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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re:

EAST HARLEM PROPERTY HOLDINGS, LP

Chapter 11  
Case No. 11-14368 (JMP)

Debtor.

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**AMENDED DISCLOSURE STATEMENT**

**LAMONICA HERBST & MANISCALCO, LLP**

Attorneys for East Harlem Property Holdings, LP  
Chapter 11 Debtor

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THE DEBTOR RESERVES ALL RIGHTS UNDER RULE 3017 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND APPLICABLE CASE LAW AUTHORITY THAT COURT APPROVAL OF THIS DISCLOSURE STATEMENT AND/OR THE DEBTOR'S UTILIZATION OF THIS DISCLOSURE STATEMENT MAY NOT BE REQUIRED BY VIRTUE OF THE FACT THAT NO CLAIMS ARE IMPAIRED BY THE DEBTOR'S PLAN

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT.

THIS DISCLOSURE STATEMENT IS THE ONLY DOCUMENT AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES TO ACCEPT OR REJECT THE DEBTOR'S PLAN OF REORGANIZATION (THE "PLAN") PROPOSED BY EAST HARLEM PROPERTY HOLDINGS, LP (THE "DEBTOR"). NO OTHER REPRESENTATIONS CONCERNING THE DEBTOR, THE VALUE OF ITS ASSETS OR BENEFITS OFFERED UNDER THE PLAN HAVE BEEN AUTHORIZED.

THE APPROVAL OF THE DISCLOSURE STATEMENT MEANS THAT THE BANKRUPTCY COURT HAS FOUND THAT THE DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION TO PERMIT CREDITORS OF THE DEBTOR TO MAKE A REASONABLY INFORMED DECISION IN EXERCISING THEIR RIGHT TO VOTE UPON THE PLAN. COURT APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A RECOMMENDATION ON THE MERITS OF THE PLAN. A COPY OF THE PLAN IS ANNEXED HERETO AS EXHIBIT "1" AND DESCRIBED HEREIN.

ANY REPRESENTATIONS OR INDUCEMENTS MADE TO OBTAIN YOUR ACCEPTANCE WHICH ARE OTHER THAN, OR INCONSISTENT WITH, THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION WHETHER TO APPROVE THE PLAN.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION; NOR HAS THAT COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. THERE HAS BEEN NO INDEPENDENT AUDIT OF THE FINANCIAL INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT EXCEPT AS EXPRESSLY INDICATED HEREIN. THIS DOCUMENT WAS COMPILED FROM INFORMATION OBTAINED BY THE DEBTOR AND FROM OTHER SOURCES BELIEVED TO BE ACCURATE TO THE BEST OF THE DEBTOR'S KNOWLEDGE, INFORMATION AND BELIEF.

THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. ALL CREDITORS AND OTHER INTERESTED PARTIES ARE ENCOURAGED TO REVIEW THE FULL TEXT OF THE PLAN AND TO READ CAREFULLY THE ENTIRE DISCLOSURE STATEMENT, INCLUDING ALL EXHIBITS, BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR REJECT THE PLAN.

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I

**INTRODUCTION**

**A. Background**

East Harlem Property Holdings, LP (the “Debtor”) submits this Amended Disclosure Statement (the “Disclosure Statement”) pursuant to § 1125 of title 11 of the United States Code (the “Bankruptcy Code”), to creditors of the Debtor (the “Creditors”) in connection with the: (i) solicitation of acceptances of the Debtor’s Plan of Reorganization dated April \_\_, 2012, proposed and filed by the Debtor (the “Plan”)<sup>1</sup> with the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”); and (ii) hearing on confirmation of the Plan scheduled for \_\_\_\_\_ \_\_, 2012 at \_\_\_\_\_ .m. Unless otherwise defined herein, all capitalized terms contained herein will have the meanings ascribed to them in the Plan.

Attached as an Exhibit to and accompanying this Disclosure Statement is a copy of the following:

Exhibit “1” - The Plan;

BALLOTS ARE BEING PROVIDED TO CLASS 1 ONLY SINCE CLASS 1 IS THE ONLY IMPAIRED CLASS AND THUS THE ONLY CLASS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. BALLOTS ARE NOT BEING PROVIDED TO HOLDERS OF ANY ALLOWED CLAIMS IN CLASSES 2 - 4 BECAUSE THESE CLASSES ARE UNIMPAIRED AND AS SUCH ARE NOT ENTITLED TO VOTE AND ARE PRESUMED TO HAVE ACCEPTED THE PLAN. THE DEBTOR RESERVES ALL RIGHTS UNDER RULE 3017 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND

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<sup>1</sup> Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Plan.

APPLICABLE CASE LAW AUTHORITY THAT COURT APPROVAL OF THIS  
DISCLOSURE STATEMENT AND/OR THE DEBTOR'S UTILIZATION OF THIS  
DISCLOSURE STATEMENT MAY NOT BE REQUIRED.

**B. The Plan Confirmation Process**

The Bankruptcy Court approved this Disclosure Statement as containing adequate information to permit creditors of the Debtor to make a reasonably informed decision in exercising their right to vote upon the Plan. Approval of this Disclosure Statement does not, however, constitute a determination by the Bankruptcy Court as to the fairness or merits of the Plan. Each Creditor should read this Disclosure Statement and the Plan in their entirety.

Pursuant to various provisions of the Bankruptcy Code, only classes of claims that are "impaired" under the terms and provisions of a plan are entitled to vote to accept or reject such plan. Pursuant to the Plan, only Class 1 is impaired and entitled to vote. All other classes are unimpaired and are presumed to have voted to accept the Plan.

In accordance with §1128 of the Bankruptcy Code, the Bankruptcy Court scheduled a hearing to consider confirmation of the Plan (the "Confirmation Hearing") on \_\_\_\_\_, 2012 at \_\_\_\_\_ .m., in the Courtroom of the Honorable James M. Peck, United States Bankruptcy Judge, at the United States Bankruptcy Court, Southern District of New York, One Bowling Green, New York, New York 10004. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and electronically filed with the Bankruptcy Court on or before \_\_\_\_\_, 2012. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjourned hearing date made at the Confirmation Hearing or at any subsequent adjourned date.



II

**SUMMARY OF PLAN**

The table below provides a summary of the classification and treatment of Claims under the Plan. The figures set forth in the table below represent the Debtor's best estimate of the total amount of Allowed Claims in the case. These estimates have been developed by the Debtor based on (i) an analysis of its books and records; and (ii) known claims, filed claims and anticipated to be filed proofs of claim. By Order of the Bankruptcy Court, February 27, 2012, was set as the last date for filing Proofs of Claim with the Clerk of the Bankruptcy Court. There can be no assurance that the amount of Claims that may be filed and allowed by the Bankruptcy Court will not exceed the amounts set forth or described herein. Nothing set forth in these schedules shall be deemed an admission by the Debtor as to the existence, validity, priority or amount of any claim asserted against the Debtor. The Debtor fully reserves all of its rights to object to claims.

**A. Summary of Categories of Claims:**

Class	Nature of Claims	Approximate Dollar Amount of Claims in Class
Unclassified – Administrative	Administrative claims of Professionals Retained Pursuant to Court Order.	\$150,000.00 (est.)
Unclassified – U.S. Trustee	Office of the United States Trustee	\$3,000.00 (est.)

Unclassified – Priority Tax Claims	Priority Tax Claims	\$16,696.38
Class 1	Secured Claim of C-III Acquisitions, LLC	\$27,561,855.83 (approx.) (disputed)
Class 2	Priority Claims	\$0.00 (est.)
Class 3	Unsecured Claims	Approx. aggregate sum of \$229,447.49
Class 4	Partner Interests	N/A

**B. Summary of Plan Distributions:**

A summary description of each class of Claims and the treatment of such Claims is set forth below:

Class Description	Treatment
<p><b>Unclassified: Administrative Claims</b> This class consists of professionals employed by the Debtor (Debtor administrative claims to be paid by the Debtor’s estate subject to approval of the Court).  LaMonica Herbst &amp; Maniscalco, LLP (“LH&amp;M”) was retained as counsel to the Debtor pursuant to an Order of the Court dated November 4, 2011.</p>	<p>On the Effective Date, Administrative claims of the Debtor’s professionals, namely LH&amp;M, subject to Court approval, will be paid 100% of their Allowed Administrative Expense Claims, or on such other date and upon such other terms as may be agreed upon by the holder of such Allowed Administrative Expense Claims and the Debtor.</p>
<p><b>Unclassified: U.S. Trustee</b> This class consists of outstanding fees owed, if any, to the Office of the United States Trustee.</p>	<p>Any fees due to the United States Trustee shall be paid in full on the Effective Date. Fees due to the United States Trustee through final decree shall be paid each calendar quarter by the Debtor.</p>
<p><b>Unclassified: Priority Tax Claims</b> This class consists of priority tax claims, pursuant to 11 U.S.C. § 507(a)(8), held by governmental units.</p>	<p>Allowed Priority Tax Claims of governmental units, if any, will be paid in full on or within fifteen (15) days after the Effective Date or, at the election of the Debtor, in equal monthly payments, with interest, over five (5) years, with the first payment to be made on the first day of the first month following the Effective Date of the Plan.</p>
<p><b>Class 1: Secured Claim</b> This class consists of a claim held by C-III Acquisitions LLC that is purportedly secured to the Membership</p>	<p>As described more fully below and set forth in the Plan, on the Effective Date, the Debtor shall, among other things, sell and assign all of its right, title and interest in</p>

Interests of the Debtor.	the Membership Interest to SG2-E&M Harlem Portfolio Owner LLC. C-III Acquisitions LLC shall, subject to the provisions set forth in the Plan, release any liens and claims in and to the Membership Interests and the proceeds of the Sale Price (as defined in section 6.02 of the Plan), and exchange general releases with the Debtor.
<b>Class 2: Priority Claims:</b> This class consists of Allowed Priority Tax Claims.	All Allowed Priority Claims shall be paid in full on or within fifteen (15) days after the Effective Date
<b>Class 3: Unsecured Claims:</b> This class consists of Allowed Unsecured Claims.	Allowed Unsecured Claims shall be paid in full on or within fifteen (15) days after the Effective Date, or upon such other terms as agreed between the Debtor and holders of Allowed Class 3 claims.
<b>Class 4: Partner Interests:</b> This class consists of all the membership interests of the Debtor.	The holders of Allowed Partner Interests in the Debtor shall be paid any funds remaining in the Confirmation Account after the payment of Allowed Claimants in accordance with the Plan.

**C. Source of Information**

The information contained in this Disclosure Statement was prepared by Linda Greenfield, as Vice-President of the sole and managing member of the general partner of the Debtor, based upon the Debtor's books and records, the Debtor's bankruptcy petition, and reviewing all proofs of claim thus far timely filed with the Bankruptcy Court. The estimates of Claims set forth herein may vary from the final amount of Claims allowed by the Bankruptcy Court, but the Debtor believes that the numbers and dollar amounts reflected herein are very close to final and allowable amounts according to currently filed claims and scheduled debts of creditors that have not filed a proof of claim. While every effort has been made to insure the accuracy of all such information, the information presented herein is unaudited and has not been examined, reviewed, or compiled by an independent public accountant.

### III

#### HISTORY OF THE CHAPTER 11 CASE

##### A. History of Case

The Debtor is a limited partnership and has been in existence since March 13, 2007. The Debtor owns 100% of the limited liability company membership interests in twenty-seven (27) special purpose entities (the “Special Purpose Entities”), which own, in the aggregate, approximately 1,200 residential units and 50 commercial units located within 47 buildings located in New York, New York (the “Real Properties”). The Real Properties are primarily located in an area bounded by 100<sup>th</sup> Street to the south, 188<sup>th</sup> Street to the north, Pleasant Avenue to the east and Park Avenue to the west, an area commonly referred to as East Harlem.

The Debtor is currently owned by its partners who consist of (a) East Harlem GP LLC, its general partner, owning a .01% interest (the “General Partner”), (b) Harlem Housing LLC, a limited partner, owning a 49% interest (the “Limited Partner”), and (c) East Harlem Property Investment Ltd (“EHPI” or the “UK Member”), a limited partner, owning a 50.99% interest. The UK member does not have any voting rights in the Debtor.

Pursuant to various loan agreements each dated March 19, 2007 (collectively, the “Mortgage Loan Documents”), LaSalle Bank, National Association, (“LaSalle”), as mortgage lender, loaned the principal amount of \$215,000,000.00 to the Special Purpose Entities, as borrowers (the “Mortgage Loan”) in order to purchase the Real Properties. The Mortgage Loan purportedly formed a single lien, and was collateralized against the Real Properties.

The Mortgage Loan Documents provided that at LaSalle’s request, LaSalle could divide the Mortgage Loan into a mortgage loan and a mezzanine loan (the “Mezzanine Loan Option”). To facilitate LaSalle’s exercise of the Mezzanine Loan Option, the Special Purpose Entities were

required to be owned 100% by the same entity to be the mezzanine borrower, the Debtor. In effectuating the terms of the Mezzanine Loan Option, the mezzanine lender would be required to make a loan to the mezzanine borrower who would then be required to contribute the full mezzanine loan amount to the Special Purpose Entities. Simultaneous therewith, the Special Purpose Entities would apply this contribution to pay down the Mortgage Loan. Upon completing this process, the principal amount of the Mortgage Loan plus the principal amount of the Mezzanine Loan (as defined below) was to equal the outstanding principal balance of the Mortgage Loan immediately prior to the Mezzanine Loan. In exchange for the mezzanine loan, the mezzanine borrower was required to pledge 100% of its ownership interests in and to the Special Purpose Entities to the mezzanine lender.

On or about May 29, 2007, LaSalle assigned the reduced Mortgage Loan, including the mortgage on the Real Properties to The Bank of New York Trust Company, National Association, (now known as) Trustee for the Morgan Stanley Capital 1, Inc. Commercial Mortgage Pass-through Certificates, Series 2007-IQ14 (the "Trust"). Thereafter, Centerline Servicing, Inc. became the special servicer for the Trust.<sup>2</sup>

In or around May 2007, two months after the initial loan, LaSalle exercised the Mezzanine Loan Option. To effectuate the transaction, the Mezzanine Loan Agreement provided that LaSalle lend the Debtor \$20,000,000.00 (the "Mezzanine Loan"). At some point thereafter, Bank of America, N.A. ("BOA") merged with LaSalle and gained ownership, right and control over the Mezzanine Loan.

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<sup>2</sup> Centerline Servicing, Inc. thereafter changed its name to C-III Asset Management, LLC.

On or about September 10, 2009, a foreclosure proceeding was commenced in the Supreme Court of the State of New York, County of New York (the “State Court”) captioned, The Bank of New York Mellon Trust, National Associated f/k/a The Bank of New York Trust Company, National Association, as Trustee for the Morgan Stanley Capital I, Inc. Commercial Mortgage Pass-through Certificates, Series 2007-IQ14, Acting By and Through Its Special Servicer, Centerline Servicing, Inc. v. DDEH 291 Pleasant LLC et. al., 602806/09 (the “Mortgage Foreclosure”). In the State Court Mortgage Foreclosure, the Trust sought to foreclose on the Mortgage Loan in the reduced amount of \$195,000,000.00. Indeed, each of the Special Purpose Entities is listed as named defendants in the State Court Mortgage Foreclosure. In or around March 2010 the State Court granted summary judgment on default in favor of the Trust.

Before the Debtor had a chance to file subsequent motions in the State Court Mortgage Foreclosure, BOA<sup>3</sup>, as mezzanine lender, scheduled a non-judicial UCC sale of the Debtor’s membership interests to be held on September 16, 2011 (the “UCC Sale”).

As a result of the impending UCC Sale, the Debtor was compelled to file its voluntary petition under Chapter 11 of the Bankruptcy Code in order to preserve the value of its interests in and to the Real Properties and gain the protections afforded under the Bankruptcy Code.

On September 15, 2011 (the “Filing Date”), the Debtor filed a voluntary petition under Chapter 11 with the Bankruptcy Court. On January 18, 2012, the Debtor filed its schedules, statements, and affidavits in accordance with Bankruptcy Rules 1002(a) and 1007. The Debtor has timely filed its monthly operating reports.

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<sup>3</sup> After the Filing Date, BOA transferred its interest to C-III Acquisitions LLC.

**B. Retention of Professionals**

The Debtor employed the law firm of LaMonica Herbst & Maniscalco, LLP (“LH&M”) as counsel to the Debtor. This Court entered an Order dated November 4, 2011 authorizing and approving the retention of LH&M as counsel to the Debtor.

**C. Claims Bar Date**

By application dated January 18, 2012, the Debtor submitted an *ex parte* application for an Order establishing a date by which creditors must timely file a proof of claim against the Debtor’s estate. By Order of the Court dated January 31, 2012, the Court fixed February 27, 2012 (the “Bar Date”) as the date by which creditors must timely file a proof of claim (“Proof of Claim”). Accordingly, any Creditor having filed a Proof of Claim with the Bankruptcy Court on or before the Bar Date, and whose Claim is deemed an Allowed Claim, will receive payment in accordance with the terms of the Plan. Any Creditor who fails to file a Proof of Claim on or before the Bar Date, i.e. February 27, 2012, which is not listed on the Debtor’s Schedules or is listed as “disputed,” “contingent” or “unliquidated” on the Debtor’s Schedules, will not receive a distribution under the Plan.

**IV**

**THE PLAN OF REORGANIZATION**

**A. Explanation of Chapter 11**

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor seeks to reorganize its business and financial affairs. A debtor may also liquidate its assets and wind up its affairs in Chapter 11. The formulation and confirmation of a plan of reorganization is the principal purpose of a Chapter 11 case. A plan of reorganization sets forth the means of satisfying or discharging the holders of claims against a Chapter 11

debtor. Chapter 11 does not require that each holder of a claim against a debtor vote in favor of a plan in order for the Bankruptcy Court to approve a plan. If any class of claimants is “impaired” by a plan, the plan must be accepted by at least one “impaired” class of claims. A claim that will not be repaid in full, or a Claimant whose legal rights are altered, or an interest that is adversely affected, are deemed “impaired.”

The holder of an impaired claim is entitled to vote to accept or reject the plan if the claim has been allowed under § 502 of the Bankruptcy Code, or temporarily allowed for voting purposes under Rule 3018 of the Federal Rules of Bankruptcy Procedure. Acceptance by a particular class must be by a majority in number and two-thirds (2/3) of the dollar amount of the total claims actually voting in the class.

**As set forth in the Plan and described more fully herein, only Class 1 is impaired under the Plan and therefore, only Class 1 shall be entitled to vote. All other classes shall be deemed to have voted to accept the Plan.**

**B. Claims**

Pursuant to the Claims Bar Order, any Creditor who fails to file a proof of Claim on or before the Bar Date and was not listed on the Schedules or was listed as “disputed,” “contingent” or “unliquidated” cannot be treated as a Creditor with respect to such Claim for purposes of voting on and receiving a Distribution under the Plan.

All Proofs of Claim filed in this case will be reviewed, and to the extent necessary, the Debtor will file objections to filed claims. The Court will retain jurisdiction to adjudicate objections to claims brought by the Debtor, including any settlements or compromises of such claims.



C. **Classes Of Claims or Interests**

**Unclassified Claims**

1. **Administrative Expenses:** Allowed Administrative Expense Claims are claims against the estate for any costs or expenses incurred during the Chapter 11 case that are allowed and entitled to priority under §§ 503(b) and 507(a)(1) of the Bankruptcy Code, including, but not limited to, all actual and necessary expenses, and all allowances of compensation or reimbursement of expenses of professionals retained by the Debtor to the extent permitted by the Court.

Administrative Claims include claims of Professionals approved by Order of the Bankruptcy Court who have assisted in the administration of this case and the administrative proofs of claims that were filed with the Court. This sum includes the fees and expenses of professionals retained pursuant to Orders of the Bankruptcy Court, namely Debtor's counsel. Such professional fees are subject to Court approval. The Debtor estimates that the Administrative Expenses unpaid in this class, as of the Effective Date, will total approximately \$150,000.00.

2. **Fees and Expenses of United States Trustee:** The Debtor shall pay all statutory quarterly fees due to the Office of the United States Trustee that come due through and including the earlier of the date of entry of a final decree closing this Chapter 11 proceeding or of the date of entry of an order dismissing or converting the case to one under Chapter 7 of the Bankruptcy Code.

3. **Priority Tax Claims:** Allowed Priority Tax Claims of governmental units will be paid in full on or within fifteen (15) days after the Effective Date or, at the election of the

Debtor, in equal monthly payments, with interest, over five (5) years, with the first payment to be made on the first day of the first month following the Effective Date of the Plan.

### **Classified Claims**

Class 1 Claims: Class 1 consists of the secured claims of C-III Acquisitions LLC (“C-III Acquisitions”) which are secured by the Membership Interests.

Class 2 Claims: Class 2 consists of all Allowed Priority Claims, if any.

Class 3 Claims: Class 3 consists of all Allowed Unsecured Claims.

Class 4 Claims: Class 4 consists of all of the Allowed Partner Interests in the Debtor.

### **D. Treatment of Allowed Claims**

#### **Allowed Administrative Expense Claims**

Administrative Expense Claims are unimpaired. Allowed Administrative Claims shall consist of: (a) fees and expenses of the United States Trustee (“Trustee’s Fees”); (b) Professionals’ Fees; and (c) the Debtor’s post-Filing Date, pre-Effective Date operating expenses, if any. Each holder of an Allowed Administrative Expense Claim shall be paid in full, in cash, on the Effective Date or on such other date and upon such other terms as may be agreed upon by the holder of such Allowed Administrative Expense Claim and the Debtor. In the event of any subsequent conversion of this case to a case under Chapter 7 of the Bankruptcy Code, all payments on account of any Allowed Administrative Expense Claim are deemed to have been made in the ordinary course of the Debtor’s business and will not be deemed preferential or unauthorized under sections 547 or 549 of the Bankruptcy Code. Holders of Administrative Expense Claims are not entitled to vote on the Plan and are deemed to have accepted the Plan.

Allowed Administrative Expense Claims, if any, representing liabilities incurred in the ordinary course of business by the Debtor will be assumed and paid by the Debtor in accordance

with the terms and conditions of the arrangements with the particular creditor and in accordance with ordinary business terms.

#### United States Trustee Claims

The United States Trustee claims are unimpaired. The Debtor shall pay all statutory fees due to the Office of the United States Trustee that come due up to and including the earlier of the date of entry of a final decree closing this Chapter 11 proceeding or of the date of entry of an order dismissing or converting the case to one under Chapter 7 of the Bankruptcy Code.

#### Priority Tax Claims

Priority Tax Claims are unimpaired. Allowed Priority Tax Claims of governmental units, if any, will be paid in full on or within fifteen (15) days after the Effective Date or, at the election of the Debtor, in equal monthly payments, with interest, over five (5) years, with the first payment to be made on the first day of the first month following the Effective Date of the Plan

#### Class 1 Claims

Class 1 Claims are impaired. On the Effective Date, C-III Acquisitions shall be treated as follows:

- i. On the Effective Date, the Debtor shall sell all right, title and interest in the Membership Interests to SG2-E&M Harlem Portfolio Owner LLC (“SG2”), pursuant to the terms set forth in the Plan , free and clear of all liens, claims and encumbrances of whatever kind or nature, and the Debtor shall simultaneously receive the Sale Price (as defined in section 6.02 of the Plan).
- ii. On the Effective Date, C-III Acquisitions shall release, waive and discharge its security interest or lien in and to the Membership Interests and the proceeds from the Sale Price, and shall file any and all necessary documents with the appropriate filing offices to effectuate such release of security interest or lien.
- iii. On the Effective Date the parties to each of the releases attached to the Plan as Schedule 1, Schedule 2, Schedule 3 and Schedule 4 shall execute and deliver these releases, which shall become effective on the Effective Date. Schedule 1 annexed to the Plan is a release in favor of, among other entities, the Debtor by certain lender parties. Schedule 2 annexed to the Plan is a release in favor of the

lender parties by the Debtor and other parties as set forth therein. Schedule 3 annexed to the Plan is a release in favor of, among other entities, the Debtor by SG2. Schedule 4 annexed to the Plan is a release in favor of SG2 by the Debtor and other parties as set forth therein.

- iv. As set forth in the Plan, C-III Acquisitions shall not receive any distribution from the proceeds of the Sale Price (as defined in Section 6.02 of the Plan) and specifically waives any recovery with respect to any proof of claim filed in this case, whether as secured or as an unsecured creditor, and waives any right to a distribution under the Plan.

Class 2 Claims – Allowed Priority Claims

Class 2 Priority Claims are unimpaired. Allowed Priority Claims, if any, shall be paid in full on or within fifteen (15) days after the Effective Date.

Class 3 Claims – Allowed Unsecured Claims

Claims 3 Unsecured Claims are unimpaired. Allowed Unsecured Claims shall be paid in full on or within fifteen (15) days after the Effective Date, or upon such other terms as agreed between the Debtor and holders of Allowed Class 3 claims.

Class 4 Claims – Allowed Partner Interests

Class 4 Interests are unimpaired. The holders of Allowed Interests in the Debtor shall be paid any funds remaining in the Confirmation Account after the payment of Allowed Claimants in accordance with the Plan and in accordance with their legal rights.

**V**

**IMPLEMENTATION OF THE PLAN**

On the Effective Date, the Debtor shall sell, assign, and transfer all of its right title and interest in the Membership Interests to SG2 in exchange for the sum of \$4,750,000.00 (the "Sale Price"). The sale, assignment and transfer to SG2 is an arms-length transaction. Neither the Debtor nor its partners, members or shareholders are affiliated with SG2. The sale shall free and

clear of all liens, claims, and encumbrances of whatever kind or nature and otherwise pursuant to the terms of the Plan and the applicable terms of the Bankruptcy Code. Distributions to Allowed Claimants and Allowed Interests under the Plan will be funded from the sale of the Membership Interests to SG2. The transfer of title of the Membership Interest under the Plan is being made as part of a transaction between SG2 and the holder of the Mortgage Loan whereby the holder of the Mortgage Loan has agreed to reduce and modify the terms of the Mortgage Loan Documents simultaneously with the transfer of the Membership Interest to SG2, free and clear of all liens, claims and encumbrances. The transfer of title to the Membership Interests shall not result in the incurrence of any city state or federal transfer tax, mortgage tax or similar tax as those taxes are exempt under section 1146(a) of the Bankruptcy Code. The Office of the City Register of the City of New York shall record any documents effectuating such transfer without the payment of a transfer tax.

## VI

### **FEASIBILITY**

The Debtor anticipates that the transfer all the Membership Interests to SG2 in exchange for the Sale Price coupled with C-III Acquisitions' waiver and release of its secured claim interest and lien, and any other claim it may have as against the Debtor, the Membership Interests and in and to the distribution from the proceeds of the Sale Price (as defined in Section 6.02 of the Plan), subject to the provisions set forth in the Plan, will allow the Debtor to make all the distributions contemplated under this Plan.

## VII

### **CONDITIONS PRECEDENT TO CONFIRMATION OF THE PLAN AND THE EFFECTIVE DATE**

In order for the Plan to be confirmed, the Confirmation Order must be entered by the Bankruptcy Court and must be a Final Order.

Additionally, prior to, and as a condition precedent to the confirmation of the Plan, the Debtor shall provide to C-III Acquisitions and SG2, a consent letter, substantially similar to the one annexed to the Plan as Schedule 5, in which the UK Member, by and through its Joint Liquidators, consent to the jurisdiction of the Bankruptcy Court.

## VIII

### **VOTING**

Under the Plan, only Class 1 is impaired and is entitled to vote. To be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received no later than \_\_\_\_\_, 2012 at LaMonica Herbst & Maniscalco, LLP, 3305 Jerusalem Avenue, Suite 201, Wantagh, New York 11793, Attn: Salvatore LaMonica, Esq. or Jordan Pilevsky, Esq.

## IX

### **REQUIREMENT FOR CONFIRMATION OF THE PLAN**

#### **A. Confirmation Hearing**

The Bankruptcy Code requires that the Bankruptcy Court, after notice, hold a hearing to consider confirmation of the Plan. The confirmation hearing is scheduled to be held before the Honorable James M. Peck, on \_\_\_\_\_, 2012 at \_\_\_:\_\_\_ .m. (the "Confirmation Hearing"), in the United States Bankruptcy Court, Southern District of New York, One Bowling Green, New York, New York 10004. The Confirmation Hearing may be adjourned from time to

time by the Bankruptcy Court without further notice except for an announcement made at the Confirmation Hearing.

**B. Objections to Confirmation**

The Bankruptcy Court has directed that objections, if any, to Confirmation of the Plan be in writing, filed with the Bankruptcy Court with a courtesy copy to chambers of the Honorable James M. Peck, with proof of service and such objections served on or before \_\_\_\_\_, 2012. Objections must be served upon (i) counsel to the Debtor, LaMonica Herbst & Maniscalco, LLP, 3305 Jerusalem Avenue, Wantagh, New York, 11793, Attention: Salvatore LaMonica, Esq., Joseph S. Maniscalco, Esq. and Jordan Pilevsky, Esq.; and (ii) the Office of the United States Trustee, 33 Whitehall Street, 21<sup>st</sup> Floor, New York, New York 10004, Attention: Andrew Velez-Rivera, Esq. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.

**C. Acceptance of the Plan**

Acceptance of the Plan requires that each impaired Class of Claims accepts the Plan, with certain exceptions discussed below. Thus, acceptance of the Plan is tested on a Class by Class basis. Classes of Claims that are not impaired under the Plan are deemed to have accepted the Plan. Under the Plan, only Class 1 is impaired and as a result, only holder(s) of Class 1 Claims are entitled to vote. All other classes of claims are unimpaired and are presumed to have accepted the Plan.

**D. Confirmation of Plan**

In order to confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of determinations concerning the Plan, including: (i) that the Plan has classified Claims in a permissible manner; (ii) that the contents of the Plan comply with the technical

requirements of the Bankruptcy Code; (iii) that the Plan has been proposed in good faith; and (iv) that disclosures concerning the Plan have been made which are adequate and include information concerning all payments made or promised in connection with the Plan and the Chapter 11 case. The Debtor believes that all of these conditions have been or will be met.

**X**

**EFFECT OF CONFIRMATION; INJUNCTION; RELEASE**

**A. Effect of Confirmation**

On the Confirmation Date, the terms of this Plan bind all holders of all Claims against the Debtor, whether or not such holders accept this Plan.

**B. Injunction**

Effective on the Effective Date, all Persons who have held, hold, or may hold Claims against the Debtor or its assets are enjoined from taking any of the following actions against or affecting the Debtor or the assets of the Debtor with respect to such Claims (other than actions brought to enforce any rights or obligations under the Plan or appeals, if any, from the Confirmation Order): (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against the Debtor or the assets of the Debtor or any direct or indirect successor in interest to the Debtor, or any assets of any such transferee or successor; (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means whether directly or indirectly any judgment, award, decree or order against the Debtor or its assets or any direct or indirect successor in interest to the Debtor, or any assets of such transferee or successor; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtor or the assets of the Debtor or its assets or any direct or indirect successor in interest to the Debtor, or any assets of any such



transferee or successor other than as contemplated by the Plan; (iv) asserting any set-off, right of subrogation or recoupment of any kind directly or indirectly against any obligation due the Debtor or its assets or any direct or indirect transferee of any assets of, or successor in interest to, the Debtor; and (v) proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Plan.

**C. Release**

As of the Effective Date, to the extent authorized by section 1141 of the Bankruptcy Code, the Debtor is released from all Claims, demands, actions, claims for relief, causes of actions, suits, debts, covenants, agreements and demands of any nature whatsoever, in law and in equity, that any creditor had, or now has, or may hereafter have against the Debtor arising prior to the Effective Date.

Except as otherwise provided herein and in section 1141 of the Bankruptcy Code, all Persons shall be precluded and enjoined from asserting against the Debtor, its assets or properties, or against any property that is distributed, or is to be distributed under the Plan, any other or further Claim upon any acts or omissions, transactions or other activity of any kind or nature that occurred prior to the Effective Date.

**D. Confidentiality**

The terms of any modification or amendment to the Mortgage Loan between SG2 (or any successor and/or assign thereto) and the holder of the Mortgage Loan are confidential, and the Debtor agrees that it shall have no right to demand information as to that transaction, or access to or copies of any such modifications or amendments.

## XI

### **ALTERNATIVES TO THE PLAN AND OTHER CONSIDERATIONS**

#### **A. Alternatives to the Plan**

The Debtor believes that the Plan provides creditors with the earliest and greatest possible value that can be realized on their respective Claims. The principal alternatives to confirmation of the Plan are: (i) confirmation of alternative plans submitted by another party in interest; or (ii) conversion of the case to Chapter 7 of the Bankruptcy Code.

##### **(i) Alternative Plans**

The Debtor is not aware of any party prepared or interested in filing an alternative plan which provides, on the whole, greater recoveries for creditors. Moreover, any alternative plan may not generally be acceptable to the Debtor and would likely result in costly and time-consuming litigation that will ultimately be detrimental to the creditors.

##### **(ii) Conversion to Chapter 7**

The Debtor believes that a conversion to Chapter 7 would not be in the best interest of creditors. As described in Section XII (B) below (“Best Interests of Unsecured Creditors”), liquidation of the Debtor’s assets under Chapter 7 of the Bankruptcy Code would not generate a greater distribution to creditors than proposed under the Plan, especially in light of the fact that, pursuant to the terms of the Plan, C-III Acquisitions LLC will have waived its claims as of the Effective Date. Conversion under Chapter 7 of the Bankruptcy Code would entail the appointment of a trustee likely to have no historical experience or knowledge of the Debtor or its assets. Moreover, the additional administrative costs incurred by a trustee and its attorneys could also be substantial and will impact upon the ability of Creditors to receive payment on the

Effective Date or shortly thereafter. Finally, any additional Administrative Costs will adversely affect the distribution to Claimants and will not inure to their benefit.

The Debtor believes that confirmation of the Plan is preferable to the alternatives described above because the Plan maximizes the property available for distribution to all Classes of Claims and appropriately distributes all the Debtor's non exempt assets to the Unsecured Creditors without the added Administrative Expenses of a Chapter 7 Trustee and its attorneys and other professionals.

**B. Best Interests of Unsecured Creditors**

Notwithstanding acceptance of the Plan by Classes of Claims, in order to confirm the Plan, the Bankruptcy Court must independently determine that the Plan is in the best interests of all Classes of Claims. The "best interests" test requires that the Bankruptcy Court find that the Plan provides to each member of each impaired Class of Claims a recovery which has a present value at least equal to the present value of the distribution which each such person would receive from the Debtor if its assets were instead distributed by a Trustee under Chapter 7 of the Bankruptcy Code. The Debtor believes that the Plan satisfies the "Best Interests Test" with respect to all Classes of Claims as all Claimants are fully unimpaired.

The cost of converting the case to one under Chapter 7 would likely include the fees of a trustee, as well as those of the Chapter 7 Trustee's counsel and other professionals that may be retained by the Chapter 7 trustee and unpaid expenses incurred by the Debtor during the Chapter 11 case (such as fees for attorneys). These Claims, and such other Claims as might arise in the liquidation or result from the Debtor's chapter 11 case, would be paid from the Debtor's assets before its assets would be available to pay Unsecured Claims resulting in substantially less of a recovery by the trustee for the creditors of this estate.

THE DEBTOR BELIEVES THAT THE PLAN PROVIDES THE GREATEST AND EARLIEST POSSIBLE RECOVERY ON ACCOUNT OF CLAIMS AND THAT CONFIRMATION OF THE PLAN IS IN THE BEST INTERESTS OF CREDITORS.

**C. Liquidation Analysis**

Pursuant to the Plan, the Debtor estimates that Unsecured Claimants will receive payment in full on all Allowed Claims. The Debtor believes that if the case were converted to a Chapter 7 case, unsecured creditors would receive no distributions as a liquidation (sale of the Membership Interests) of the estate would result in only Class 1 (if adjudicated a valid claim) being paid, and quite possibly not in full. All other Claims, but for a portion or all of the Priority Tax Claims, would receive no distribution.

The Debtor believes that confirmation of the Plan is preferable to the alternatives described above because the Plan maximizes the value of all property available for distribution to all Classes of Claims and provides for 100% payment to Unsecured Creditors while avoiding the additional layer of Chapter 7 Administrative Claims that must be paid if the case were converted to Chapter 7. Indeed, under the Liquidation Analysis referenced above, it is conceivable that only Class 1 Claims would receive full or partial payment. The next class of creditors to possibly receive partial or full payment would be Class 2 Priority Claims. All other creditors in this case would likely receive no distribution. Accordingly, the Debtor believes that confirmation of the Plan, rather than the alternatives described above, is in the best interests of creditors.

## **XII**

### **RECOMMENDATION OF THE DEBTOR**

The Plan and this Disclosure Statement were drafted and submitted by the Debtor. As such, the Debtor strongly supports this Plan and believes that Confirmation of the Plan provides the Creditors with the best possible recovery in the shortest possible time.

## **XIII**

### **ADDITIONAL INFORMATION**

Requests for information and additional copies of this Disclosure Statement, the Plan, and any other materials or questions relating to the Plan and this Disclosure Statement should be directed to Debtor's counsel, LaMonica Herbst & Maniscalco, LLP, 3305 Jerusalem Avenue, Wantagh, New York 11793, Attention: Salvatore LaMonica, Esq., Joseph S. Maniscalco, Esq. and Jordan Pilevsky, Esq., at (516) 826-6500 during regular business hours.

## **XIV**

### **TAX CONSEQUENCES**

The Debtor is not aware of any tax consequences which may result from the confirmation of the Plan. Creditors should consult with their own tax advisor concerning any such tax related implications. Pursuant to IRS Circular 230 Notice: To ensure compliance with IRS Circular 230, holders of Claims are hereby notified that (a) any discussion of U.S. federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be used, and cannot be used, by holders of Claims for the purpose of avoiding penalties that may be imposed on them under the Tax Code; (b) such discussion is written in connection with the promotion or marketing by the Debtor of the transactions or matters addressed herein; and (c) holders of

Claims should seek advice based upon their particular circumstances from an independent tax advisor.

**XV**

**CONCLUSION**

The Debtor believes the Plan is in the best interests of all Creditors.

Dated: April 30, 2012  
Wantagh, New York

**LaMonica Herbst & Maniscalco, LLP**  
Attorneys for the Debtor

By: s/ Salvatore LaMonica  
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Dated: April 30, 2012  
New York, New York

East Harlem Property Holdings, L.P.

By: East Harlem G.P. LLC  
General Partner

By: Harlem Housing, LLC  
Sole & Managing Member

By: s/ Linda Greenfield  
Name: Linda Greenfield  
Title: Vice President