

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

IN RE:)	
)	Case No. 17-10554
Erie Street Investors, LLC, <i>et al.</i>)	Chapter 11
)	Judge Thorne
debtor/debtor-in-possession.)	(Jointly Administered)

DEBTORS' COMBINED PLAN OF REORGANIZATION
AND DISCLOSURE STATEMENT

DEBTORS' COUNSEL:

Scott R. Clar (Atty. No. 06183741)
Jeffrey C. Dan (Atty. No. 06242750)
Crane, Heyman, Simon, Welch & Clar
135 South LaSalle Street, Suite 3705
Chicago, IL 60603
(312) 641-6777

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**DEBTORS' COMBINED PLAN OF REORGANIZATION
AND DISCLOSURE STATEMENT¹**

ERIE STREET INVESTORS, LLC, an Illinois limited liability company, debtors herein ("Erie"), LASALLE INVESTORS, LLC ("LaSalle"), WSC PARKING FUND I ("WSC"), GEORGE STREET INVESTORS, LLC ("George"), SHEFFIELD AVENUE INVESTORS, LLC ("Sheffield") (collectively with Erie Street Investors, LLC, the "Debtors"), by and through their attorneys, propose the following Combined Plan of Reorganization ("Plan") and Disclosure Statement in accordance with Section 1121(a), and 1125(f)(1) of the Bankruptcy Code, and Rules 3016 and 3017.1 of the Federal Rules of Bankruptcy Procedure.²

¹ The Debtors believe that the filing of a combined Plan of Reorganization and Disclosure Statement is allowed in accord with Rules 3016 and 3017.1 of the Federal Rules of Bankruptcy Procedure.

² By order of this Court dated April 27, 2017, the Debtors' Chapter 11 cases were jointly administered. The Plan combines the treatment of claims against each of the Debtors, and contains all of the information necessary in terms of adequate information under Section 1125(f)(1) of the Bankruptcy Code. It is the Debtors, several large unsecured creditors and all of the members desire to proceed expeditiously to a hearing on confirmation of the Plan so as to distribute 100% of all claims and interests pursuant to refinancing, rather than the time consuming and more expensive process of a sale of the Properties (defined herein). In terms of transparency, the Debtors believe that full disclosure of, for example, the buy-outs of membership interests, is contained herein.

PLAN SUMMARY

The Plan proposed by the Debtors³ pays 100% of all claims of creditors *and* membership interests in each of the Debtors. Consents have been obtained from each of the members in each of the entities to a buy-out of their interests by entities controlled by Arthur Holmer. Copies of the consents from each member, except for one, which will be received and filed separately, are attached hereto as **Exhibit A**. The consents for the Berman Group, Lake Shore Investments and AFG will be conveyed verbally in open court on Thursday, June 22, 2017. Each member's identity, current percentage interest and the dollar amount of the buy-outs of their interests are attached hereto as **Exhibit B**. The sources of funding for the Debtors' Chapter 11 Plan will be refinancing provided by R² Capital LLC ("R²") and T², funds which exist in the Debtors' estates as of confirmation, and an additional \$1 million contribution by Arthur Holmer, funded by R² to Mr. Holmer personally, and secured by non-debtor assets. A copy of the R² Financing Commitment is attached hereto as **Exhibit C**. A copy of the chart showing sources of funding and uses pursuant to the Plan is attached hereto as **Exhibit D**.

The secured claims of: 1) Deutsche Bank Trust Company Americas, as Trustee for the Registered Holders of UBS-Citigroup Commercial Mortgage Trust 2011-C1, Commercial Mortgage Pass-through Certificates, Series 201-C1, by Rialto Capital Advisors, LLC, Special Servicer and Attorney-in-Fact; and 2) Deutsche Bank Trust Company Americas, as Trustee for the Registered Holders of UBS-Citigroup Commercial Mortgage

³ By order of this Court dated May 11, 2017, Frances Gecker was appointed Chapter 11 Trustee in the Debtors' Chapter 11 cases. The Trustee has stated her intention to sell each of the Properties which, by the Debtors' estimate, will cost the estate millions of dollars in fees and commissions, and is unnecessary in light of the funding available to pay all creditors and investors' claims in full. The Debtors retain the right under Section 1121 of the Bankruptcy Code to file a plan of reorganization, despite the appointment of the Trustee.

Trust 2012-C1, Commercial Mortgage Pass-through Certificates, Series 2012-C1, by Rialto Capital Advisors, LLC, Special Servicer and Attorney-in-Fact, will be paid in full.⁴

PREAMBLE

On April 3, 2017, the Erie, LaSalle and WSC debtors filed their voluntary petitions for relief under Chapter 11 of the Bankruptcy Code, (the “Erie Petition Date”) and operated their respective businesses and managed their respective financial affairs as debtors in possession in accordance with 11 U.S.C. §§ 1107 and 1108 of the Bankruptcy Code, until May 11, 2017, when Frances F. Gecker was appointed Chapter 11 Trustee for the Erie, LaSalle and WSC debtors (“Trustee”).

On April 5, 2017, George and Sheffield filed their voluntary petitions for relief under Chapter 11 of the Bankruptcy Code (the “George Petition Date”, which along with the Erie Petition Date, shall be referred to collectively as the “Petition Dates”) and operated their respective businesses and managed their respective financial affairs as debtors in possession in accordance with 11 U.S.C. §§ 1107 and 1108 the Bankruptcy Code, until May 11, 2017, when the Trustee was appointed.⁵

Erie, LaSalle and WSC are indebted to Deutsche Bank Trust Company Americas, as Trustee for the Registered Holders of UBS-Citigroup Commercial Mortgage Trust 2011-C1, Commercial Mortgage Pass-Through Certificates, Series 2011-C1, by Rialto Capital

⁴ The Debtors have filed motions to expedite the filing of Lender’s claims, and a motion pursuant to Rule 3001(2) to value Lender’s secured claims since Lender has declined to furnish the Debtors with a current payoff statement prior to the court-ordered bar date for filing claims, July 26, 2017.

⁵ Daniel J. Hyman and Millennium Properties (the “Receiver”) have acted as Receiver for the George and Sheffield Properties both before and after the George and Sheffield Petition Date. Under the Plan, management of the Debtors will be provided by Boardwalk Capital Holdings, Ltd. (“Boardwalk”), an entity controlled by Arthur Holmer. Boardwalk has been providing management services to the Trustee during the Erie, LaSalle and WSC Debtors’ Chapter 11 cases. The Trustee has recently been authorized to employ Ascend Property Management LLC (“Ascend”) as property manager for the Erie, LaSalle and WSC Properties. Under the Plan, both the Receiver and Ascend will be excused and any reasonable fees and expenses of the Receiver and Ascend will be paid.

Advisors, LLC, Special Servicer and Attorney-in-Fact ("UBS I Lender"), in the approximate amount of \$18 million (the "UBS I Loan").

George and Sheffield are indebted to Deutsche Bank Trust Company Americas, as Trustee for the Registered Holders of UBS-Citigroup Commercial Mortgage Trust 2012-C1, Commercial Mortgage Pass-through Certificates, Series 2012-C1, by Rialto Capital Advisors, LLC, Special Servicer and Attorney-in-Fact ("UBS II Lender, who along with UBS I Lender shall be jointly referred to as the "Lender") in the approximate amount of \$6.05 million (the "UBS II Loan", which along with the UBS I Loan shall be jointly referred to as the "Loans").

DESCRIPTION OF THE PROPERTIES

Erie is an Illinois limited liability company that is the owner of certain commercial real property located at 343 W. Erie St., Chicago, Illinois, consisting of 82,000 square feet of office space which is approximately 89% leased, and has a fair market value of between \$20 million and \$23 million (the "Erie Property").

LaSalle is an Illinois limited liability company that is the owner of certain commercial real property located at 747 N. LaSalle St., Chicago, Illinois consisting of 46,000 square feet of office space which is approximately 75% leased, and has a fair market value of between \$9 million and \$12 million (the "LaSalle Property").

WSC is an Illinois limited liability company that is the owner of certain commercial real property located at 600 S. Clark St., Chicago, Illinois consisting of a parking garage, and has a fair market value of approximately \$6 million (the "WSC Property").

George is an Illinois limited liability company that is the owner of certain real property located at 2852 - 56 N. Southport, Chicago, Illinois, and 1411 W. George Street, Chicago, Illinois, consisting of eight residential apartments and ground floor retail (the "George Property"). Prior to the Receiver managing the George Property, the George Property was 100% leased. The Debtors believe three (3) of the apartments may be

vacant. The George Property has a fair market value of between \$5.6 million and \$6 million.

Sheffield is an Illinois limited liability company that is the owner of certain commercial real property located at 2954 N. Sheffield, Chicago, Illinois consisting of 12,300 square feet of office and retail space which is approximately 100% leased, and has a fair market value of approximately \$4.8 million (the "Sheffield Property") (the Erie, LaSalle, WSC, George and Sheffield Properties shall hereby be collectively referred to as the "Properties").

REASON FOR FILING CHAPTER 11 CASE

The Debtors filed their Chapter 11 cases in order to restructure of the secured debts owed to Lender arising from the Loans. Both before and since the bankruptcy cases were filed in early April 2017, Arthur Holmer, the majority member in each of the Debtors has been continuously and tirelessly working to refinance the debt owed to Lender and secured by the Properties. Mr. Holmer's efforts resulted in the R² Financing Agreement.

In August 2016, Lender filed separate complaints against each Debtor in the Circuit Court of Cook County⁶. In the UBS II Loan state court cases, Lender did not allege any payment defaults.⁷ Instead, the sole default alleged by Lender was the false statements made by Mr. Holmer to Lender's predecessor in late 2011. Mr. Holmer's 2011 conduct resulted in him pleading guilty in federal court in December 2015 to making false statements to Lender's predecessor (the "Plea"). In March 2016 and pursuant to his Plea, Mr. Holmer was sentenced to supervision, community service and a fine in the amount of

⁶ The state court cases were consolidated according to the Loan at issue in each case. The state court cases arising from the UBS I Loan (Erie, LaSalle and WSC) were consolidated together, and the state court cases arising from the UBS II Loan (George Street and Sheffield) were consolidated together.

⁷ Lender concedes that George Street and Sheffield timely paid each and every monthly installment of principal and interest from the inception of the UBS II Loan in December 2011. Ironically, it was only after the Receiver was appointed in December 2016 that monthly installments of principal and interest ceased being paid to Lender.

\$250,000. Notably, Mr. Holmer was not sentenced any imprisonment. A copy of the transcript of Mr. Holmer's sentencing hearing is attached as **Exhibit E**.

The Plea was entered in connection with events that took place in 2011, and was entered on December 11, 2015. Arthur Holmer has, by all accounts, lived up to all of his obligations under the Plea. Mr. Holmer continues to pay the \$250,000 fine imposed by the District Court, while serving a three (3) year term of Supervised Release, and completing 250 hours of community service. Mr. Holmer was not given a prison sentence. During the sentencing hearing both the Government and U.S. District Judge Andrea Wood commended Mr. Holmer for his acts during the course of the investigation into the false statements and the pendency of his case, including accepting responsibility for his conduct, changing the Debtors' management structure and taking affirmative steps to ensure that none of his investors would incur a loss as a result of his conduct.

At the sentencing hearing, United States District Court Judge Andrea Wood expressly stated:

"...have put a great deal of emphasis on the fact that there have been no losses to date as a result of this conduct (Mr. Holmer's) conduct." (Ex. E, p. 16.)

"I do think that it is somewhat mitigating that his conduct involves one significant transaction, though multiple misrepresentations made in connection with that, and the fact that so far there are no losses and the parties are in agreement that there has not yet been a loss either to the bank (Lender and/or Lender's predecessor) or to any members of the LLC or other business partners." (Id. p. 66.)

"...taking into account the government's acknowledgment that there have been no losses to others." (Id. p. 68.)

The United States government also concluded that neither Lender, Lender's predecessor or any of Debtors' investors had suffered a loss. The Assistant United States Attorney stated:

"...when the defendant (Mr. Holmer) got caught, quite honestly, he did everything right. He paid back any conceivable victim, with interest. He cleaned up the business, as far as we can tell, by bringing in a management company...I will note for the record that no one was hurt financially. No one lost any money, as far as we know." (Id. p. 12.)

“...but from our perspective, it (Mr. Holmer’s conduct) did not result in a loss. (Id. p. 2.)

The alleged defaults in the UBS I cases include eight (8) late payments of principal and interest that had be cured long before Lender filed its state court cases in August 2016 on the UBS I Loan. Lender also alleged non-monetary default of the UBS I Loan. The conduct which lead to Mr. Holmer’s Plea was not alleged as a default in the UBS I Loan state court cases.

The membership buy-outs are a part of that process and have been ongoing since before the Plea was entered. The Trustee, by her own words at the continued first meeting of creditors, specifically was aware of Mr. Holmer’s continuing efforts to buy out membership interests of the debtors and specifically stated she did not object. According to both the prosecutor and Judge Wood, no one, including Lender, lost money as a result of the false statements. The Debtors paid Lender every month until shortly before the Erie and George Petition Dates.

The Debtors consented to the appointment of the Trustee when it appeared refinancing would not be procured in time for the hearing on the appointment of a trustee requested by Lender. But it was always the Debtors’ transparent intention to refinance the Properties and pay all creditors and members in full.

The Plan is filed within the periods established under Sections 1121(b) and 1121(d) of the Bankruptcy Code and any prior Orders of the Bankruptcy Court. The Debtors are the proponents of the Plan. The Plan provides for 100% distribution to the holders of Allowed Claims and Interests, within a much shorter time period and at considerably less cost to the Debtors’ estates than a sale process. In addition, the Debtors believe that it is very unlikely that all of the Properties could be sold at one time, thereby prolonging the sale process.

ARTICLE I

DEFINITIONS

The following terms, when used herein, shall have the meaning specified below, unless the context otherwise requires:

1.1 Administrative Expense: A cost or expense of administration of this Chapter 11 case, including any actual, necessary expense of preserving or liquidating the estate, or of operating the business of the Debtor and all allowances approved by the Bankruptcy Court in accordance with Section 503 of the Bankruptcy Code.

1.2 Allowed Claim: A "Claim" (as defined below) (i) proof of which has been filed with the Bankruptcy Court within the time fixed by the Bankruptcy Court or applicable rules or statutes, and with respect to which no objection has been timely filed by any party in interest, or (ii) that has been, or hereafter is, listed by the Debtors as liquidated in amount and not disputed or contingent in the Debtors' bankruptcy schedules filed in this Chapter 11 case, or (iii) that has been allowed by a "Final Order" (as defined below) by the Bankruptcy Court, or (iv) that is allowed by the provisions of this Plan.

1.3 Allowed Interest: An "Interest" (as defined below) (i) proof of which has been filed within the time fixed by the Bankruptcy Rules or within the time fixed by the Bankruptcy Court; or (ii) that has been scheduled in the list of equity security holders identified in the Debtor's bankruptcy schedules which have been filed with the Bankruptcy Court in this Chapter 11 case; and (iii) in the event of either (i) or (ii), as to which no objection to the allowance thereof has been filed within any applicable period of time fixed by an Order of the Bankruptcy Court, or as to which any such objection has been determined by a Final Order of the Bankruptcy Court.

1.4 Arthur Holmer: The controlling member of each of the Debtors.

1.5 Bankruptcy Code: Title 11 of the United States Code, Section 101 et seq., as amended.

1.6 Bankruptcy Court: The United States Bankruptcy Court for the Northern District of Illinois, Eastern Division.

1.7 Bankruptcy Rules: The Federal Rules of Bankruptcy Procedure.

1.8 Bar Date: The Court approved date for filing proofs of claim in the Debtors' Chapter 11 cases, July 26, 2017.

1.9 Chapter 11: Chapter 11 of the Bankruptcy Code.

1.10 CHSWC: The law firm of Crane, Heyman, Simon, Welch & Clar, Debtors' Counsel.

1.11 Claim: The term "Claim" shall have the meaning set forth in Section 101(5) of the Bankruptcy Code.

1.12 Confirmation: The entry by the Bankruptcy Court of a Final Order confirming the Plan in accordance with the provisions of Chapter 11 of the Bankruptcy Code.

1.13 Debtors: Erie Street Investors, LLC, LaSalle Investors, LLC, WSC Parking Fund I, George Street Investors, LLC and Sheffield Avenue Investors, LLC.

1.14 Debtors' Estates: All of the Debtors' "property of the estate" as defined in Section 541 of the Bankruptcy Code.

1.15 Effective Date: Thirty (30) days following the date on which the Order confirming this Plan becomes a Final Order, or sooner, depending upon closing of the R² Financing and/or an expedited combined hearing in connection with confirmation of the Combined Plan.

1.16 Final Confirmation Order: Final Order confirming the Plan and approving the adequacy of the information contained in the Combined Plan and Disclosure Statement under Section 1129 of the Bankruptcy Code.

1.17 Final Order: (i) An order or a judgment that has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek reargument, reconsideration or rehearing has expired and has not been extended and as to which no appeal, petition for certiorari, reargument, reconsideration or rehearing is pending, or (ii) an order or a judgment for which an appeal, reargument, reconsideration, rehearing or certiorari has been sought, and as to which the order or judgment has been affirmed or the request for reargument, reconsideration, rehearing or certiorari has been denied, and the time to take any further appeal, reargument, reconsideration, rehearing or certiorari has expired, so that in the event of either (i) or (ii), such order or judgment shall have become final and non-appealable in accordance with applicable law.

1.18 Lender: Deutsche Bank Trust Company Americas, as Trustee for the Registered Holders of UBS-Citigroup Commercial Mortgage Trust 2011-C1, Commercial Mortgage Pass-through Certificates, Series 2011-C1, by Rialto Capital Advisors, LLC, Special Servicer and Attorney-in-Fact; and Deutsche Bank Trust Company Americas, as Trustee for the Registered Holders of UBS-Citigroup Commercial Mortgage Trust 2012-C1, Commercial Mortgage Pass-through Certificates, Series 2012-C1, by Rialto Capital Advisors, LLC, Special Servicer and Attorney-in-Fact.

1.19 Month: A calendar month, including the month in which a date or event occurs.

1.20 Plan: This Combined Plan of Reorganization including any amendments or modifications thereto.

1.21 R²/T²: The entity providing funding for the Plan.

1.22 Receiver: Daniel J. Hyman and Millennium Properties.

1.23 Trustee: Frances F. Gecker.

Unless otherwise defined in this Plan, the words and phrases used herein shall have the meanings ascribed to them in the Bankruptcy Code and in the Bankruptcy Rules.

ARTICLE II

SUMMARY CHART

Under the Plan, claimants, and the treatment of their claims is as follows:⁸

Claimant	Treatment under the Plan	Source of Funds
Class 1: Secured Claim of Lender	Will be paid 100% in cash in full on the Effective Date ⁹	R [^] 2 Financing, and, if necessary, funds currently and prospectively in the Debtors' estates as a result of the collection of rent. ¹⁰
Class 2: Secured Claim of Cook County Collector	The secured claims of the Cook County Collector will be paid, when due, out of real estate tax escrows set up by the Debtors, and/or the Debtors' continued operations	Debtors' operations
Class 3: Allowed Claims of General Unsecured Creditors of each of the Debtors	Will be paid in cash in full on the Effective Date	R [^] 2 Financing, and, if necessary, funds currently and prospectively in the Debtors' estates as a result of the collection of rent.

⁸ Reference is made to the sources and uses chart attached as Exhibit D.

⁹ A chart showing computation of Lender's claims, including all current interest, legally owed default interest, defeasance and attorneys' fees, less reserves held by the Lender, including a letter of credit, is attached hereto as **Exhibit F**. Since the Debtors have not had access to Lender's declaration of their claims, the figures referenced herein reflect Debtors' best estimate of Lender's claim based upon Lender's most recent payoff statement.

¹⁰ In addition, Arthur Holmer is fully prepared, based upon available additional personal borrowing from R[^]2 to fund an additional \$1 million into the Plan, if necessary. The additional funding is collateralized by non-debtor assets.

<u>Class 4:</u> The Allowed Membership Interests of each of the Members of each of the Debtors	Arthur Holmer and/or an entity designating by him have been negotiated buy-outs of each of the members of each of the Debtors at 100% of the fair market value of their membership interests. All members have consented to buy-outs of their interests, and a chart indicating the identity, percentage interest and proposed buy-out of the membership interests, along with fully executed consents of each member to their treatment under the Plan, and their support of the R^2 Financing, as opposed to a sale of the Properties is attached hereto as Exhibit B.	The R^2 Financing and/or additional funding provided by Arthur Holmer as referenced above.
<u>Class 5:</u> Membership Interests Controlled by Arthur Holmer	Neither Arthur Holmer, personally, nor any entity controlled by him or anyone related to him that is a member of any of the Debtors will receive any distribution	N/A
<u>Class 6.</u> Insider Claims	All claims of any Insiders are subordinated to the 100% payment of all claims and interests above. ¹¹	N/A

**TREATMENT OF CLAIMS
AND INTERESTS UNDER THE PLAN**

The Plan has one (1) category of Administrative Claims, three (3) classes of creditors, two (2) classes of membership interests and one (1) class of insider claims. Claims and Interests and the treatments thereof under the Plan consist of the following:

¹¹ It is not anticipated that there will be any funds available for Insider Claims of any kind.

ARTICLE III

UNCLASSIFIED CLAIMS

3.1 Administrative Claims¹²

Administrative Claims are unimpaired under the Plan. Administrative Claims consist of the Allowed Claims for fees and expenses of the law firm of Crane, Heyman, Simon, Welch & Clar ("CHSWC"), statutory fees to the Trustee, the attorneys', fees of Trustee's counsel, the law firm FrankGecker LLP ("FrankGecker"), and quarterly fees owed to the United States Trustee. Both CHSWC and FrankGecker have been employed pursuant to Orders entered by the Bankruptcy Court. The fees and expenses of CHSWC are projected to be approximately \$150,000 in excess of the pre-petition retainers in the approximate amounts of \$25,000 or less paid to CHSWC. According to the sources and uses chart attached as Exhibit D, \$500,000 has been allocated for payment of Administrative Claims. Neither CHSWC, the Trustee nor FrankGecker shall be paid unless and until the Bankruptcy Court has entered appropriate orders allowing the compensation and reimbursements of expenses requested by them.

Also included in this category of Administrative Claims are likely to be the post-petition ordinary expenses of the Debtors. Ordinary expenses of the Debtors will be paid in the ordinary course of business pursuant to the terms of any such obligations. Administrative Claims, to the extent allowed, will be paid in cash, in full, on the Effective Date, or as soon as practicable thereafter, or as agreed to by the holder of such Allowed Administrative Claim.¹³

¹²Since the Debtors' Chapter 11 case were commenced as voluntary proceedings, no claims under Sections 507(a)(3) and 502(f) of the Bankruptcy Code exist.

¹³ The amounts projected for CHSWC are merely the Debtors' estimates, and are, therefore, subject to change. Calculation of the Trustee's fee and the amount of the Trustee's statutory fee are subject to further calculation and this Court's allowance. In any event, the Debtors believe \$500,000 is more than enough to pay all costs of administration. In the event \$500,000 is deemed by this Court to be insufficient then the additional \$1 million of funding obtained by Arthur Holmer will be utilized.

3.2 Tax Claims

The Plan has a specific provision for the payment of taxes which are of the type entitled to priority under Section 507(a)(8) of the Bankruptcy Code.¹⁴

3.3 Secured Claims of Lender

Under the Plan, the Secured Claims of Lender is Class 1. Lender's Class 1 Claim in the approximate amount of \$31 million will be paid in cash in full upon the Effective Date, out of the R² Financing, and to the extent necessary, with funds currently on deposit in the Debtors' accounts. If further funding is necessary, the additional funding will be provided by Arthur Holmer's \$1 million borrowing.

3.4 Secured Claims of the Cook County Collector

The secured claims of the Cook County Collector are the Class 2 Claims and will be paid, when due, out of real estate tax escrows set up by the Debtors, and/or the Debtors' continued operations.

Unsecured Creditors

3.5 Unsecured Creditors are the Class 3 claimants, and are estimated to be owed approximately \$1.52 million (See Exhibit D)¹⁵. Allowed Class 3 claimants will receive 100% of their Allowed Claims¹⁶ in cash in full on the Effective Date, to be paid out of the R² Financing, and/or funds on deposit at that time, presumed to be approximately September 1, 2017.

¹⁴ The Debtor is not aware of any tax claims to either the Internal Revenue Service or Illinois Department of Revenue, or any other taxing authorities, other than the Cook County Collector claims which have already been dealt with above.

¹⁵ The calculation of the claims of unsecured creditors are based upon the Debtors' books and records, as reflected in the schedules filed in the Debtors' Chapter 11 cases. The majority of the Debtors' unsecured debt consists of either law firms utilized by the Debtors, real estate leasing firms employed by the Debtors, the City of Chicago (in the WSC case) and insider claims. Upon information and belief, all of the Debtors' previous attorneys and leasing agents, as well as the Debtors' current members support the R² Financing, which is not surprising since, as noted previously, they are all receiving 100% of their claims.

¹⁶ A bar date for filing claims has been set by this Court for July 26, 2017.

3.6 The Allowed Membership Interests of each of the Members of each of the Debtors are the Class 4 claimants. All non-insider members will be paid 100% of the fair value of their membership interests according to the agreements reached. (See Exhibits A and B).

3.7 Membership Interests Controlled by Arthur Holmer are the Class 5 Claims. No distributions will be made on account of these interests.

3.8 Insider Claims of either Arthur Holmer or entities controlled by Arthur Holmer are the Class 6 Claims. No distributions will be made on account of these claims.

Claims Objections

Except as otherwise ordered by the Bankruptcy Court or as otherwise provided in the Plan, the Debtors shall file any and all objections to the allowance of Claims or Interests on or within one hundred and twenty (120) days of Confirmation of this Plan unless extended by Order of the Bankruptcy.¹⁷

PURPOSE OF DISCLOSURE STATEMENT

This Combined Plan and Disclosure Statement is provided to all of the known holders of Claims against and Interests in the Debtors, and is disseminated in connection with the solicitation of acceptances of the Plan filed by the Debtors.¹⁸ The purpose of this Disclosure Statement is to provide such information as would enable a hypothetical, reasonable investor, typical of the holder of Claims and Interests which are impaired under the Plan, to make an informed judgment about the Plan.

The information contained in this Combined Plan and Disclosure Statement has been submitted by the Debtors unless specifically stated to be from other sources. No representations concerning the Debtors or this Plan, other than those set forth in this Plan,

¹⁷ It is not known at this time whether the Debtors will object to any claims, since the Bar Date has not passed.

¹⁸ The Debtors believe that balloting may not be necessary, since all creditors are being paid in cash in full 100% of their claims on the Effective Date.

have been authorized by the Debtors. The Debtors believe that all of the information contained in this Combined Plan and Disclosure Statement is accurate. However, the Debtors are unable to warrant that there are no inaccuracies.

Under the Bankruptcy Code, a Class of Claims is considered to have accepted the Plan if both a majority in number and two-thirds (2/3) of the dollar amount of those actually voting vote to accept the Plan. The Claims of those who do not vote are not counted in determining whether the requisite statutory majority in number and dollar amount have voted for acceptance. Acceptance by the statutory majority will bind the minority who dissent and those who fail to vote.

The Debtors believe that balloting of the Plan may not be necessary. To the extent it is determined otherwise, then allowed claimants in Classes 3 and 4 are entitled to vote on the Plan. The Class 1 Claim of the Lender is unimpaired because the Lender is receiving 100% of its claim plus regular and default interest, defeasance and its reasonable attorneys' fees, as shown by Exhibit F. The Lender is receiving everything to which it is entitled.

HISTORY AND BACKGROUND

Each of the Debtors are single purpose limited liability companies that hold fee simple title to commercial real estate properties located in Chicago, Illinois. The Debtors acquired the properties at various times from 2007 to 2009, and have operated each of them since acquisition. In 2011 the Debtors refinanced the properties with UBS through two separate loans, one of which was secured by three of the properties and the other by two of the properties. The following table provides a description of each property and the year it was acquired.

Property Location	Debtor	Asset Type	Asset Class	Year Purchased
UBS I Loan Properties:				
343 W. Erie	Erie Street Investors	82,000 Sq. Ft. Office/Retail	Office	2007
747 N. LaSalle	LaSalle Investors	46,000 Sq. Ft. Office/Retail	Office	2007
600 S. Clark	WSC Parking Fund I	Parking Garage - 240 Spaces	Parking Garage	2008
UBS II Loan Properties:				
2954 N. Sheffield	Sheffield Avenue Investors	12,300 Sq. Ft. Office/Retail	Retail/Office	2009
2856 N. Southport	George Street Investors	Restaurant/Apartments	Mixed Use	2008

Since the acquisition, the Debtors have spent millions of dollars to upgrade and improve the Properties and to increase the occupancy of the rental properties. At the present time each of the Properties generates significant net operating income.

In 2016, the successor-in-interest to the UBS loans, through its loan servicer (Rialto), declared a default on each of the loans. In connection therewith Rialto demanded repayment of the loans in full, plus pre-payment penalties and default interest calculated from the date the loans were originated in 2011, despite the fact that at the time Rialto declared the loans in default both loans were current with respect to the monthly principal, interest and reserve payments required under the loan. Shortly thereafter, Rialto initiated foreclosure proceedings on each of the loans. In April 2017, when settlement discussions with Rialto failed, the Debtors filed the Chapter 11 bankruptcy case that is the subject of this Combined Plan and Disclosure Statement.

A description of the Properties is described earlier in this Combined Plan and Disclosure Statement.

POST-PETITION ACTIVITIES

Since the Petition Date, the Debtors and the Lender entered into an Interim Cash Collateral Order, under which the Debtor made payments of principal and interest to the Lender. The Trustee was appointed on May 11, 2017, and has eschewed cash collateral orders with the Lender in favor of payment of the Debtors' bills upon presentation of invoices. It is unknown whether the Trustee has paid all current debtor-in-possession obligations of the Debtors.

Arthur Holmer's efforts to refinance have resulted in the R² Financing, which will largely, if not completely, pay all creditors' claims and interests. Any potential shortfall will be covered by the Debtors' substantial cash deposits, currently in the possession of the Trustee, which upon Confirmation will be turned over to the Debtors, and if necessary by \$1 million funding by Arthur Holmer.

OTHER ASPECTS OF THE PLAN

The Debtors will be the disbursing agent charged with making the payments required under the Plan to the holders of Allowed Claims and Interests.

Upon Confirmation of the Plan, the Debtors shall be revested with their assets,¹⁹ subject only to the terms and conditions of the Plan.

Upon Confirmation, an injunction under Section 524 of the Bankruptcy Code shall arise to prevent any party from foreclosing its lien or security interests or otherwise enforcing its claims against the Debtors and their assets in these bankruptcy cases except as authorized in the Plan. Such injunction shall not affect any secured creditor's right to foreclose upon any security interest provided in the Plan in the event of any post-

¹⁹ Upon Confirmation, title to the Properties will pass to Arthur Holmer or an entity designated by him to hold title to all of the Properties.

Confirmation default under the Plan. This injunction will remain in effect until all distributions under the Plan have been made.

The Plan is self-executing. The Debtors shall not be required to execute any newly created documents other than as may be required under the R² Financing to effectuate the terms of the Plan. Upon payment as required by the Plan, any liens supporting such Claims shall be deemed released and discharged.

The Debtors do not believe that they are a party to any executory contracts, other than residential and commercial leases for the Properties, but all executory contracts and unexpired leases, if any, which exist between the Debtors and any other party, whether such executory contract be in writing or oral, which have not been previously assumed, assigned, rejected or otherwise terminated by the Debtors shall be assumed upon Confirmation of the Plan pursuant to Sections 365 and 1123(b)(2) of the Bankruptcy Code. Any and all Claims asserted by any party arising from the rejection of executory contracts and unexpired leases pursuant to the Plan must be filed on or within thirty (30) days following the rejection. Further, with respect to Claims for default relating to any unexpired lease or executory contract that is assumed pursuant to the Plan, any and all such Claims must also be filed on or within thirty (30) days following Confirmation. Allowed Claims emanating from the rejection of unexpired leases and executory contracts will be treated as Class 3 Claims. Any person failing to file such a Claim within the time provided in the Plan shall be forever barred from asserting such Claim and shall not receive any distribution under the Plan. The provisions for assumption, assignment and rejection shall be equally applicable to executory contracts and unexpired leases of real and personal property.

The Bankruptcy Court shall retain jurisdiction for certain specified purposes, as detailed in the Plan. Any distribution under the Plan that remains unclaimed sixty (60) days after the distribution is made will become property of the Debtors, and will not be recouped

in subsequent distributions. The Debtors will have the right to make any distribution to creditors earlier than required by the Plan.

The provisions of the Plan shall bind all creditors, interest holders and parties in interest. Except as expressly provided in the Plan or the Bankruptcy Code, no interest or penalties accruing on or after April 3, 2017 and April 5, 2017, shall be paid on any Claim nor shall any creditor claiming any such interest or penalty be entitled to have its Claim for interest or penalty allowed for payment. To the extent necessary, pursuant to Section 1129(b) of the Bankruptcy Code, the Debtors reserve the right to confirm the Plan if all applicable requirements of Section 1129(a) of the Bankruptcy Code, other than Section 1129(a)(8), are met.

LIQUIDATION ANALYSIS

Failure of the Debtors to obtain Confirmation of their Plan will result in the sale of the Properties by the Trustee. Such an outcome would yield uncertain results, and would certainly cost the estates millions of dollars in terms of broker's commission, expenses, and attorneys' fees. There is no reason to sell the Properties when all claims and interests are being paid in full. All unsecured creditors are being paid exactly what they are owed. There is no need for a liquidation analysis, even if it is conceivable that proceeds in excess of the amount of claims and interest might be realized. Attached hereto as **Exhibit G** is an analysis of likely costs of selling the Properties, and the net that would be available to members of the Debtor, after the payment of all creditor claims in full. **Exhibit H** is an analysis comparing the amounts members would receive under the buy out agreements under the Plan, as opposed to what each member would receive if the Properties were liquidated. In the aggregate, the affected LLC members would receive approximately \$1,000,000 less if the Properties were sold.

FEASIBILITY AND FAIRNESS OF PLAN

A Disclosure Statement would ordinarily attach an exhibit showing cash flow projections showing the feasibility of the distributions. However, since 100% distributions are to be made, there is no need for cash flow projections other than Exhibit D.

The Debtors believe that the Plan represents an opportunity for the holders of Allowed Claims and Interests to receive 100% distribution in a much shorter period of time than by selling the Properties.

Copies of the only monthly reports filed by the Debtors in these Chapter 11 cases are attached hereto as **Exhibit I** as further evidence of the feasibility of the Debtors' Plan, from the standpoint of cash deposits available, and are offered along with the R² Financing to satisfy the requirements of Rule 3016 - 1(c)(2) of the Local Rules of Bankruptcy Procedure for the Bankruptcy Court for the Northern District of Illinois.

RECOMMENDATION

The Debtors recommend that those persons entitled to vote, if in fact anyone needs to vote, vote to accept the Plan.

Erie Street Investors, LLC, LaSalle Investors, LLC, WSC Parking Fund I, George Street Investors, LLC and Sheffield Avenue Investors, LLC, debtors/debtors-in-possession

By: /s/Scott R. Clar
One of Their Attorneys

DEBTORS' COUNSEL:

Scott R. Clar (Atty. No. 06183741)
Jeffrey C. Dan (Atty. No. 06242750)
Crane, Heyman, Simon, Welch & Clar
135 South LaSalle Street, Suite 3705
Chicago, IL 60603
(312) 641-6777
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