

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re

Chapter 11

GTA Realty II, LLC

Case no. 14-12840

Debtor.  
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**DECLARATION IN SUPPORT OF PLAN CONFIRMATION**

Teresa Sorkin, Vice President of G.T.A. Realty Corp., the sole member of GTA Realty II, LLC (the “Debtor”)<sup>1</sup>, states under penalty of perjury as follows:

1. On October 8, 2014, the Debtor filed a Chapter 11 petition under Title 11 of the United States Code, 11 U.S.C. 101 et seq. (the “Bankruptcy Code”).

2. The Debtor owns real property located at 184 Prince Street, and 287 Bleecker Street, New York, New York (the “Properties”). The Prince Street property is a four family building with one store. The Bleecker Street property is as an eight family building with one store. The Debtor estimates that the Prince Street property value is \$6,000,000 and the Bleecker Street property value is about \$12,000,000 for a combined \$18,000,000 property value.

3. U.S. Bank National Association (“Mortgagee”) holds a first mortgage on the Properties in the amount of approximately \$5,250,000 as of July 30, 2015.

4. In addition, liens of record appear on the Prince Street property in favor of New York State in the amount of \$8,352 and New York City in the amount of approximately \$60,000. A \$310,000 disputed mechanic’s lien was placed on the Properties by a William

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<sup>1</sup> Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan definitions.

Lougheed. Mr. Lougheed subsequently filed a proof of claim asserting a \$305,000 unsecured claim and his claim will be so treated under the Plan. A \$7,874 judgment lien appears as a matter of record in favor of Smith & Krantz, LLP, but that too is disputed because Smith & Krantz does not appear to have a judgment against the Debtor.

5. The general unsecured claims asserted against the Debtor total approximately \$1,916,034. A number of these claims are subject to claims objections. The Debtor will escrow amounts sufficient to cover all claims pending resolution.

6. The Debtor moved to expunge, reduce or estimate claims filed by Margaux Levy, Charlene Loo and Alessio Matera. At a hearing held on June 16, 2015, the Court estimated Margaux Levy's claim at \$20,700 and directed the Debtor to escrow that amount pending final determination. The Court's estimation is not a determination of the amount due, but only a determination of the amount the Debtor must reserve pending further review by the parties and/or litigation. The Debtor agreed to escrow the full amounts sought by Charlene Loo and Alessio Matera and agreed that, for the purpose of distribution, the claims of Charlene Loo and Alessio Matera are claims against the bankruptcy estate of the Debtor. The Debtor's agreement to escrow the full amounts sought is not a determination of the amounts due. The amounts due are subject to further review by the parties and/or litigation.

7. The Debtor's bankruptcy is the result of problems with the Bleecker Street insider commercial tenant which resulted in rent collection losses and ultimately mortgage defaults and a Federal Court foreclosure action. The Federal Court appointed a receiver, who has remained in control of the Properties post-petition. Since filing the case, the Debtor considered several options and ultimately decided to sell the Bleecker Street property to a joint venture in a private sale under the Plan under the contract annexed as Exhibit A to the Plan (the

“Contract”). Teresa Sorkin, the daughter of the Debtor’s beneficial owners will be a 50% owner of 287 Bleeker Street LLC (the “Purchaser”), the new joint venture. The sale proceeds will cover (a) all creditor claims plus interest and (b) the costs associated with satisfying the Mortgagee’s claim in full by exercising the so-called defeasance provisions of the mortgage. To defease, the Debtor must (i) cure all unpaid amounts due and owing under the Mortgagee’s note and related loan documents and (ii) substitute U.S. Treasury securities for the Properties as collateral for the Mortgagee’s note. As required by the Mortgage, those securities will generate a stream of payments to the Mortgagee equal to the remaining amounts due under the Mortgage. The Prince Street Property will be transferred by gift to Teresa Launi or her designee under the Plan.

8. The Purchaser has agreed to deem the Contract amended to provide that (a) the closing deadline in Schedule D, paragraph 7 be extended to August 31, 2015, and (b) the Purchaser waives the requirements in the (i) astericked proviso of Schedule B of the Contract, Rider paragraph II, regarding violations and defects, (ii) Rider paragraph XII requiring certain unit vacancies; and (iii) Rider paragraph XVII(c) requiring cure of DHCR filing obligations.

9. The Purchaser of the Bleecker Street property is affiliated to the Debtor by the partial ownership of Teresa Launi, the Debtor’s principals’ daughter. The other Bleeker Street LLC members have no prior affiliation with the Debtor. The sale to of the Bleecker Street Property to the Purchaser under the Plan was negotiated at arms-length transaction, was non-collusive, fair and reasonable, and conducted openly and in good faith to enable the Debtor to pay all creditors in full in cash with interest under the Plan. The sale was not controlled by an agreement among potential purchasers in violation of Bankruptcy Code § 363(n).

10. On July 7, 2015, the Bankruptcy Court entered an order approving the Debtor's Disclosure Statement. On the same day, the Debtor filed an affidavit of service with the Bankruptcy Court indicating service on all parties in interest.

11. Class 1 under the Plan is the City of New York. Class 1 will be paid the Allowed Amount of its Claims in full in Cash on the Effective Date, plus interest at the applicable statutory rate as it accrues from the Petition Date through the date of payment.

12. Class 2 the Mortgagee. Class 2 will be paid the amounts necessary to (a) reinstate the Lender's note and mortgage under section 1124(2) of the Bankruptcy Code, in full in cash on the Effective Date and (b) under Section 2.9 of the Loan Agreement, entry into a Total Defeasance Security Agreement for Total Defeasance Collateral (as such terms are defined in the Loan Agreement). The Mortgagee estimates that the reinstatement amount will be \$1,400,000 representing projected overdue interest, advances and costs as of August 4, 2015. The Debtor estimates the purchase price for the Total Defeasance Collateral will be \$4,850,000 representing unpaid principal and projected unpaid interest. The Debtor estimates disbursements totaling approximately \$6,250,000 to satisfy its obligations to the Mortgagee under the Plan. Provided the Mortgagee, through Rialto Capital Management, (a) receives all of the amounts necessary to reinstate the Lender's note and mortgage under section 1124(2) of the Bankruptcy Code, in full in cash on the Effective Date, (b) the Purchaser satisfies the conditions for a Total Defeasance, and (c) the Purchaser executes such documents reasonably requested by the Mortgagee, the Mortgagee shall be obligated to transfer its mortgage to the designee of the Purchaser of the Bleecker Street Property.

13. Class 3 is Smith & Krantz LLP which holds a judgment lien of record for approximately \$7,874. Class 3 will be paid the Allowed Amount of its Claims in full in Cash on

the Effective Date, plus interest at the applicable statutory rate as it accrues from the Petition Date through the date of payment.

14. Class 4 is the New York State Department of Tax and Finance which filed a \$11,858 claim. Class 4 will be paid the Allowed Amount of its Claims in full in Cash on the Effective Date, plus interest at the applicable statutory rate as it accrues from the Petition Date through the date of payment.

15. Class 5 is Priority Claims under Sections 507(a)(2),(3),(4),(5),(6),(7) and (8) of the Bankruptcy Code. Class 5 Claims total approximately \$7,794. Each holder of a Class 5 claim will be paid the Allowed Amount of its Claims in full in Cash on the Effective Date, plus interest at the applicable statutory rate as it accrues from the Petition Date through the date of payment.

16. Class 6 is General Unsecured Claims. Claims are asserted totaling approximately \$1,916,034. Class 6 Allowed Claims will be paid in full in Cash on the Effective Date plus interest at the Legal Rate from the Petition Date through the payment date.

17. Class 7 is G.T.A. Realty Corp., the Debtor's sole member. Class 7 is entitled to retain its Interests in the Debtor but the Interests will have no post-confirmation value following the transfer of the Debtors' Properties under the Plan.

18. In addition, the Plan provides for payment of administration fees. The Debtor's unpaid legal fees are estimated to be \$100,000, Committee legal fees estimated to be \$85,000, and post-confirmation administration costs are estimated to total \$10,000. Estimated United States Trustee fees are \$15,000

19. The sources and uses of funds under the Plan are summarized below:

<b>Assets</b>	
Bleeker Property sale proceeds	\$9,000,000

<b>Distributions</b>	
Administration Claims and UST Fees	\$210,000
New York City real estate tax, water, sewer and other liens.	\$60,000
U.S. Bank National Association	\$6,250,000
Smith & Krantz	\$7,874
New York State	\$11,858
Priority Claims under Sections 507(a)(2),(3),(4),(5),(6),(7) and (8) of the Bankruptcy Code.	\$7,794
General Unsecured Claims	\$1,916,034
<b>Total</b>	<b>\$8,463,560</b>

20. Distribution under the Plan will be greater than in a Chapter 7 case because there will be no Chapter 7 administration expenses for liquidation such as attorney fees, brokerage fees, and transfer taxes.

21. The Plan complies with the applicable provisions of the Bankruptcy Code, under section 1129(a)(1), such as compliance with the rules for classification of claims under section 1122 of the Code and the plan requirements under section 1123 of the Code.

22. The Proponent has complied with the applicable provisions of the Bankruptcy Code under section 1129(a)(2) such as compliance with the disclosure and solicitation requirements of section 1125 and 1126 of the Code.

23. The Plan has been proposed in good faith and not by any means forbidden by law under section 1129(a)(3) because the plan is consistent with the general intent of the Code to permit the liquidation of a debtor's assets to maximize the return to creditors.

24. Any payment made or promised by the Debtor or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in, or in

connection with, the Bankruptcy Case, or in connection with the Plan and incident to the Bankruptcy Case, has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable, under section 1129(a)(4). Administration to be paid to Debtor's attorneys and the real estate broker are subject to further order of the Court.

25. Post-confirmation management of the Debtor will remain unchanged. That is consistent with section 1129(a)(5) because existing creditors will no longer be affected by the Debtor's operation post-confirmation. Post confirmation plan administration will be completed by Mark Frankel, as plan administrator under the Plan.

26. The Plan proposes no rate change for which governmental regulatory commission approval is required, under section 1129(a)(6).

27. No creditor class is impaired, so the requirement under section 1129(a)(7) of the Bankruptcy Code is deemed satisfied, i.e., with respect to each class of impaired Claims, either each holder of a Claim or interest of such class has accepted the Plan, or will receive or retain under the Plan on account of such Claim or interest property of a value, as of the Effective Date of the Plan, in an amount that is not less than the amount that such holder would so receive or retain if the Debtor were liquidated on such date under Chapter 7 of the Bankruptcy Code.

28. Based upon the preceding paragraph, the requirement of section 1129(a)(8) is also deemed satisfied, i.e., that each creditor class has accepted the Plan, or is not impaired under the Plan.

29. Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that priority and administration claims will be paid in full on the Effective Date, or as soon thereafter as the Allowed Amounts of such Claims are determined, satisfying section 1129(a)(9) of the Code.

30. Since there are no impaired classes, the requirement of section 1129(a)(10) of the Code, that at least one class of impaired Claims has accepted the Plan does not apply.

31. Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization of the Debtor or any successors to the Debtor under the Plan under section 1129(a)(11), since the Plan provides for the transfer of the Debtor's Properties.

32. All fees payable under section 1930 of title 28, as determined by the court at the hearing on confirmation of the plan, have been paid or the plan provides for the payment of all such fees on the effective date of the plan under section 1129(a)(12).

33. The Debtor does not have retirement benefits obligations, and, therefore, section 1129(a)(13) relating to retirement benefits does not apply to this case.

34. The Debtor respectfully requests that the Court confirm the Plan. A proposed confirmation order is annexed hereto.

Dated: New York, New York  
July 29, 2015

Teresa Sorkin, Vice President of G.T.A. Realty Corp., the sole member of GTA Realty II, LLC



UNITED STATES BANKRUPTCY COURT  
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**ORDER CONFIRMING DEBTOR'S PLAN OF REORGANIZATION**

GTA Realty II, LLC (the “Debtor”) having proposed its Second Amended Plan of Reorganization (the “Plan”) dated July 1, 2015; and a copy of the disclosure statement in connection with the Plan having been transmitted to creditors and equity security holders, and upon the hearing held before this Court on July 30, 2015 (the “Confirmation Hearing”), and upon the entire record of this case, and the Court having found: (a) that the sale of the Debtor’s Real Property located at 287 Bleeker Street, New York, New York, (the “Bleeker Street Property”) under the Plan is an arms-length transaction, non-collusive, fair and reasonable, and conducted openly and in good faith in accordance, and is in the best interests of the Debtor, its estate and Creditors, (b) that 287 Bleeker Street LLC or its designee (the “Purchaser”), as transferee of the Bleeker Street Property, is a good faith purchaser within the meaning of Bankruptcy Code § 363(m) and, as such, is entitled to the full protection of Bankruptcy Code § 363(m) or similar provisions of law, (c) that the sale of the Bleeker Street Property to the Purchaser was not controlled by an agreement among potential purchasers in violation of Bankruptcy Code § 363(n), and (d) that the requirements for confirmation of the Plan set forth in 11 U.S.C. 1129(a) have been satisfied at the Confirmation Hearing, and (e) that cause exists for the Court to order that the stay under Bankruptcy Rule 3020(e) shall not apply to this Order; it is

ORDERED, that pursuant to section 1129 of the Bankruptcy Code, the Plan be, and it hereby is, confirmed; provided, however, that the contract annexed as Exhibit A to the Plan is deemed amended to provide that (a) the closing deadline in Schedule D, paragraph 7 be extended to August 31, 2015, and (b) the Purchaser waives the requirements in: (i) astericked proviso of Schedule B of the Contract, Rider paragraph II, regarding violations and defects, (ii) Rider paragraph XII requiring certain unit vacancies; and (iii) Rider paragraph XVII(c) requiring cure of DHCR filing obligations; and it is further

ORDERED, that that in furtherance of the Plan, provided the Debtor or the Purchaser satisfies the conditions set forth herein and in the Plan, the Debtor is directed to sell, transfer and convey the Bleecker Street Property to the Purchaser as set forth in the Plan, free and clear of all liens, claims and encumbrances and interests, with all such liens claims and encumbrances and interests to attach to the proceeds of sale, for the purchase price of \$8,999,000, and that in connection therewith, the Mortgagee shall be required to provide for an assignment of its mortgage to the Purchaser's lender in connection with the sale of the Bleecker Street Property under the Plan; and it is further

ORDERED, that the Purchaser is a good faith purchaser within the meaning of Bankruptcy Code § 363(m) and, as such, is entitled to the full protection of Bankruptcy Code §363(m) or similar provision of law; and it is further

ORDERED, that on the Effective Date, the Debtor and/or Receiver of the Properties be, and they hereby are, directed to (a) execute and deliver such documents (collectively, the "Closing Documents") as may be necessary for the Debtor to close the sale of the Bleecker Street Property to the Purchaser as set forth in the Plan, (b) pay the Mortgage, through Rialto Capital Management the amount necessary to reinstate the Lender's note and

mortgage under section 1124(2) of the Bankruptcy Code, in full in cash (\$1,397,732.65 if the Effective Date occurs on or before August 6, 2015), (c) satisfy the conditions for a Total Defeasance as set forth in the Loan Documents, (d) turnover to the Purchaser the Bleecker Street Property, and all books, records, files, and other documents relating to the Bleecker Street Property, (e) turnover to the Purchaser all Bleecker Street Property tenant security deposits in its possession, which shall be held by the Purchaser and used or applied in accordance with the terms of the subject leases and applicable law, (f) execute and deliver such documents (collectively, the "Closing Documents") as may be necessary for the Debtor to close the sale of the Prince Street Property to Teresa Launi or her designee as set forth in the Plan, (g) turnover to Teresa Launi or her designee the Prince Street Property, and all books, records, files, and other documents relating to the Prince Street Property, (h) turnover to Teresa Launi or her designee all Prince Street Property tenant security deposits in its possession, which shall be held by Teresa Launi or her designee and used or applied in accordance with the terms of the subject leases and applicable law and (i) turnover to the Debtor all cash on hand; and it is further

ORDERED, that the Debtor be, and hereby is, authorized and directed to execute, in the name of any necessary party, any notice of satisfaction, release or discharge of any Lien, Claim or encumbrance not expressly preserved in the Plan and this Order, and to deliver such notices to any and all federal, state and local governmental agencies or departments for filing and recordation; and it is further

ORDERED, that the New York County Clerk is hereby authorized and directed to record the deed and all other documents as so executed; and it is further

ORDERED, pursuant to Bankruptcy Code § 1146, that (a) the delivery of the deed to be issued to the Purchaser of the Bleecker Street Property pursuant to the Plan and (b) the

delivery of the deed to be issued to Teresa Launi or her designee pursuant to the Plan, shall each be made in implementation of the Plan, and qualify for the transfer tax exemption under section 1146(a) of the Bankruptcy Code, such that the filing of said deed shall not be subject to payment of any State (TP 584) transfer tax, a stamp tax or similar tax; and it is further

ORDERED, that each and every federal, state and local governmental agency or department shall be authorized to accept and record any and all documents and instruments necessary, useful or appropriate to effectuate, implement and consummate the transactions contemplated by the Plan, including, but not limited to any deed and related transfer documents and all notices of satisfaction, release or discharge of any Lien, Claim or encumbrance not expressly preserved by the Plan; and it is further

ORDERED, that the Debtor shall be the disbursing agent under the Plan responsible for making distributions under the Plan, and shall file a disbursement report with the Bankruptcy Court upon making such distributions, and it is further

ORDERED, that the Debtor shall file, within 45 days after the date of this Order, a status report detailing the actions taken by the Debtor and the progress made toward consummating the Plan; and it is further

ORDERED, that the Debtor shall file status reports with the Court every January 15th, April 15th, July 15th, and October 15th until a final decree has been entered closing the Debtor's chapter 11 case; and it is further

ORDERED, that the Debtor shall pay to the United States Trustee all fees due and payable by the Debtor, if any, under and pursuant to 28 U.S.C. § 1930, plus all applicable interest thereon, until the Debtor's chapter 11 case is either dismissed, converted to chapter 7, or

until a final decree is entered closing the Debtor's chapter 11 case, whichever is earlier; and it is further

ORDERED, that this Court retains exclusive jurisdiction over this Order, and to hear and to determine all controversies, suits and disputes as may arise with the consummation of the Plan; and it is further

ORDERED, that this Order shall not be stayed under Bankruptcy Rule 3020(e), and any requirement that the Confirmation Order become a Final Order as a condition to the Effective Date of the Plan be, and hereby is, deemed waived.

Dated: New York, New York  
July , 2015

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UNITED STATES BANKRUPTCY JUDGE