

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
In re

MADISON HOTEL, LLC,

Chapter 11
Case No. 11-12560 (MG)

Debtor.
-----X

MODIFIED [PROPOSED] SECOND MODIFIED THIRD
AMENDED DISCLOSURE STATEMENT

SUBMITTED BY:

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Dated: ~~October 12,~~ November 9, 2012

I.

INTRODUCTION

62 Madison Lender, LLC (the "Plan Proponent"), a senior secured creditor in this Chapter 11 case, files this ~~Modified~~ [Proposed] Second Modified Third Amended Disclosure Statement ("Disclosure Statement") pursuant to the requirements of Section 1125 of the Bankruptcy Code (the "Bankruptcy Code"). This Disclosure Statement relates to the ~~Modified~~ [Proposed] Second Modified Third Amended Plan of Reorganization, dated ~~October 12, November 9, 2012~~ (the "Plan") submitted by the Plan Proponent in the Chapter 11 case (collectively, the "Chapter 11 Case") of Madison Hotel, LLC (the "Debtor"). A copy of the Plan is attached hereto as **Exhibit "A"**. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Plan or the Bankruptcy Code, as may be applicable, which are incorporated herein by reference.

The Plan undertakes to resolve all secured claims, administrative and other priority claims, and unsecured claims, as well as all equity interests. The Plan Proponent believes that distribution pursuant to the terms of this Plan will produce for creditors more than they would receive if the Chapter 11 Case were to be converted and the assets of Debtor liquidated under Chapter 7 of the Bankruptcy Code and the proceeds distributed according to the priorities and in the manner prescribed by the Bankruptcy Code.

AS A CREDITOR OF THE DEBTOR, YOU CAN VOTE FOR OR AGAINST THE PLAN. THE PLAN PROPONENT STRONGLY BELIEVES THE PLAN OFFERS CREDITORS THE BEST CHANCE OF RECOVERING ON THEIR CLAIMS. THE PLAN PROPONENT THEREFORE URGES CREDITORS WHO ARE ENTITLED TO VOTE TO VOTE TO ACCEPT THE PLAN.

II.

SUMMARY OF THE PLAN

THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE REMAINING PORTIONS OF THIS DISCLOSURE STATEMENT, AND THIS DISCLOSURE STATEMENT IN TURN IS QUALIFIED IN ITS ENTIRETY BY THE PLAN. THE PLAN IS AN INTEGRAL PART OF THIS DISCLOSURE STATEMENT, AND ANY HOLDER OF ANY CLAIM OR EQUITY INTEREST SHOULD READ AND CONSIDER THE PLAN CAREFULLY IN MAKING AN INFORMED JUDGMENT ABOUT THE PLAN. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN, THE PLAN CONTROLS.

The fundamental premise underlying the Plan is the determination by the Plan Proponent that maximum recoverable value, and the creation of the funds required to make the Distributions provided for under the Plan at the earliest possible time, can best be achieved for the benefit of holders of Allowed Claims (and where applicable, Equity Interests) through a prompt and orderly implementation of a marketing process by which the Hotel Property is sold after reasonable exposure to the marketplace, with such sale to be free and clear of any and all liens, claims and encumbrances of whatever kind and/or nature (with any such liens, claims and encumbrances to attach to the proceeds of sale and thereupon be dealt with as provided in the Plan), and with the net proceeds realized upon the consummation of any such sale being distributed in accordance with the terms of this Plan. Holders of Administrative Claims, Priority Tax Claims, and Priority Claims in the Debtor's estate will be paid on or about the Effective Date from available Hotel Cash on Hand; provided that, in the case of Priority Tax Claims and other Priority Claims, at the election of the Plan Proponent such Claims may be paid on a deferred basis in accordance with applicable provisions of the Bankruptcy Code. Holders of

Unsecured Claims in Class 3 shall receive (a) their Pro Rata Share of net distributable Hotel Property Sale Proceeds after the payment in full of the Allowed Class 1 Secured Claim, any residual Allowed Priority Tax Claims, and any residual Allowed Priority Claims, plus (b) their Pro Rata Share of net distributable proceeds realized by the Liquidating Trustee from the prosecution and/or settlement of any Causes of Action and/or Avoidance Actions.

As prescribed by the Bankruptcy Code and the Bankruptcy Rules, Claims asserted against, and Equity Interests in, the Debtor are placed into "Classes." The Plan designates multiple separate Classes of Claims and Equity Interests. The classification of Claims and the treatment of each Class are discussed in detail below, as well as in Articles IV and VI of the Plan.

III.

VOTING ON AND CONFIRMATION OF THE PLAN

To the extent the treatment proposed under the Plan alters, modifies or changes the legal, contractual, or equitable rights with respect to any Claim or Equity Interest asserted against the Debtor, such Claim or Equity Interest is considered "impaired." Except as otherwise provided in Section 1126(g) of the Bankruptcy Code, the holder of an impaired Claim or Equity Interest is entitled to vote either to accept or reject the Plan. Except as otherwise required by the Bankruptcy Code or the Bankruptcy Rules or as otherwise provided in Section 11.2 of the Plan, the holders of Claims and Equity Interests in Classes 1, 2, 3 and 4 shall be entitled to vote to accept or reject the Plan. Administrative Claims and Priority Tax Claims are unimpaired and not classified under the Plan and hence are not entitled to vote to accept or reject the Plan pursuant to Section 1126(g) of the Bankruptcy Code.

You will find a ballot included in the envelope with this Disclosure Statement. **PLEASE MARK THE BALLOT** to indicate whether you vote to **ACCEPT** or **REJECT** the Plan. After you have completed your Ballot, place the Ballot in the enclosed, pre-addressed, pre-stamped envelope and place the envelope in the mail as soon as practicable. **YOUR BALLOT MUST BE RECEIVED BY THE VOTING AGENT, WHOSE ADDRESS IS PRINTED ON THE ENVELOPE, BY NO LATER THAN 5:00 P.M. (ET) ON _____, 2012, 2011, OR IT WILL NOT BE COUNTED.**

Upon receipt, the Ballots will be tabulated, and the results of the voting will be presented to the Bankruptcy Court for its consideration. As described in greater detail in Section VI of this Disclosure Statement, the Bankruptcy Code prescribes certain requirements for Confirmation of a plan. The Bankruptcy Court will schedule a hearing (the "Confirmation Hearing") to consider whether the Plan complies with those requirements.

The Bankruptcy Code permits the Bankruptcy Court to confirm a plan even if all impaired Classes have not voted in favor of the Plan. Confirmation of a plan over the objection of a Class is sometimes called "cramdown." As described in greater detail in Section XI.E of this Disclosure Statement, the Plan Proponent has expressly reserved the right to seek "cramdown" in the event all impaired Classes do not vote in favor of the Plan.

IV.

CHAPTER 11 PROCEEDINGS

A. Background

On May 26, 2011 (the "Petition Date"), the Debtor filed its petition for relief under Chapter 11 of the Bankruptcy Code with the Bankruptcy Court. Under the provisions of the Bankruptcy Code, the

Debtor is continuing to operate its business as Debtor in possession, subject to the supervision of the Bankruptcy Court and the U.S. Trustee.

B. The Debtor; Events Leading to the Chapter 11 Case

Debtor Madison Hotel, LLC is the owner and operator of a boutique hotel located at 62 Madison Avenue, New York, NY, which is operated under the name "The MAve Hotel." The hotel consists of 72 rooms located on 12 floors.

100% of the limited liability company interests ("LLC Interests") in the Debtor are owned by Madison Hotel Owners, LLC ("Owners"), a shell entity created for the sole purpose of owning the LLC Interests. On May 16, 2011 Owners filed its own separate petition for relief under Chapter 11 of the Bankruptcy Code. As of the date hereof, the Owners Chapter 11 case is still pending. This Plan does not propose to treat the claims or equity interests in the Owners Chapter 11 case.

According to various statements and reports filed with the Bankruptcy Court by the Debtor, the Debtor contends that its financial problems arose from the general economic downturn which in turn caused the Hotel Property's income to drop, which in turn, impaired the hotel's cash flow. The Plan Proponent instead believes that the Debtor commenced this Chapter 11 case as a means to avoid and forestall the Plan Proponent's efforts to foreclose on the Debtor's interests in the Hotel Property (and the LLC Interests held by Owners) following the Debtor's substantial, material and continuing defaults under its pre-bankruptcy loan arrangements with the Plan Proponent (described in Sections D and E below).

C. Committee Formation

In accordance with Section 1102 of the Bankruptcy Code, the U.S. Trustee is obligated to attempt to appoint an official committee to represent the interests of unsecured creditors in the Chapter 11 case. As of the filing of the Plan and this Disclosure Statement, there has been insufficient interest in forming such a committee, as a result of which the U.S. Trustee has not formed an official creditors' committee in either Chapter 11 case.

D. The Debtor's Pre-Petition Credit Facility

On or about August 28, 2008, Textron Financial Corporation ("Textron"), entered into that certain building loan agreement and that certain project loan agreement (collectively, "Senior Loan Documents") with Debtor Madison Hotel LLC, pursuant to which Textron provided a senior loan in the original aggregate principal amount of \$30,000,000 (the "Senior Loan"). The Senior Loan is secured by, among other things, mortgages on the real property located at 62 Madison Avenue, New York, New York (collectively, the "Mortgage"). The aforementioned property is owned and operated by the Debtor as a boutique hotel under the name "The MAve Hotel."

On or about August 28, 2009, in connection with the Loan, "in order to induce Lender to enter into the Loan Agreement," Owners, 62 Madison Partners LLC, Joseph Ben Moha and Benzion Suky (the "Guarantors") each executed and delivered to Textron a Guaranty Agreement (the "Guaranty"), as amended by the Amendment to Guaranty executed by the Guarantors and Textron on or about February 11, 2009 (the "Amended Guaranty"). Pursuant to the Guaranty, the Guarantors absolutely and unconditionally, jointly and severally, *inter alia*, guaranteed the full, prompt, complete and faithful performance, payment, observance and fulfillment by the Debtor of all Obligations, including, but not limited to, the payment of all principal of and interest on the Loan and all fees, costs and expenses of said borrower owing to Textron (now the Plan Proponent) under the Senior Loan Documents.

On or about April 5, 2010, Textron assigned and transferred to the Plan Proponent all of its rights, title and interests under, among other things, the Senior Loan.

E. The Mezzanine Loan

On or about August 28, 2008, the Estate of Lawrence Meinwald (the "Meinwald Estate") entered into a certain Mezzanine Loan Agreement with Owners (the "Mezzanine Borrower"), pursuant to which the Meinwald Estate provided the Mezzanine Borrower with a mezzanine loan in the original aggregate principal amount of \$5,000,000 (the "Mezzanine Loan"). The Mezzanine Loan is secured by, among other things, a pledge and security agreement dated as of August 28, 2008 (the "Pledge Agreement"), pursuant to which the Meinwald Estate was granted a first priority security interest in all of Mezzanine Borrower's ownership interest in the Debtor. The Loan Arrangement is evidenced by, among other things, (i) a Mezzanine Loan Agreement, (ii) a Promissory Note, and (iii) a Pledge Agreement.

On or about December 10, 2008, the Meinwald Estate assigned and transferred to defendant Carolyn T. Meinwald all of its rights and interests under the Mezzanine Loan. Thereafter, on or about February 15, 2011 Carolyn T. Meinwald sold and assigned all of her rights, title and interests under, among other things, the Mezzanine Loan to Nomad Mezz Lending, LLC. As a result, Nomad Mezz Lending, LLC is the only secured creditor of Owners, and holds the single largest claim against the estate.

E. The Pre-Petition Litigation

(1) The Senior Loan Foreclosure Action

By letter dated November 11, 2009, Textron informed Debtor Madison Hotel, LLC that because of its failure to make certain required monthly payments or principal and/or interest due on October 1, 2009 and November 1, 2009, one or more Events of Default had occurred under the Senior Loan, and as a result, Textron reserved the right to declare all obligations under the Senior Loan immediately due and payable in full. Not having received payment, by letter dated November 17, 2009, sent to the Debtor, Textron accelerated the Senior Loan and demanded payment of all obligations under the Senior Loan (the "Demand for Payment").

On February 16, 2010, Textron, as the original plaintiff and the party which originated the Senior Loan, filed a Summons and Complaint in the Supreme Court for the State of New York, New York County (the "State Court" and the "State Court Action", respectively), seeking to (a) foreclose on the mortgages securing the Senior Loan and (b) obtain payment from various guarantors under their respective guarantees that were executed and delivered as part of the Senior Loan. That same day, Textron also filed a Notice of Pendency of Action in the New York County Clerk's office. By Order dated February 17, 2010, the Court granted Textron's application for the appointment of a temporary receiver, and appointed a receiver (the "Receiver"). In accordance with the provisions of Section 543(d)(1) of the Bankruptcy Code, the Receiver continues to possess, manage and control, inter alia, the Hotel Property.

(2) The Mezzanine Loan UCC Sale

As of the Petition Date, the Mezzanine Loan was in default, with Owners owing Nomad Mezz Lending, LLC \$5,000,000, plus interest, costs, expenses, and costs of collection (including attorneys' fees). In accordance with the Mezzanine Loan and, in particular, the Pledge and Security Agreement, Nomad Mezz Lending, LLC had scheduled a secured party's sale of 100% of the LLC Interests for 10:00 a.m. on May 17, 2011. Mere hours prior to the sale, Owners filed a voluntary petition with the Bankruptcy Court in order to forestall the scheduled UCC sale.

F. Events Subsequent to Chapter 11 Filing

(1) Nomad Mezz Lending, LLC Motion to Dismiss

Pursuant to a motion dated May 24, 2011 [D.R. No. 10], Nomad Mezz Lending, LLC filed a motion seeking an order dismissing the Owners Chapter 11 case on the grounds that the filing of that case was grounded in bad faith. A hearing on the motion was held before the Bankruptcy Court on June 21, 2011, following the conclusion of which the Bankruptcy Court determined to deny the motion without prejudice.

(2) Cash Collateral Order

Following the Petition Date, the Debtor and the Receiver continued to require use of the Hotel Property's cash and cash equivalents to continue day-to-day operations of the hotel; however, all of such cash and cash equivalents constituted the Plan Proponent's "cash collateral", on account of which use it was entitled to receive certain "adequate protection" in accordance with Sections 363 and 361 of the Bankruptcy Code. Accordingly, pursuant to a Stipulation approved by the Bankruptcy Court on August 17, 2011 [D.R. No. 36] ("Cash Collateral Stipulation"), among other things, the parties agreed that (a) the Receiver would continue to manage the day-to-day affairs of the Hotel Property, (b) the Debtor and the Receiver could continue to use the Plan Proponent's cash collateral in accordance with the terms of the Cash Collateral Stipulation, and (c) the Plan Proponent was to receive certain adequate protection, including periodic cash payments, in accordance with the terms of the Cash Collateral Stipulation.

(3) Debtor' Professionals

The Debtor is presently represented by Backenroth, Frankel & Krinsky, LLP in connection with the commencement, prosecution and administration of the Chapter 11 Case.

(4) The Debtor's Proposed Amended Plan

At the outset of this Chapter 11 Case, the Debtor initially advised the Bankruptcy Court that it had intentions of selling the Hotel Property and paying off the Senior Loan in full from the sale proceeds, and reinstating the Mezzanine Loan obligations with a view toward payment in full there as well.

On July 31, 2011, the Debtor filed its initial proposed Joint Plan of Reorganization (together with Owners as a co-proponent) [D.R. No. 22] and related proposed Joint Disclosure Statement [D.R. No. 21]. Under that initial plan, the Debtor and Owners proposed that the Senior Loan would be paid in full over five (5) years, with interest accruing at 5.5%, and the Mezzanine Loan would be paid in full in cash on the effective date of the plan. The Debtor and Owners further proposed that holders of unsecured claims would be paid in limited installments as follows: 25% on the effective date; 25% on the 6 month anniversary of the effective date; 25% on the 1 year anniversary of the effective date; and 25% on the 18 month anniversary of the effective date. The holders of the equity interests in the Debtor (*i.e.*, Owners) would continue to retain their respective ownership interests unimpaired. The Debtor and Owners later acknowledged that they did not have the independent resources available to make the distributions and other payments required under their initial plan, and thereafter abandoned any further efforts to seek confirmation of that plan.

On October 19, 2011, the Debtor and Owners filed an amended proposed Joint Plan of Reorganization [D.R. No. 47] and related amended proposed Joint Disclosure Statement [D.R. No. 48]. Under their amended plan, the Debtor and Owners contemplated that a portion (*i.e.*, 50%) of the ownership interests in the reorganized debtor would be issued to an entity known as CRP Holding SPA (or to a designee or affiliate thereof) in exchange for its commitment to provide the funding necessary

to make the distributions and other payments required under the amended plan, with the remaining 50% of the ownership interests in the reorganized debtor to be retained by the existing equity holders. This amended plan also reiterated the Debtor's and Owners' intention that the Senior Loan would be impaired and paid in full over five (5) years, with interest; the Mezzanine Loan would be paid in full in cash on the effective date; and unsecured creditors would continue to be paid in installments stretching over an 18 month period from the effective date.

Subsequent to the Debtor's and Owners' filing of their amended plan, the Plan Proponent entered into intensive negotiations with representatives of CRP Holding SPA and others concerning the terms of the amended plan, including, but not limited to, the treatment to be accorded the Senior Loan and Mezzanine Loan thereunder. Despite these efforts, the parties were unable to reach an agreement on the terms of a consensual plan, and have since discontinued any further efforts toward that goal. The Debtor and Owners later acknowledged that their amended plan could not succeed, and thereafter abandoned any further efforts to seek confirmation of that amended plan.

As a result of the parties' failure to reach a negotiated agreement concerning consensual plan terms, the Plan Proponent has formulated the Plan as a means to bring this Chapter 11 Case to an orderly, and final, resolution and conclusion.

F. Claims Bar Date

Pursuant to Bankruptcy Rule 3003, the Court has set deadlines for creditors and interest holders to file their respective claims against the Debtor's estate. In that connection, November 22, 2011 was set as the claims bar date in the Chapter 11 Case. Claims not filed on or before the aforementioned dates are "barred" and are subject to disallowance based on their late filing (in addition to any other grounds that may be asserted by any party in interest seeking the disallowance of any particular claim).

G. The Proposed Plan

As a result of the parties' failure to reach a negotiated agreement concerning consensual plan terms, and as a means to bring the Chapter 11 case to an orderly, and final, resolution and conclusion, the Plan Proponent, together with Nomad Mezz Lending, LLC (collectively with the Plan Proponent, the "Lenders"), formulated a proposed joint plan of reorganization for both the Debtor and Owners. Pursuant to separate orders of the Bankruptcy Court entered in the Debtor's and Owners' cases, the Bankruptcy Court approved the Lenders' Second Amended Joint Disclosure Statement, and further authorized the Lenders to solicit acceptances of that plan. After the initial solicitation of votes failed to achieve the requisite number and amount of acceptances, the Plan Proponent determined to amend the joint plan in the manner set forth in this Plan, and proceed to seek confirmation of this Plan for the Debtor only instead.

H. Purpose of the Plan

In formulating the Plan, the Plan Proponent has determined that maximum recoverable value, and the creation of the funds required to make the Distributions provided for under the Plan at the earliest possible time, can best be achieved for the benefit of holders of Allowed Claims (and where applicable, Equity Interests) through (a) the transfer of on the Hotel Property and Effective Date of all of the Debtor's Hotel Cash on Hand and other assets and interests to a liquidation trust, guided by a liquidating trustee, and (b) the sale or other disposition of the Hotel Property by a liquidating trustee, who in turn will be empowered to and have responsibility to effectuate in a prompt and orderly manner the implementation of a marketing process by which the Hotel Property will be sold after reasonable exposure to the marketplace, with such sale to be free and clear of any and all liens, claims and encumbrances of whatever kind and/or nature (with any such liens, claims and encumbrances to attach to the proceeds of sale and thereupon be dealt with as provided in the Plan), and with the net proceeds realized upon the consummation of any

such sale to be distributed in accordance with the terms of the Plan. The Plan Proponent further believes that the Distributions that will be made pursuant to this Plan will exceed any possible distribution to unsecured creditors that could be made under a Chapter 7 liquidation scenario. The Plan Proponent has therefore concluded that a liquidation of the Debtor's estate under Chapter 7 of the Bankruptcy Code would not be in the best interest of creditors and would, in fact, produce substantially less for creditors than would be achieved under this Plan.

THE PLAN PROPONENT BELIEVES THAT THE PLAN PROVIDES THE GREATEST AND EARLIEST POSSIBLE DISTRIBUTION TO CREDITORS. THEREFORE, THE PLAN PROPONENT BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF EACH AND EVERY CLASS OF CREDITORS AND RECOMMENDS THAT THEY VOTE TO ACCEPT THE PLAN.

V.

THE PLAN

THE FOLLOWING SUMMARY IS INTENDED ONLY TO PROVIDE AN OVERVIEW OF THE PLAN. ANY PARTY IN INTEREST CONSIDERING A VOTE ON THE PLAN SHOULD CAREFULLY READ THE PLAN IN ITS ENTIRETY BEFORE MAKING A DETERMINATION TO VOTE IN FAVOR OF OR AGAINST THE PLAN. THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE PLAN.

A. Overview

The fundamental premise underlying the Plan is grounded in the determination by the Plan Proponent that maximum recoverable value, and the creation of the funds required to make the Distributions provided for under the Plan at the earliest possible time, can best be achieved for the benefit of holders of Allowed Claims (and where applicable, Equity Interests) through a prompt and orderly implementation of a marketing process by which the Hotel Property is sold after reasonable exposure to the marketplace, ~~with such sale to be free and clear of any and all liens, claims and encumbrances of whatever kind and/or nature (with any such liens, claims and encumbrances to attach to the proceeds of sale and thereupon be dealt with as provided in the Plan), and with the net proceeds realized upon the consummation of any such sale being distributed in accordance with the terms of this Plan.~~

~~Upon~~The Confirmation Order shall provide that upon the occurrence of the Effective Date, the Liquidating Trustee shall be vested with all requisite rights and powers to exercise possession and control, including right of determination, over (a) all of the Debtor's rights, title and interests in and to the Hotel Property, including anyall improvements, appurtenances and personal property associated therewith, and (b) Hotel Cash on Hand (to the extent not utilized in making Distributions as provided for in this Plan)~~shall immediately be transferred to the Liquidation Trust for administration by the Liquidating Trustee, as the duly authorized representative of the Liquidation Trust. In addition, on the Effective Date all of the Debtor's rights, title and interests in and to any and all Causes of Action and Avoidance Actions shall be transferred to the Liquidation Trust for administration by the Liquidating Trustee. Upon the occurrence of the Effective Date, (a) the Receiver's authority to manage, control and possess the Debtor's property, including the Hotel Property, under Section 343(d)(1) of the Bankruptcy Code shall be deemed revoked; (b) the Receiver's authority to use "cash collateral" shall be deemed terminated; and (c) the Liquidating Trustee shall be deemed to have replaced and supplanted the Receiver, and thereupon shall take control of the Hotel Property and be responsible for the management and operation thereof until the Liquidating Trustee consummates a sale or other disposition of the Hotel Property in accordance with the terms of this Plan. On the Effective Date, the Liquidating Trustee shall~~

establish a reserve from Hotel Cash on Hand in the amount of \$275,000 in respect of the Receiver's projected outstanding fees and expenses through the Effective Date. The Liquidating Trustee shall pay the Receiver from such reserve an amount equal to the amount awarded by the State Court upon the State Court's discharge of the Receiver from any further duties.

The documents governing the establishment and governance of the Liquidation Trust shall provide that the Liquidating Trustee, on behalf of the Liquidation Trust, ~~shall not owe a fiduciary duty to the Creditors of the Debtor and~~ shall be obligated to consult with the Plan Proponent as to all material decisions and actions, including, without limitation, with regard to the sale or other disposition of the Hotel Property. The documents governing the establishment and governance of the Liquidation Trust shall also provide that (a) the Liquidating Trustee, on behalf of the Liquidation Trust, shall engage the Hotel Broker to market the Hotel Property for sale or other disposition to the highest and/or best bidder, with such engagement to be pursuant to and in accordance with the terms of the Hotel Broker Engagement Agreement, and further with such sale to be free and clear of any and all liens, claims and encumbrances of whatever kind and/or nature (with any such liens, claims and encumbrances to attach to the proceeds of sale and thereupon be dealt with as provided in this Plan), (b) until such time as the Hotel Property is sold to the highest and/or best bidder for the Hotel Property following implementation of the Hotel Property Sale Procedures, the Liquidating Trustee shall provide periodic progress reports (as to the progress being made in connection with the sale of the Hotel Property) to holders of Allowed Claims that make a written request to the Liquidating Trustee therefor, and (c) following the payment in full of the Allowed Class 1 Secured Claim (if at all), the holders of Allowed Class 3 Claims shall be entitled to designate a replacement person and/or entity to undertake and assume the role of "Liquidating Trustee" to administer the Liquidating Trust from that point forward. The Hotel Broker, working in conjunction and in cooperation with the Liquidating Trustee, shall implement the Hotel Property Sale Procedures in connection with the solicitation of bids for the Hotel Property and the conduct of any competitive bid auction in connection therewith. Subject to prior consultation with the Hotel Broker and the Plan Proponent, the timing of the marketing/sale process is described below:

Event	Timing
Marketing Activities	Commences on the Effective Date and concludes 30 days after the Effective Date
Bid Solicitation and Review	Commences upon the conclusion of the marketing period and concludes 15 days thereafter
Competitive Bid Auction	To be held on the first Business Day on or after the 46 th day after the Effective Date
Bankruptcy Court Approval Hearing	At the election of the Liquidating Trustee, 10 days after the Auction (subject to the Bankruptcy Court's availability)

~~AtIn addition, on the election of Effective Date the Liquidating Trustee, the Liquidating Trustee may, in its discretion, shall~~ enter into a Purchase and Sale Agreement with the holder of the Allowed Class 1 Secured Claim (or its designee) under which the holder of the Allowed Class 1 Secured Claim (or such designee) agrees to serve as a "stalking horse" buyer of the Hotel Property for an aggregate purchase price of \$23,000,000 (payable in the form of a credit bid of a portion of the Class 1 Secured Claim in such amount) (defined in the Plan as the "Stalking Horse Agreement"), subject to the Liquidating Trustee's solicitation of higher and/or better offers consistent with the Hotel Property Sale Procedures. The form of the Stalking Horse Agreement is annexed to the Plan as Exhibit "D". The Plan further contemplates that the upon its determination of the highest and/or best offer for the Hotel Property following implementation of the Hotel Property Sale Procedures, the Liquidating Trustee shall seek Bankruptcy Court approval of any sale or other disposition of the Hotel Property by the Liquidation Trust. In accordance with Article XI of the Plan, the Bankruptcy Court will retain

jurisdiction to hear and determine any motion seeking approval of any sale of the Hotel Property by the Liquidation Trust and/or Liquidating Trustee.

Any fees, costs, or expenses incurred by the Liquidating Trustee in connection with the marketing and sale of the Hotel Property, including any fees and/or commissions earned by the Liquidating Trustee and/or the Hotel Broker, and/or expenses incurred in implementing the Hotel Property Sale Procedures, shall be paid from the net proceeds realized upon a sale of the Hotel Property.

In addition, on the Effective Date, any right, claim or cause of action, belonging to the Debtor or its estate against any Person or Entity, including, without limitation, any claim to avoid a transfer under, inter alia, Sections 544, 547, 548, 549 or 553(b) of the Bankruptcy Code, shall be transferred, conveyed and assigned by the Debtor to the Liquidation Trust for the ratable benefit of the holders of Allowed Claims and Equity Interests in the order of their respective statutory priorities as set forth in the Bankruptcy Code and as provided for in this Plan.

The Liquidating Trustee, on behalf of the Liquidation Trust, shall pursue, settle or release all reserved rights of action, as appropriate, in accordance with the best interest of and for the benefit of the creditors entitled to receive Distributions under the Plan.

~~At the election of the Liquidating Trustee, in its sole and exclusive discretion, the Liquidating Trustee may seek Bankruptcy Court approval of any sale or other disposition of the Hotel Property by the Liquidation Trust. In accordance with Article XI of the Plan, the Bankruptcy Court will retain jurisdiction to hear and determine any motion seeking approval of any sale of the Hotel Property by the Liquidation Trust and/or Liquidating Trustee.~~

B. Classification of Claims and Equity Interests under the Plan

1. Unclassified Administrative and Priority Tax Claims

A. Generally. Administrative Claims and Priority Tax Claims are not classified in the Plan. The treatment of and consideration to be received by holders of Allowed Administrative Claims and Allowed Priority Tax Claims pursuant to Article III of the Plan shall be in full and complete satisfaction, settlement, and release of such Claims.

B. Administrative Claims. Administrative Claims include Claims under Section 503(b) of the Bankruptcy Code that are entitled to priority under Section 507(a)(1) of the Bankruptcy Code, for costs or expenses of administration of the Chapter 11 cases, including, without limitation, any actual and necessary expenses of operating the business of the Debtor or preserving the estate, and any and all fees and expenses of Professionals to the extent allowed by the Bankruptcy Court under Sections 330, 331 or 503 of the Bankruptcy Code.

Except to the extent the holder of an Allowed Administrative Claim agrees otherwise, each holder of an Allowed Administrative Claim shall be paid the full amount thereof from Hotel Cash on Hand, in Cash and without interest, as soon as practicable after the later of (i) the Effective Date, (ii) the date on which such Administrative Claim becomes an Allowed Administrative Claim.

The Plan Proponent estimates that as of the Effective Date the aggregate amount of Allowed Administrative Claims will be approximately \$50,000.

C. Priority Tax Claims. Priority Tax Claims constitute Claims of the kind specified in Section 507(a)(8) of the Bankruptcy Code.

Allowed Priority Tax Claims shall be paid, at the election of the Plan Proponent, in full, in Cash from Hotel Cash on Hand, either (x) on the Effective Date, or (y) in equal annual installments payable over the period that is five (5) years from the Petition Date, except to the extent the holder of an Allowed Priority Tax Claim agrees otherwise. Upon the consummation of a sale of the Hotel Property by the Liquidating Trustee in accordance with the terms of this Plan, any remaining unpaid installments in respect of an Allowed Priority Tax Claim shall be deemed accelerated and shall be paid from net distributable Hotel Property Sale Proceeds. Until paid, such Priority Tax Claims shall accrue statutory interest from the Effective Date, fixed at the applicable federal or state statutory rate as in effect with respect to such claim on the Effective Date.

The Plan Proponent estimates that as of the Effective Date the aggregate amount of Allowed Priority Tax Claims will be approximately \$325,000.

2. **Impaired Claims and Equity Interests**

Pursuant to Section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims and Equity Interests. A Claim or an Equity Interest is classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of the Class and is classified in a different Class to the extent the Claim or Equity Interest qualifies within the description of that different Class. A Claim or Equity Interest is placed in a particular Class for the purpose of receiving Distributions pursuant to the Plan only to the extent that such Claim or Equity Interest is an Allowed Claim or an Allowed Equity Interest in that Class and such Claim or Interest has not been paid, released, settled or otherwise satisfied prior to the Effective Date.

All Claims against and Equity Interests in the Debtor, of whatever nature, whether or not scheduled, liquidated or unliquidated, absolute or contingent, including all claims arising from transactions with the Debtor or rejection of executory contracts and all Equity Interests arising from the ownership of the stock or other membership interests in the Debtor, whether resulting in an Allowed Claim or not, shall be bound by the provisions of this Plan. The Claims and Equity Interests, other than Administrative Claims and Priority Tax Claims, are hereby classified as follows.

<u>Class</u>	<u>Description</u>
Class 1	62 Madison Lender, LLC Secured Claim
Class 2	Priority Claims
Class 3	General Unsecured Claims
Class 4	Equity Interests

C. **Treatment of Impaired Claims and Equity Interests under the Plan**

1. **Generally.** Unless otherwise expressly provided in the Plan, the treatment of and consideration to be received by holders of Allowed Claims or Allowed Equity Interests under Article VI of the Plan generally shall be in full satisfaction, settlement, release, extinguishment and discharge of their respective Claims against or Equity Interests in the Debtor.

2. **Class 1 – 62 Madison Lender, LLC Secured Claim.**

The Class 1 Secured Claim is impaired.

As of the Petition Date, the amount of the Class 1 Secured Claim of 62 Madison Lender, LLC was \$22,134,392.61, and as of August 23, 2012, was \$23,549,732.45. For purposes of the Plan, the Class 1 Secured Claim is an Allowed Secured Claim in the amount of \$23,549,732.45.

The holder of the Allowed Class 1 Secured Claim shall receive, until the full Allowed Amount of its Class 1 Secured Claim is paid in full, all of the net distributable Hotel Property Sale Proceeds and, to the extent necessary and available, Hotel Cash on Hand, after deduction of any amounts necessary to pay in full any remaining Allowed Priority Tax Claims, Allowed Priority Claims, and any amounts due the Receiver. The Liquidating Trustee shall make payment of the net distributable Hotel Property Sale Proceeds to the holder of the Class 1 Secured Claim not later than one (1) Business Day after the closing of a sale of the Hotel Property. In addition, on the first Business Day of each calendar month after the Effective Date (or any pro rata portion thereof) and continuing until the consummation of a sale of the Hotel Property by the Liquidating Trustee in accordance with this Plan, the Liquidation Trust shall pay to the holder of the Allowed Class 1 Secured Claim from Hotel Cash on Hand the sum of \$164,322.96 in respect of post-confirmation accrued and accruing interest on Allowed Amount of the Class 1 Secured Claim. In the event the net distributable Hotel Property Sale Proceeds and, the extent necessary and available the Hotel Cash on Hand, after deduction of any amounts necessary to pay in full any remaining Allowed Priority Tax Claims, Allowed Priority Claims, and any

amounts due the Receiver are insufficient to pay the holder of the Allowed Class 1 Secured Claim the full amount thereof, then the holder of the Allowed Class 1 Secured Claim shall have an Allowed Class 3 general unsecured claim equal in a dollar amount to the amount of any such deficiency, and be entitled to receive, in addition to any other amounts payable to it in respect of its Allowed Secured Claim, its Pro Rata Share (calculated based on the then dollar amount of any deficiency claim plus the Allowed Amount of all other Allowed Class 3 Claims) of net distributable proceeds realized by the Liquidating Trustee from the prosecution and/or settlement of any Causes of Action and/or Avoidance Actions.

In accordance with Section 1129 of the Bankruptcy Code, the holder of the Allowed Class 1 Secured Claim shall retain its lien and security interests in and upon the Hotel Property and all of the Debtor's cash and other assets until such property is sold. In accordance with Sections 363(k) and 1129 of the Bankruptcy Code, the holder of the Allowed Class 1 Secured Claim shall retain its right to credit bid the full amount of its Allowed Secured Claim in connection with any such Hotel Property sale transaction.

Additionally, until such time as amounts due in respect of the Senior Loan are paid in full, the holder of the Allowed Class 1 Secured Claim shall retain any and all rights and remedies that it may have as against any third party, including, without limitation, any guarantors, with respect to the amounts due in respect of the Senior Loan.

3. Class 2 - Priority Claims.

Class 2 Priority Claims may be impaired.

Allowed Priority Claims shall be paid, at the election of the Plan Proponent, in full, in Cash from Hotel Cash on Hand, either (x) on the Effective Date, or (y) in equal annual installments payable over the period that is five (5) years from the Effective Date, except to the extent the holder of an Allowed Priority Claim agrees otherwise. Upon a consummation of a sale of the Hotel Property by the Liquidating Trustee in accordance with the terms of this Plan, any remaining unpaid installments in respect of an Allowed Priority Claim shall be deemed accelerated and shall be paid from net distributable Hotel Property Sale Proceeds. Until paid, and provided that there are available funds to make such payment, such Priority Claims shall accrue simple interest on the remaining unpaid balance thereof from the Effective Date until the date such claim is paid in full at the rate of 4.5%.

The Plan Proponent estimates that as of the Effective Date the aggregate amount of Allowed Priority Claims will be approximately \$25,000.

4. Class 3 - General Unsecured Claims.

Each holder of an Allowed Class 4 Claim shall receive in full, complete and final satisfaction of each such Allowed Class 4 Claim, until paid in full (inclusive of simple interest on the remaining unpaid balance thereof from the Effective Date until the date each such Claim is paid the full Allowed Amount thereof at the rate of 4.5%, provided that there are available funds to make such interest payment): (a) its Pro Rata Share of net distributable Hotel Property Sale Proceeds after the payment in full of the Allowed Class 1 Secured Claim, any residual Allowed Priority Tax Claims, and any residual Allowed Priority Tax Claims, plus (b) its Pro Rata Share of net distributable proceeds realized by the Liquidating Trustee from the prosecution and/or settlement of any Causes of Action and/or Avoidance Actions.

The Plan Proponent estimate that as of the Effective Date the aggregate amount of Allowed Class 3 General Unsecured Claims will be approximately \$4,500,000.

5. Class 4 - Equity Interests. Class 4 Equity Interests are impaired.

All Class 4 Equity Interests shall be cancelled upon the occurrence of the Effective Date. Each holder of a Class 4 Equity Interest shall receive in full, complete and final satisfaction of each such Allowed Class 4 Equity Interest its Pro Rata Share of remaining net distributable proceeds, if any, realized by the Liquidation Trust after the payment in full of all Administrative Claims, Priority Tax Claims, the Class 1 Secured Claim, Class 2 Priority Claims, and Class 3 General Unsecured Claims.

E. Means of Implementation

1. Corporate Action. The entry of the Confirmation Order shall constitute authorization for the Plan Proponent to take or to cause to be taken all limited liability company actions necessary or appropriate to consummate and implement the provisions of the Plan prior to, on and after the Effective Date, including, without limitation, the execution and delivery of any documents or instruments of transfer necessary, appropriate or incident to the transfer, conveyance and assignment of the Hotel Property to the Liquidation Trust in accordance with the Plan, and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court upon confirmation of the Plan. All such actions shall be deemed to have occurred and shall be in effect pursuant to applicable non-bankruptcy law and the Bankruptcy Code, without any requirement of further action by the stockholders, members, or directors of the Debtor. On the Effective Date, the Plan Proponent is authorized, as attorney in fact for the Debtor, to execute and deliver the agreements, documents and instruments contemplated by the Plan and the Plan Supplement, in the name and on behalf of the Debtor.

2. Receivership Termination. Following the occurrence of the Effective Date, the Plan Proponent will take appropriate steps in the State Court Action to have the Receiver's appointment terminated. Any remaining compensation due to the Receiver as of such date shall be paid by the Liquidating Trustee in accordance with the order of the State Court in the State Court Action from the funds reserved by the Liquidating Trustee therefor.

3. Transfer of Records. After confirmation, and before the Effective Date, the Debtor's pre-Confirmation management shall identify all of the Debtor's books and records and arrange for them to be readily available to the Plan Proponent for delivery to the Liquidating Trustee. Such actions shall not result in the destruction or waiver of any applicable privilege pertaining to such books and records.

4. Establishment of Reserve Account for Unpaid Administrative and/or Priority Claims: Quarterly Distributions. Upon the occurrence of the Effective Date, the Liquidating Trustee shall establish the Administrative/Priority Claims Reserve Account for payment of Allowed Administrative and Priority Claims not paid on the Effective Date pursuant to the agreement of the requisite parties. Distributions from the Administrative/Priority Claims Reserve Account shall be made quarterly to the holders of Allowed Administrative and Priority Claims on a *pari-passu* basis.

5. Professional Fees and Expenses. Each Professional retained or requesting compensation in the Chapter 11 case in connection with fees incurred prior to the Effective Date, pursuant to Sections 327, 328, 330, 331 or 503(b) of the Bankruptcy Code, shall file an application for allowance of final compensation and reimbursement of expenses in the Chapter 11 case before the thirtieth (30th) day after the Effective Date. Objections to such applications may be filed on or before the forty-fifth (45th) day after Effective Date.

6. Dissolution of the Debtor. The Confirmation Order shall authorize: (a) the dissolution of the Debtor; and (b) the filing of a certificate of dissolution (or its equivalent) with the secretary of state or similar official of each jurisdiction of incorporation of the Debtor.

F. Treatment of Executory Contracts and Unexpired Leases.

1. General Assumption and Assignment. In order to facilitate the sale, transfer and conveyance of the Hotel Property by the Liquidation Trust, the Plan constitutes and incorporates a motion by the Debtor, in accordance with Section 365 of the Bankruptcy Code, to assume and assign to the ~~highest and/or best offeror as may be identified following the sale process.~~ Plan Proponent (or its designee) those executory contracts and unexpired leases that are designated and identified ~~by such successful bidder, excluding such contracts and leases that (a) for assumption by the Plan Proponent under the Stalking Horse Agreement, a schedule of which contracts/leases shall be identified in the Plan Supplement; provided, however, the following contracts and leases shall be excluded from the foregoing general assumption provision: (a) those contracts and/or leases that have already been assumed or have been rejected pursuant to a Final Order of the Bankruptcy Court in accordance with Section 365 of the Bankruptcy Code, (b) those contracts and/or leases that are specifically treated otherwise in this Plan, or (c) those contracts and/or leases that are the subject of a motion to reject that is pending before the Bankruptcy Court on the Effective Date. The Confirmation Order shall represent and reflect an order of the Bankruptcy Court approving such assumptions and assignments as of the Effective Date. To the extent necessary or appropriate, the Plan constitutes and incorporates a motion by the Debtor, in accordance with~~ In light of the fact that the Receiver was operating the Hotel Property in the ordinary course prior to the Petition Date, the Plan Proponent does not believe that there are any monetary cure amounts that are outstanding under any of the contracts and/or leases that are identified and designated in the Plan Supplement for assumption and assignment. In the event any counterparty to an executory contract and/or unexpired lease believes that there is outstanding any pre-petition monetary amount under such contract or lease that must be cured as a condition to assumption and assignment under Section 365 of the Bankruptcy Code, to extend the Debtor's time to assume or reject executory contracts and unexpired leases through and including the designation date with respect to a sale of the Hotel Property any such cure claim must be filed with the Bankruptcy Court and served on counsel to the Plan Proponent not later than seven (7) days prior to the Confirmation Hearing.

2. General Rejection. The Plan also constitutes and incorporates a motion by the Debtor, in accordance with Section 365 of the Bankruptcy Code, to reject any executory contract and/or unexpired lease that is not specifically designated and identified by the ~~successful bidder for the Hotel Property as determined in the sale process to be assumed and assigned to it~~ Plan Proponent under the Stalking Horse Agreement.

3. Rejection Damage Claims. If the rejection of an executory contract or unexpired lease by the Debtor results in damages to the other party or parties to such contract or lease, a claim for such damages, if not heretofore evidenced by a filed proof of claim, shall be forever barred and shall not be enforceable against the applicable Debtor or its properties unless a proof of claim is filed with the Bankruptcy Court and served upon counsel for the Plan Proponent by the later of thirty (30) days after the Effective Date or thirty (30) days after entry of an Order allowing rejection of such contract or lease.

G. Section 1146 Exemption. To the fullest extent permitted under Section 1146(a) of the Bankruptcy Code, the issuance, transfer or exchange of any security under the Plan, if any, or the execution, delivery or recording of an instrument of transfer under the Plan, including, but not limited to, the sale, transfer and conveyance of the Hotel Property (a) to the Liquidation Trust and (b) by the Liquidation Trust to a purchaser for value of the Hotel Property pursuant to the terms of the Plan, shall not be taxed under any state or local law imposing a stamp tax, transfer tax or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, mortgage recording tax, intangible tax or similar tax.

VI.

ACCEPTANCE AND CONFIRMATION OF THE PLAN

A. Acceptance by Impaired Classes. Pursuant to Section 1126(c) of the Bankruptcy Code, an impaired Class of Claims shall have accepted the Plan if: (a) the holders of at least two-thirds (2/3) in dollar amount of the Allowed Claims actually voting in such Class (other than Claims held by any holder designated pursuant to Section 1126(e) of the Bankruptcy Code) have timely and properly voted to accept the Plan, and (b) more than one-half (1/2) in number of the holders of such Allowed Claims actually voting in such Class (other than Claims held by any holder designated pursuant to Section 1126(e) of the Bankruptcy Code) have timely and properly voted to accept the Plan.

B. Voting Classes. Except as otherwise required by the Bankruptcy Code or the Bankruptcy Rules or as otherwise provided in Section 11.2 of the Plan, the holders of Claims in Classes 1, 2, 3 and 4 shall be entitled to vote to accept or reject the Plan in accordance with Section 11.1 of the Plan. Administrative Claims and Priority Tax Claims are unimpaired and not classified under the Plan and hence are not entitled to vote to accept or reject the Plan pursuant to Section 1126(g) of the Bankruptcy Code.

C. Conditions to Effective Date. The Plan shall not become effective unless and until each of the following conditions has been satisfied:

- (a) The Bankruptcy Court shall have entered the Confirmation Order; and
- (b) The Confirmation Order shall have become a Final Order.

D. Waiver of Conditions. The Plan Proponent, in their sole discretion, may at any time, without notice or authorization of the Bankruptcy Court, waive the condition set forth in Section 11.1(b) of the Plan. The failure of the Plan Proponent to satisfy or waive such condition may be asserted by the Plan Proponent regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Debtor). The Plan Proponent reserves the right to assert that any appeal from the Confirmation Order shall be moot after consummation of the Plan.

E. Effect of Failure of Condition. In the event that the condition specified in Section 11.1(b) of the Plan has not occurred or been waived on or before ninety (90) days after the Confirmation Date, the Confirmation Order may be vacated upon Order of the Court after motion made by the Plan Proponent.

F. Retention of Bankruptcy Court Jurisdiction. The Bankruptcy Court shall retain and have exclusive jurisdiction over the Chapter 11 case for purposes (a) through (j) below:

(a) To determine any and all objections to and proceedings involving the allowance, estimation, classification, and subordination of Claims or Equity Interests;

(b) To determine any and all applications for allowances of compensation and reimbursement of expenses and any other fees and expenses authorized to be paid or reimbursed under the Bankruptcy Code or the Plan;

(c) To determine any application pending on the Effective Date for the rejection or assumption of executory contracts or unexpired leases or for the assumption and assignment, as the case may be, of executory contracts or unexpired leases to which the Debtor are a party or with respect to which the Debtor may be liable, to determine any application to extend the time to assume or reject any such contracts or leases beyond the Confirmation Date, and to hear and determine, and if need be, to liquidate, any and all claims arising therefrom;

(d) To hear and determine any motion seeking approval of any sale of the Hotel Property;

(e) To determine any and all applications, adversary proceedings, and contested or litigated matters that may be pending on the Effective Date;

(f) To consider any modifications of the Plan, remedy any defect or omission or reconcile any inconsistency on any Order of the Bankruptcy Court, including the Confirmation Order, to the extent authorized by the Bankruptcy Code;

(g) To determine all controversies, suits, and disputes that may arise in connection with the interpretation, enforcement, or consummation of the Plan or obligations arising thereunder;

(h) To consider and act on the compromise and settlement of any claim against or cause of action by or against the Debtor's estate;

(i) To issue such orders in aid of execution of the Plan to the extent authorized by Section 1142 of the Bankruptcy Code;

(j) To approve the sale, transfer and assignment of the Hotel Property and related assets to the highest and best offeror as may appear; and

(k) To determine such other matters as may be set forth in the Confirmation Order or which may arise in connection with the Plan, the Confirmation Order, the Effective Date or the Distribution Date.

G. Confirmation Hearing

Section 1128 of the Bankruptcy Code requires the Court, after notice, to hold a Confirmation Hearing on the Plan at which time any party in interest may be heard in support of or in opposition to Confirmation. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement to be made at the Confirmation Hearing. Any objection to Confirmation must be made in writing, filed with the Clerk and delivered to counsel for the Plan Proponent, RIEMER & BRAUNSTEIN LLP, Times Square Tower, Seven Times Square, Suite 2506, New York, New York 10036, Attn: Jeffrey D. Ganz, Esq. and Steven E. Fox, Esq., at least seven (7) days prior to the Confirmation Hearing.

VII.

CERTAIN RISK FACTORS TO BE CONSIDERED

The Holders of Claims and Equity Interests should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks associated with the Plan and its implementation.

A. General Considerations

The Plan sets forth the means for satisfying the Claims against the Debtor. Depending upon the aggregate amount of Hotel Sale Proceeds available for distribution under the Plan, certain Claims and Equity Interests may in certain circumstances receive no distribution(s) pursuant to the Plan.

B. Certain Bankruptcy Considerations

Even if all voting Impaired Classes vote in favor of the Plan and if, the requirements for "cramdown" are met with respect to any Impaired Class deemed to have rejected the Plan, the Bankruptcy Court may choose not to confirm the Plan. Section 1129 of the Bankruptcy Code requires, among other things, a showing that confirmation of the Plan will not be followed by liquidation or the need for further financial reorganization of the Debtor, and that the value of distributions to dissenting holders of Claims and Equity Interests will not be less than the value such holders would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. Although the Plan Proponent believes that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion. See Section XI(D), below, for a liquidation analysis of the Debtor.

C. Claims Estimations

There can be no assurance that any estimated Claim amounts set forth in this Disclosure Statement are correct. The actual Allowed amount of Claims likely will differ in some respect from the estimates. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, the actual Allowed amount of Claims may vary from those estimated herein.

D. Conditions Precedent to Consummation

The Plan provides for certain conditions that must be satisfied (or waived) prior to Confirmation of the Plan and for certain other conditions that must be satisfied (or waived) prior to the Effective Date. As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions in the Plan will be satisfied (or waived). Accordingly, even if the Plan is confirmed by

the Bankruptcy Court, there can be no assurance that the Plan will be consummated and the restructuring completed.

F. Certain Tax Considerations

There are a number of income tax considerations, risks and uncertainties associated with consummation of the Plan. Interested parties should read carefully the discussions set forth in this Disclosure Statement regarding certain U.S. federal income tax consequences of the transactions proposed by the Plan to the Debtor and to holders of Claims and Equity Interests who are entitled to vote to accept or reject the Plan.

G. Consummation

The Plan will be consummated and payments made if the Plan is confirmed pursuant to a Final Order of the Bankruptcy Court. It will not be necessary for the Plan Proponent to await any required regulatory approvals from agencies or departments of the United States to consummate the Plan. The Plan will be implemented pursuant to its provisions and the Bankruptcy Code.

VIII.

OTHER PROVISIONS OF THE PLAN

A. Liquidating Trustee. All payments required under the Plan shall be made by the Liquidating Trustee to whom such responsibility has been delegated by the Plan Proponent. The Plan Proponent shall designate the individual or entity to serve as the Liquidating Trustee, which designation shall be made in the Plan Supplement.

B. Unclaimed Property. If any Distribution remains unclaimed for a period of sixty (60) days after it has been delivered (or attempted to be delivered) in accordance with the Plan to the holder entitled thereto, such unclaimed property shall be forfeited by such holder. Any Distribution that remains unclaimed for a period of sixty (60) days after the making of the final Distribution under the Plan shall be paid to the holder of the Class 1 Secured Claim, if such claim had then not been paid in full. In the event the Class 1 Secured Claim has been paid in full, then any such unclaimed Distribution(s) shall be distributed Pro Rata among the holders of Class 3 Claims and/or Class 4 Equity Interests as their interests may appear.

C. Compliance With Tax Requirements. In connection with each Distribution with respect to which the filing of an information return (such as an Internal Revenue Service Form 1099 or 1042) or withholding is required, the Liquidating Trustee shall file such information return with the Internal Revenue Service and provide any required statements in connection therewith to the recipients of such Distribution or effect any such withholding and deposit all moneys so withheld as required by law. With respect to any Person from whom a tax identification number, certified tax identification number or other tax information required by law to avoid withholding has not been received by the Liquidating Trustee within thirty (30) days from the date of such request, the Liquidating Trustee may, at its option, withhold the amount required and distribute the balance to such Person or decline to make such Distribution until the information is received.

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

E. Payments of Less than Ten Dollars. If a Cash payment otherwise provided for by this Plan with respect to an Allowed Claim or Interest would be less than ten dollars (\$10.00) (whether in the aggregate or on any payment date provided in this Plan), notwithstanding any contrary provision of this Plan, the Liquidating Trustee shall not be required to make such payment.

F. Setoffs. Except as otherwise provided for herein, the Liquidating Trustee, in the name and on behalf of the Debtor, may, but shall not be required to, set off against any Claim and the payments to be made pursuant to this Plan in respect of such Claim, claims of any nature whatsoever that the Debtor or its estate may have against the Creditor, but neither the failure to do so nor the allowance of a Claim hereunder shall constitute a waiver or release by the Debtor or its estate of any Claim it may have against the Creditor.

G. Modification of Plan. Modifications of the Plan may be proposed in writing by the Plan Proponent at any time before Confirmation, provided that the Plan, as modified, meets the requirements of Sections 1122 and 1123 of the Bankruptcy Code, and the Plan Proponent shall have complied with Section 1125 of the Bankruptcy Code. The Plan may be modified at any time after Confirmation and before its substantial consummation, provided that the Plan, as modified, meets the requirements of Sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan, as modified, under Section 1129 of the Bankruptcy Code. A holder of a claim or equity interest that has accepted or rejected the Plan shall be deemed to have accepted or rejected, as the case may be, such Plan as modified, unless, within the time fixed by the Bankruptcy Court, such holder changes its previous acceptance or rejection.

H. Revocation of the Plan. The Plan Proponent reserves the right to revoke and withdraw the Plan prior to entry of the Confirmation Order. If the Plan Proponent revokes or withdraws the Plan, or if Confirmation of the Plan does not occur, then the Plan shall be deemed null and void. In order to effectuate a revocation of the Plan, the Plan Proponent shall file a notice of such revocation with the Bankruptcy Court and serve a copy on all parties entitled to notice.

J. Discharge of Claims. The terms of the Plan, including, without limitation, the treatment accorded Claims under the Plan, shall result in the Debtor not being entitled to a discharge in accordance with the applicable provisions of Section 1141 of the Bankruptcy Code.

K. Exculpation. Except as otherwise provided by the Plan or the Confirmation Order, on the Effective Date the Liquidating Trustee and the Plan Proponent, and their respective officers, directors, employees, Representatives, members, attorneys, financial advisors, successors or assigns shall be deemed released by each of them against the other, by the Debtor, and by all holders of Claims or Equity Interests, of and from any claims, obligations, rights, Causes of Action and liabilities for any act

or omission in connection with, or arising out of the Chapter 11 Case, including, without limiting the generality of the foregoing, the Disclosure Statement, the pursuit of approval of the Disclosure Statement, the pursuit of Confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be administered and/or distributed under the Plan, except for acts or omissions that constitute willful misconduct or gross negligence, and all such Persons, in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan and under the Bankruptcy Code. As of the Effective Date, neither the Liquidating Trustee nor the Plan Proponent or their respective Representatives (but solely in their capacities as such) shall have or incur any liability for any Claim, cause of action or other assertion of liability for any act taken or omitted to be taken since the Petition Date in connection with, or arising out of the Chapter 11 Case, the formulation, dissemination, Confirmation, consummation, or administration of the Plan, property to be administered and/or distributed under the Plan, or any other act or omission in connection with the Chapter 11 Case, the Plan, the Disclosure Statement, or any contract, instrument, document or other agreement related thereto; provided, however, that the foregoing shall not affect the liability of any person that would otherwise result from any such act or omission to the extent such act or omission is determined by a Final Order to have constituted willful misconduct, fraud or a crime that causes damages.

L. Governmental Agency Exclusion. Notwithstanding any other term or provision of the Plan to the contrary, nothing in the Confirmation Order or the Plan shall effect a release of any claim by the United States Government or any of its agencies or any state and local authority whatsoever, including without limitation any claim arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against the Released Parties, nor shall anything in the Confirmation Order or the Plan enjoin the United States or any state or local authority from bringing any claim, suit, action or other proceedings against the Released Parties for any liability whatever, including without limitation any claim, suit or action arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state or local authority, nor shall anything in the Confirmation Order or the Plan exculpate any party from any liability to the United States Government or any of its agencies or any state and local authority whatsoever, including any liabilities arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against the Liquidating Trustee and/or the Plan Proponent or their respective Representatives.

IX.

PROCEDURES FOR RESOLVING AND TREATING CONTESTED AND CONTINGENT CLAIMS AND EQUITY INTERESTS

A. Objections to Claims. The Confirmation Order shall provide that from and after the Effective Date only the Plan Proponent and Liquidating Trustee shall have authorization to file and/or prosecute objections to Claims and/or Equity Interests. Objections to Claims shall be filed with the Bankruptcy Court and served upon the affected Creditor(s) or Equity Interest holder(s) no later than one hundred twenty (120) days after the Effective Date; provided, however, that this deadline may be extended by the Bankruptcy Court upon motion of the Plan Proponent and/or Liquidating Trustee, without the requirement of prior notice or a hearing. Notwithstanding the foregoing, unless an Order of the Bankruptcy Court specifically provides for a later date, any proof of Claim or proof of Equity Interest filed after the Confirmation Date shall be automatically Disallowed as a late filed claim, without any further action by the Plan Proponent or the Liquidating Trustee being required, unless and until the party filing such Claim obtains the written consent of the Plan Proponent to file such Claim or Equity Interest late or obtains an Order of the Bankruptcy Court upon notice to the Plan Proponent that permits the late filing of the Claim or Equity Interest, in which event, the Plan Proponent and the Liquidating Trustee shall have one hundred twenty (120) days from the date of such written consent or Order to object to the allowance of such Claim, which deadline may be extended by the Bankruptcy Court upon consent of the holder of such late Claim or on motion of the Plan Proponent or the Liquidating Trustee,

without notice or a hearing. Subject to Bankruptcy Court approval, objections to Claims and/or Equity Interests may be litigated by the Plan Proponent or the Liquidating Trustee to judgment, settled or withdrawn, in their respective discretion.

B. No Distribution Pending Allowance. Notwithstanding any other provision of the Plan, no payments or distributions shall be made with respect to all or any portion of a Disputed Claim or Disputed Equity Interest unless and until all objections to such Disputed Claim or Disputed Equity Interest have been determined by a Final Order of the Bankruptcy Court.

C. Reserve for Allocated Distributions. The Liquidating Trustee shall withhold from the property to be distributed under the Plan an amount which shall be sufficient to be distributed on account of such Disputed Claim(s). As to any Disputed Claim, upon a request for estimation by the Plan Proponent, and/or Liquidating Trustee, as the case may be, the Bankruptcy Court shall determine what amount is sufficient to withhold.

D. Distributions after Allowance. Payments and distributions to each holder of a Disputed Claim, to the extent such Disputed Claim ultimately becomes an Allowed Claim, shall be made in accordance with the provisions of the Plan governing the Class of Claims to which the respective holder belongs.

E. Treatment of Contingent, Disputed and Unliquidated Claims. Until such time as a contingent, unliquidated or Disputed Claim becomes fixed, liquidated and absolute, such Claim shall be treated as a Disputed Claim for purposes related to estimations, allocations, and distributions under the Plan.

F. Preservation of Rights. Except to the extent that any Claim is Allowed during the Chapter 11 cases or expressly by this Plan, or the Confirmation Order, nothing, including, but not limited to, the failure of the Debtor, Plan Proponent, or the Liquidating Trustee to object to a Claim or Equity Interest for any reason during the pendency of the Chapter 11 case, shall affect, prejudice, diminish or impair the rights and legal and equitable defenses of the Debtor, the Plan Proponent, or the Liquidating Trustee with respect to any Claim or Equity Interest, including, but not limited to, all rights of the Debtor, the Plan Proponent, and/or the Liquidating Trustee to contest or defend themselves against such Claims or Equity Interests in any lawful manner or forum when and if such Claim or Equity Interest is sought to be enforced by the holder thereof.

X.

**CERTAIN FEDERAL INCOME TAX
CONSEQUENCES OF THE PLAN**

THE FOLLOWING DISCUSSION SUMMARIZES CERTAIN ANTICIPATED U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTIONS PROPOSED BY THE PLAN TO THE DEBTOR AND HOLDERS OF CLAIMS THAT ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. THIS SUMMARY IS PROVIDED FOR INFORMATION PURPOSES ONLY AND IS BASED ON THE INTERNAL REVENUE CODE, TREASURY REGULATIONS PROMULGATED THEREUNDER, JUDICIAL AUTHORITIES, AND CURRENT ADMINISTRATIVE RULINGS AND PRACTICE, ALL AS IN EFFECT AS OF THE DATE HEREOF AND ALL OF WHICH ARE SUBJECT TO CHANGE OR DIFFERING INTERPRETATION, POSSIBLY WITH RETROACTIVE EFFECTS THAT COULD ADVERSELY AFFECT THE U.S. FEDERAL INCOME TAX CONSEQUENCES DESCRIBED BELOW.

THIS SUMMARY DOES NOT ADDRESS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF A CLAIM IN LIGHT OF ITS PARTICULAR FACTS AND CIRCUMSTANCES OR TO CERTAIN TYPES OF HOLDERS

OF CLAIMS SUBJECT TO SPECIAL TREATMENT UNDER THE BANKRUPTCY CODE (FOR EXAMPLE, NON-U.S. TAXPAYERS, FINANCIAL INSTITUTIONS, BROKER-DEALERS, INSURANCE COMPANIES, TAX-EXEMPT ORGANIZATIONS, AND THOSE HOLDING CLAIMS THROUGH A PARTNERSHIP OR OTHER PASS-THROUGH ENTITY). IN ADDITION, THIS SUMMARY DOES NOT DISCUSS ANY ASPECTS OF STATE, LOCAL, OR NON-U.S. TAXATION AND DOES NOT ADDRESS THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS OF CLAIMS THAT ARE UNIMPAIRED UNDER THE PLAN, HOLDERS OF CLAIMS THAT ARE NOT ENTITLED TO VOTE UNDER THE PLAN, AND HOLDERS OF CLAIMS THAT ARE NOT ENTITLED TO RECEIVE OR RETAIN ANY PROPERTY UNDER THE PLAN.

THE TAX RULES DESCRIBED HEREIN ARE COMPLEX AND THEIR APPLICATION IS UNCERTAIN IN CERTAIN RESPECTS. EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES (INCLUDING STATE, LOCAL AND NON-U.S.) OF THE PLAN TO SUCH HOLDER.

A SUBSTANTIAL AMOUNT OF TIME MAY ELAPSE BETWEEN THE DATE OF THIS DISCLOSURE STATEMENT AND THE RECEIPT OF A FINAL DISTRIBUTION UNDER THE PLAN. EVENTS SUBSEQUENT TO THE DATE OF THIS DISCLOSURE STATEMENT, SUCH AS ADDITIONAL TAX LEGISLATION, COURT DECISIONS, OR ADMINISTRATIVE CHANGES, COULD AFFECT THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREUNDER. NO RULING HAS BEEN OR IS EXPECTED TO BE SOUGHT FROM THE INTERNAL REVENUE SERVICE WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN AND NO OPINION OF COUNSEL HAS BEEN OR IS EXPECTED TO BE OBTAINED BY THE PLAN PROPONENT WITH RESPECT THERETO.

TO ENSURE COMPLIANCE WITH UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230, (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY HOLDERS, FOR PURPOSES OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH HOLDERS UNDER THE BANKRUPTCY CODE; (B) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OF THE PLAN; AND (C) EACH HOLDER OF A CLAIM SHOULD SEEK ADVICE BASED ON SUCH HOLDER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. U.S. Federal Income Tax Consequences to the Debtor

Under the Bankruptcy Code, COD income is recognized by a partnership to the extent, and at the time, that certain debts are discharged for less than full payment. The COD income recognized at the partnership level is then allocated among the partners pursuant to the allocation provisions of the partnership agreement, if such provisions comply with the requirements of the Bankruptcy Code regarding allocations, or, if not, in accordance with the partners' interests in the partnership. The Bankruptcy Code's bankruptcy and insolvency exceptions to the general rule requiring recognition of COD income apply at the partner level and not at the partnership level. Therefore, for the bankruptcy or insolvency exception to apply to COD income allocated to a partner, the partner either must be in a bankruptcy case or be insolvent. In general, COD income is the amount equal to the difference between the adjusted issue price of the indebtedness discharged and the sum of (i) the amount of any cash and (ii) the fair market value of any other property transferred in satisfaction of the discharged indebtedness. COD income also includes any interest that the taxpayer deducted under the accrual method of accounting but remains unpaid at the time the indebtedness is discharged.

B. U.S. Federal Income Tax Consequences to Claim Holders

The U.S. federal income tax consequences to a holder receiving, or entitled to receive, a payment in partial or total satisfaction of a Claim may depend on a number of factors, including the nature of the Claim, the holder's method of accounting, and its own particular tax situation. Because the holders' Claims and tax situations differ, holders should consult their own tax advisors to determine how the Plan affects them for federal, state and local tax purposes, based on their particular tax situations.

A Holder receiving a payment under the Plan in satisfaction of its Claim generally may recognize taxable income or loss measured by the difference between (i) the amount of cash and the fair market value (if any) of any property received and (ii) its adjusted tax basis in the Claim. For this purpose, the adjusted tax basis may include amounts previously included in income (less any bad debt or loss deduction) with respect to that item. The character of any income or loss that is recognized will depend upon a number of factors, including the status of the creditor, the nature of the Claim in its hands, whether the Claim was purchased at a discount, whether and to what extent the creditor has previously claimed a bad debt deduction with respect to the Claim, and the creditor's holding period of the Claim. This income or loss may be ordinary income or loss if the distribution is in satisfaction of accounts or notes receivable acquired in the ordinary course of the Holder's trade or business for the performance of services or for the sale of goods or merchandise. Generally, the income or loss will be capital gain or loss if the Claim is a capital asset in the Holder's hands.

C. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS SHOULD CONSULT THEIR TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

XI.

**FEASIBILITY OF THE PLAN AND
BEST INTERESTS OF CREDITORS**

A. Feasibility of the Plan

In connection with confirmation of the Plan, the Bankruptcy Court will be required to determine 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 further financial reorganization of the Debtor.

The Plan itself proposes a sale of the Hotel Property to the highest bidder following exposure to the marketplace, with the net sale proceeds realized therefrom being distributed to holders of Allowed Claims and Allowed Equity Interests in the order of their respective contractual and statutory priorities. As a result, the Plan Proponent believes the Plan meets the feasibility test embodied in Section 1129(a)(11) of the Bankruptcy Code. In addition, the Plan Proponent believes that the fact that the Plan contemplates the establishment of Liquidation Trust to, in part, realize the value of the Debtor's other assets for the benefit of creditors and the estate ensures that no further financial restructuring will be necessary. The Plan Proponent believes that the Liquidation Trust should have sufficient cash to fund its activities through the closing of the sale contemplated by the Plan. Accordingly, the Plan Proponent believes 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 (2/3) in dollar amount and more than one-half (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 and Equity Interests in each of Classes 1, 2, 3 and 4 will have voted to accept the Plan only if two-thirds (2/3) in amount and a majority in number of the Claims actually voting in each Class cast their ballots in favor of acceptance. Holders of Claims who fail to vote are not counted as either accepting or rejecting the Plan.

C. Best Interests Test

As noted above, even if a plan is accepted by each class of Claims and Equity Interests, the Bankruptcy Code requires the Bankruptcy Court to determine that the Plan is in the best interests of all holders of Claims and Equity 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 the Bankruptcy Court to find either that all members of an impaired class of Claims or Equity 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 were converted to a 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 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 of counsel 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 recoveries in liquidation of secured creditors and priority claimants, it must determine the probable distribution to general unsecured creditors and equity security holders from the remaining available proceeds in liquidation. 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, the Plan contemplates that a sale of the Hotel Property will be consummated following a marketing period conducted by the Liquidating Trustee and the Hotel Broker. Additionally, available Hotel Cash on Hand will be used by the Plan Proponent and Liquidating Trustee to fund distributions to Administrative and Priority Claims. Given that the aforementioned

transactions represent a disposition of all of the Debtor's meaningful disposable assets, the Plan essentially constitutes a liquidation of the Debtor with residual proceeds being distributed in accordance with the absolute priority rule, such that the Plan satisfies the "best interests" test.

**E. Confirmation Without Acceptance of All
Impaired Classes: The "Cramdown" Alternative**

In the event any Class of impaired Claims or Equity Interests rejects the Plan, the Plan Proponent 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 a plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. A bankruptcy court may confirm a plan at the request of a plan proponent 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 Plan Proponent believes the Plan does not discriminate unfairly with respect to any Class of Claims and/or Equity Interests.

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 any property under the plan on account of such junior claim or interest. 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 (i) the allowed amount of any fixed liquidation preference to which such holder is entitled, (ii) any fixed redemption price to which such holder is entitled or (iii) 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 any property at all under the plan on account of such junior interest. The Plan Proponent believes that they could, if necessary, meet the "fair and equitable" requirements of Section 1129(b) of the Bankruptcy Code.

XII.

DISCLAIMERS, RISK FACTORS AND CAUTIONS

The purpose of this Disclosure Statement is to enable you, as a creditor or equity holder whose Claim or Equity Interest is an impaired class under the Plan, to make an informed decision in exercising your right to accept or reject the Plan. This Disclosure Statement contains only a summary of the Plan. The full Plan and its exhibits are attached as Exhibit A for your review. Other materials, identified throughout this Disclosure Statement, are contained in exhibits following the Disclosure Statement.

**THERE HAS BEEN NO INDEPENDENT AUDIT OF THE
FINANCIAL INFORMATION CONTAINED IN THIS
DISCLOSURE STATEMENT. THIS DISCLOSURE
STATEMENT WAS COMPILED FROM INFORMATION
GENERALLY AVAILABLE TO THE PLAN PROPONENT.**

The statements contained within this Disclosure Statement are made as of the date of the Disclosure Statement unless another time is specified herein. The delivery of this Disclosure Statement will not, under any circumstances, create any implication that the information contained herein is correct at any time subsequent to the date hereof.

This Disclosure Statement does not provide any legal, business, financial, or tax advice. If you want such advice, please consult your own legal, business, financial and tax advisors. In particular, the

consequences of the Plan on your income taxes will depend upon your own tax situation. Please consult your own tax advisor on whether you may record a deduction on your income tax, or if you must record a gain as a result of the Plan.

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XIII.

CONCLUSION

The acceptances of the Plan by and from the holders of all Classes of impaired Claims and Equity Interests are hereby solicited. The Plan Proponent believes that Confirmation of the Plan is in the best interests of all Creditors and Equity Interest holders entitled to vote thereon and strongly urges all Creditors and Equity Interest holders to vote to accept the Plan.

Dated: ~~October 12,~~ November 9, 2012

62 MADISON LENDER, LLC,
As Plan Proponent

By: 62 Madison Loan Holdings, LLC

By: MC 62 MAD Investor LLC

By: MC 62 MAD Manager LLC

By: /s/ J. Joseph Jacobson

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