to the claim of Ewa and Dariusz Wejda, filed in the amount of \$3,401,734.26. The Debtor has reached an agreement with the Wejdas for allowance of their claim in the amount of \$121,815.00. If the agreement is approved by the Court, the total amount of all allowed general unsecured claims will be \$243,631, and the distribution to general unsecured creditors will be approximately 15%.

The Debtor will make a pro rata distribution to all creditors with allowed general unsecured claims from the distribution account, directly to general unsecured creditors for the term of the Plan. Each quarterly payment will be made immediately upon deposit and clearing of the Debtor's deposits to the distribution account.

The funds for payment of Administrative Expenses (other than those for which the holder of such claim agrees to payment over time), Class II Priority Claims (the Debtor is not aware of any such claims) and the payment of the priority portion of the Class I Internal Revenue Service claim will be obtained from funds on hand with the Debtor as of the Effective Date of the Plan. All funds for the payment of the general unsecured portion of the Class I Claim, all Class III Secured Claims, Class IV Secured Claims, the secured portion of Class V Claims, and Class VI and VII Unsecured Claims shall be obtained from the business income of the Debtor over a period of five years.

The Debtor will make a one-time payment of \$116.27, on the Effective Date of the Plan, to the Internal Revenue Service on the priority portion of its Class I claim, and a one-time payment of \$58.50 as the 15% distribution on the general unsecured portion of its Class I claim, also on the Effective Date. The Debtor will make monthly payments to Hinsdale Bank & Trust Company, with the first payment due on the Effective Date, on its secured Class III claim. The monthly payment will be as low as \$3,390.11 or as high as \$4,423.36, depending on the ultimate allowed amount of the claim. The Debtor will make payments of \$536.82/month to John Modzelewski, with the first payment due on the Effective Date, on his secured Class IV claim. The Debtor will make payments of \$71.15/month to Catherine Courts Condominium Association, with the first payment due on the Effective Date, on its secured Class V claim.

The Debtor will make quarterly deposits of \$1,890/quarter to a distribution account, beginning at the end of the calendar quarter following the Effective Date. The Debtor will make

distributions quarterly, pro rata to all holders of allowed general unsecured claims, immediately upon deposit and clearing of the Debtor's deposits to the distribution account.

Attached hereto are a summary of the Debtor's monthly operating reports, showing income and expenses during this Chapter 11 case; a Liquidation Analysis; Debtor's Income and Expense Projections; and the notice of auction of the shareholder's equity.

Respectfully submitted,  
Hartford Court Development, Inc.

By: /s/ David P. Lloyd  
Its attorney

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