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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

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In re

PRIME PROPERTIES OF NEW YORK, INC.,

Debtor.

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Chapter 11
Case No. 13-44020

DISCLOSURE STATEMENT

This Disclosure Statement ("Disclosure Statement") is filed by Prime Properties of New York, Inc., debtor herein, in connection with the Plan of Reorganization ("Plan") filed in this proceeding by the Debtor.

INTRODUCTION

The Debtor is the owner of premises 300 Tenth Street and 304 Tenth Street, Brooklyn, New York ("Real Property"). The Real Property was the subject of a foreclosure proceeding by JPMorgan Chase Bank, ("Bank") in Supreme Court, Kings County, Index No. 27411/10 ("Foreclosure Action"). The Bank subsequently sold and assigned the loan to FTBK Investor II, LLC, as Trustee for Brooklyn Investor II Trust 19 ("Lender").

At the time of the filing of the Chapter 11 proceeding, there was a State Court Receiver named Gregory M. LaSpina ("Receiver"), who was in control of the Real Property. The State Court docket in the foreclosure action disclosed that no monthly reports had been submitted by the Receiver, so it was not possible to determine the status of the Real Property.

On June 28, 2013, the Debtor filed a Petition for Reorganization under Chapter 11 of the United States Bankruptcy Code ("Code") with the United States Bankruptcy Court

for the Eastern District of New York ("Bankruptcy Court"). No creditors committee has been appointed in this case.

The Debtor had filed a prior Chapter 11 case with the Bankruptcy Court on August 12, 2009. The Debtor was unsuccessful in confirming a plan and that case was voluntarily dismissed by a court order dated November 16, 2010. The case number of the prior Chapter 11 was 09-46912.

The Debtor is a domestic corporation. This Disclosure Statement has been prepared based upon information taken from the records of the Debtor, the files in the Bankruptcy Clerk's office and the files of counsel for the Debtor (Kera & Graubard).

PLAN OF REORGANIZATION

The Plan that has been filed by the Debtor provides for the payment of all administrative claims and priority claims in full upon confirmation, unless any such party has agreed to a different treatment. The Plan also provides that secured creditors will be paid upon such terms as may be mutually agreed upon between such secured creditor and Debtor, or as may be determined by a court of competent jurisdiction, and shall retain their existing security interest unless paid in full based upon agreement or court determination. The Plan provides two other options concerning the real estate as will be discussed below.

The Debtor's Schedules listed one secured creditor. As previously noted, the Lender had continued the Foreclosure Action against the Debtor. While the Debtor's Schedules indicated an estimated claim for the Lender in the sum of $8,500,000, during the course of the Chapter 11, the Lender submitted a payoff letter as of August 31, 2013 in the sum of $14,052,129.70. This includes default interest at the rate of 11.98% from May 16, 2009 and a pre-payment penalty in the sum of $2,046,789.91. The Debtor will be objecting to the Lender's claim, so that the Court can establish the actual amount of the Lender's secured claim for the purpose of this Chapter 11 proceeding.

The Plan also provides that the Debtor may satisfy the claim of the secured creditor by reinstating the secured obligation pursuant to Section 1124 of the Bankruptcy Code, and curing any pre-petition and post-petition defaults. The Plan also provides that the Debtor may satisfy a claim of the secured creditor by payment in full upon a refinance or sale of the Debtor's Real Property.

The Debtor did not list any priority creditors. However, the New York State Department of Taxation and Finance ("State") has filed a claim for corporate franchise taxes in the sum of $3,544.20. The claim has an estimate of $1,000 for the year 2009 and the balance of the claim is for penalties and interest, which the Debtor feels make the claim subject to objection.

A priority claim was also filed by Internal Revenue Service as an estimated claim in the sum of $1,656,656.29. The claim is based on the non-filing of tax returns for the years 2009 through 2012. The Debtor's vice-president Nick Gordon has undertaken to have the tax returns for the years 2009 and 2010 filed by an accountant, which will greatly reduce the claim for 2009 and the claim for 2010. The Debtor believes that there is nothing due for the years 2011 and 2012 because the Real Property was under the aegis of the Receiver and therefore the Debtor had no income. Accordingly, "zero income" tax returns will be filed for those two years and it is hopeful that IRS will file an amended claim. If not, then the Debtor will object to the claim of IRS based upon the tax returns that will be filed.

The Plan offers to pay general unsecured creditors one hundred percent (100%) of their claims, from a fund that will be established by the Debtor for the purpose of implementing the Plan. The Debtor did not list any general unsecured creditors in its Schedules, and does not believe that there are any general unsecured creditors. However, one general unsecured claim was filed by Consolidated Edison Company of New York, Inc. ("Con Ed") in the sum of $5,729.52. That claim will be treated pursuant to the provisions of the Chapter 11 plan. The Debtor reserves its right to examine and object to the Con Ed claim.

The administrative, secured, priority and unsecured creditors are not impaired under the Plan. A claim is impaired if its legal, equitable and contractual rights are altered by the terms of the Plan. In order to obtain acceptance of the Plan from a class of creditors, the Debtor must obtain affirmative votes from more than one-half in number which constitutes more than two-thirds in amount of the class of creditors who vote on the Plan. The administrative, secured, priority and unsecured creditors are not impaired under the Plan. Accordingly, it is not necessary to obtain acceptance from those classes and the Debtor's Plan will be deemed accepted.

In the event there exists a class of impaired creditors that does not accept the Plan, the Debtor intends to proceed under Section 1129(b) of the Code which allows the Bankruptcy Court, on the request of the plan proponent (who in this case is the Debtor) to confirm the Plan on the basis that the Plan does not discriminate unfairly, and is fair and equitable with respect to the impaired creditors who have not accepted the Plan.

HISTORY OF CASE

By order of the Bankruptcy Court, a status conference was held before Judge Carla E. Craig on August 27, 2013, at which time a report was given with regard to the increased real estate values in the area, so that the Debtor expects to be able to sell or refinance the Real Property and pay the secured creditor in full.

On July 25, 2013, an informal meeting was held with the representatives of the United States Trustee ("U.S. Trustee") at which time the Debtor appeared with counsel and the administrative aspects of the Chapter 11 were discussed.

On August 13, 2013, the 341 meeting was held at which time the Debtor appeared and answered questions posed by the U.S. Trustee. The meeting centered on the financial problems facing the Debtor and the prospective actions the Debtor would seek to take to remedy those problems. Also present was counsel for the Lender and counsel for various of the tenants of the Real Property who wanted to appear in the Chapter 11 case.

The Lender made an application to the Bankruptcy Court to establish a deadline for the filing proofs of claim in this case. The Court made an order establishing the deadline for filing those proofs of claim, dated August 14, 2013. The filing deadline established was September 23, 2013, although governmental units have until December 26, 2013 to file proofs of claim. Notice of the filing deadline was duly given by counsel for the Debtor. As of the writing of this Disclosure Statement, the only filed claims are those of Con Ed, the State and IRS, as noted above.

At the very outset of the case, both the Lender and the Debtor brought motions before the Court with respect to the operations and control of the Real Property. The Lender made a motion to excuse the turnover of the Real Property to the Debtor, and to keep the Receiver in place, pursuant to Bankruptcy Code §543(d).

In the meantime, the Debtor had submitted a proposed Order to Show Cause to compel the State Court Receiver to turn over the Real Property and for related relief. This was supported by a Certification of Nick Gordon, the vice-president of the Debtor, and a separate Attorney's Affirmation by counsel for the Debtor.

The Lender's motion was based upon allegations of mismanagement, alleged concerns by various tenants for their safety and that the Receiver, through his managing agent Harry Horowitz and/or Senator Realty Co., was doing a satisfactory job in operating the Real Property.

The Debtor's application for the Order to Show Cause was based upon failure of the Receiver to file any monthly reports in over two years with the State Court, poor condition of the premises under the aegis of the Receiver and failure of the Receiver to respond to counsel's inquiries regarding insurance and the general status of the Real Property. The Debtor's application was also based upon its rights as a debtor under Chapter 11 of the Code.

The Court held a conference on the Lender's motion and on the Debtor's application, and as a result of that preliminary conference, the Court determined that the Receiver would

stay in place pending the hearing on both motions. The hearing was originally scheduled for August 27, 2013 and a Scheduling Order was entered by the Court dated July 19, 2013.

Thereafter, various of the tenants retained pro bono counsel and a local service organization, and appeared in the Chapter 11 case in support of the Lender's motion. Since both sides wanted to take discovery, counsel for the various tenants made an application to the Bankruptcy Court for an adjournment of the scheduled hearing, in order to allow all parties to continue discovery.

The Court Scheduling Order had ordered that a joint pre-trial order be submitted on or before August 20, 2013. Since the pro bono counsel for the tenants first made the application for the adjournment late in the day on August 19, 2013, counsel for the Lender and counsel for the Debtor did prepare and file the pre-trial order.

The Court did determine that an adjournment was appropriate and granted an extension of time for the hearing, which was rescheduled for October 23 and October 24, 2013.

As of the writing of this Disclosure Statement, both the Debtor and the Lender have served Notices of Deposition of each other. The Debtor has taken the deposition of one of the contractors for the Receiver; Signature Bank, the bank used by the Receiver; and has noticed the deposition of Harry Horowitz d/b/a Senator Realty Co.

PLAN IMPLEMENTATION

The Debtor expects to satisfy the Lender's claim by litigating in this Court to determine the true amount of the allowed secured claim that will be treated under the Debtor's plan. This will be accomplished by either refinancing the mortgage or selling the Real Property and paying off the secured debt once the Court has determined amount that is owed to the Lender.

The Debtor has obtained an appraisal from Laval Management, LLC of the value of the Debtor's Real Property as of March 6, 2013. This value has been determined to be

$12,500,000. While this is less than the amount claimed by the Lender in its payoff letter, the Debtor expects that after litigation, the allowed secured claim will be less than the appraised value of the Real Property. A copy of the appraisal is annexed hereto as Exhibit A. However, this appraisal does not take into account the significant value of the air rights over the Real Property. The air rights would allow for the replacement of the existing walk-up structure on the Debtor's Real Property with a new twelve story elevatored building with 120 units, which would almost double the present number of units. This make the Debtor's Real Property attractive for investors through refinance or sale.

The Debtor has approached several lenders with regard to refinance the Real Property. One party has indicated a willingness to purchase the Real Property, but more recently requested that the Debtor enter into a joint venture agreement with that party. The Debtor believes that a joint venture is less attractive because the Debtor would have to relinquish significant control over the Real Property. However, the joint venture would exploit the air rights of the Debtor's Real Property which add value to the Debtor's Real Property that would form the basis of funding the Debtor's Plan.

The Debtor expects that the refinancing will allow sufficient funds to meet the administrative, priority and general claims under the Plan.

LIQUIDATION ANALYSIS

Annexed hereto as Exhibit B is a Liquidation Analysis of the assets of the Debtor as of the writing of this Disclosure Statement. The analysis shows total assets having a book or appraised value of $12,500,000, with an estimated liquidation value of $12,000,000.

OPERATIONS IN CHAPTER 11

The Debtor has filed monthly operating reports in the Chapter 11 case. However, the Receiver has remained in possession and management of the Real Property. Therefore, the Debtor has had no income during the pendency of the Chapter 11 case.

CONCLUSION

The Debtor believes that the Plan that it has proposed, with the implementation process involved, is in the best interests of the creditors and the Debtor. It will allow for the Debtor to either reinstate the secured claim or most probably pay the secured claim in full through a sale of refinance of the Real Property, and pay the very few priority creditors in full. Since there are no impaired classes, the Debtor's Plan would be deemed accepted. Accordingly, the Debtor recommends acceptance of the Plan by the creditors.

THERE ARE NO REPRESENTATIONS AUTHORIZED TO BE MADE OTHER THAN THROUGH THIS DISCLOSURE STATEMENT. FINANCIAL INFORMATION PROVIDED HEREIN HAS BEEN SUPPLIED BY THE DEBTOR. IT HAS NOT BEEN THE SUBJECT OF A CERTIFIED AUDIT, BUT EVERY EFFORT HAS BEEN MADE TO MAKE THE INFORMATION AS ACCURATE AS POSSIBLE.

Dated: New York, New York
September 17, 2013

PRIME PROPERTIES OF NEW YORK, INC.
Debtor and Debtor in Possession

By: _____
Nick Gordon, Vice-President