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UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re:

WECHSLER & CO., INC.,

Chapter 11  
Case No. 10-23719 (RDD)

Debtor.

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**DEBTOR'S DISCLOSURE STATEMENT PURSUANT TO  
SECTION 1125 OF THE BANKRUPTCY CODE FOR THE  
DEBTOR'S LIQUIDATING CHAPTER 11 PLAN**

**I. INTRODUCTION**

Wechsler & Co., Inc. ( the "Debtor") submits this Disclosure Statement<sup>1</sup> pursuant to Section 1125(b) of Title 11, United States Code, 11 U.S.C. §§ et seq. (the "Bankruptcy Code") and Rule 3017 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), in connection with its Liquidating Chapter 11 Plan dated August 27, 2012 (the "Plan") to all known holders of Claims against or Interests in the Debtor in order to adequately disclose information deemed to be material, important and necessary for the Debtor's creditors to make a reasonably informed judgment about the Debtor's Plan. A copy of the Plan is attached hereto as **Exhibit "A."** All capitalized terms used but not defined in this Disclosure Statement shall have the respective meanings ascribed to them in the Plan unless otherwise noted.

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<sup>1</sup> Unless otherwise defined herein, capitalized terms used in this Disclosure Statement shall be defined as set forth in the Plan.

The Bankruptcy Court has scheduled the hearing on confirmation of the Plan for **October \_\_, 2012 at 10:00 a.m.** Under Section 1126(b) of the Bankruptcy Code, only Classes of Claims that are “impaired” under the Plan, as defined by Section 1124 of the Bankruptcy Code, are entitled to vote on the Plan. **Holders of Claims and interests in Class 1 and Class 4 are not required to vote on the Plan and are conclusively presumed to have accepted the Plan because their Claims are not impaired. Holders of Claims in Classes 2 and 3 are impaired, inasmuch as they will receive a lesser amount on account of their Claims than they would be entitled to under applicable law. A Class is impaired if its legal, contractual or equitable rights are materially altered or reduced. This means that a creditor or class whose rights are impaired will receive less than they would have received, and at a later date, than they would have in the absence of an insolvency proceeding. Accordingly, holders of Claims in Classes 2 and 3 are entitled to vote. Pursuant to Section 1126 of the Bankruptcy Code, the Plan must be accepted by more than one half in number and two-thirds in amount of those voting in at least one class of impaired creditors in order for the Plan to be confirmed.**

**BALLOTS ACCEPTING OR REJECTING THE PLAN MUST BE MAILED OR HAND DELIVERED (FAXED OR E-MAILED BALLOTS WILL NOT BE COUNTED) TO RATTET PASTERNAK, LLP, 550 MAMARONECK AVENUE, SUITE 510, HARRISON, NEW YORK 10528, ATTENTION: ERICA R. FEYNMAN ESQ. SO AS TO BE RECEIVED ON OR BEFORE 4:00 P.M. EASTERN TIME, OCTOBER \_\_, 2012 FOR THEM TO BE CONSIDERED.**

**YOUR VOTE ON THE PLAN IS IMPORTANT.**

NO REPRESENTATIONS CONCERNING THE DEBTOR ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU, AND ANY SUCH REPRESENTATIONS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR, RATTET PASTERNAK, LLP, 550 MAMARONECK AVENUE, HARRISON, NEW YORK 10528, ATTENTION: ERICA R. FEYNMAN, ESQ., WHO IN TURN SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS IS APPROPRIATE. THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. FOR THE FOREGOING REASON, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THE INFORMATION CONTAINED HEREIN WITHOUT ANY INACCURACY, ALTHOUGH GREAT EFFORTS HAVE BEEN MADE TO BE ACCURATE.

THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN. WHILE THE DEBTOR BELIEVES THAT THE SUMMARY IS FAIR AND ACCURATE, SUCH SUMMARY IS QUALIFIED TO THE EXTENT THAT IT DOES NOT SET FORTH THE ENTIRE TEXT OF THE PLAN. REFERENCE IS HEREBY MADE TO THE PLAN FOR A COMPLETE STATEMENT OF THE TERMS AND PROVISIONS THEREOF. **IF ANY INCONSISTENCIES EXIST BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE PLAN SHALL CONTROL.**

THE STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE MADE AS

OF THE DATE HEREOF, UNLESS ANOTHER TIME IS SPECIFIED IN THIS DISCLOSURE STATEMENT. THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN ANY FACTS SET FORTH IN THIS DISCLOSURE STATEMENT SINCE THE DATE HEREOF.

AMENDMENTS TO THE PLAN THAT DO NOT MATERIALLY AND/OR ADVERSELY CHANGE THE TREATMENT OF CLASSES MAY BE MADE TO THE PLAN PRIOR TO CONFIRMATION. SUCH AMENDMENTS MAY BE APPROVED BY THE COURT AT THE CONFIRMATION HEARING WITHOUT ENTITLING MEMBERS OF ANY CLASS WHOSE TREATMENT IS NOT ADVERSELY CHANGED TO WITHDRAW ANY VOTES TO ACCEPT OR REJECT THE PLAN.

THE COURT HAS APPROVED THIS DISCLOSURE STATEMENT BY ORDER DATED SEPTEMBER \_\_, 2012 AS CONTAINING ADEQUATE INFORMATION UNDER THE PARTICULAR CIRCUMSTANCES OF THIS CASE. APPROVAL OF THE DISCLOSURE STATEMENT, HOWEVER, IS NOT TO BE CONSTRUED AS AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT. CONFIRMATION OF THE PLAN BY THE BANKRUPTCY COURT WILL BE CONSIDERED AT A **HEARING TO BE HELD BY THE BANKRUPTCY COURT ON OCTOBER , 2012 AT 10:00 A.M.** CREDITORS ARE URGED TO CONSULT WITH THEIR COUNSEL REGARDING THE PLAN. Accompanying this Disclosure Statement are copies of the following documents **(Exhibits A, B, C, D and E):**

- A. The Plan;**
- B. Balance Sheet;**
- C. Liquidation Analysis;**
- D. Summary of Income and Expenses During Chapter 11 Case; and**
- E. Projections during 18 month liquidation period.**

## **II. BACKGROUND OF THE CASE**

### **A. Historical Background of the Debtor**

The Debtor is a private investment firm located at 105 Kisco Avenue, Mount Kisco, New York 10549 which trades solely for its own benefit.

The Debtor maintains two different portfolios, a publicly traded stock portfolio serviced at two separate internationally recognized financial brokerage institutions, and three separate private investments in close corporations.

Specifically, the Debtor's private investment include: a majority interest in Intellicorp Inc., a California based software company, and substantial interests in Rave LLC, a semi-conductor business based in Florida and Perm Light Products, Inc., a California based lighting company. The Debtor's investments in these three entities are comprised of both debt and equity holdings.

Although the Debtor enjoyed great financial success for several years during the "internet boom" from 1992 through 1999, it incurred large income tax liabilities to the Internal Revenue Service ("IRS") which were discovered during an IRS audit resulting in the assessment of a tax liability in the amount of \$14,000,000. The Debtor vigorously disputed the IRS' assessment, however, in August, 2006 the United States Tax Court entered a decision in favor of the IRS.

As a result of recent financial difficulties attributable to the credit crisis and the recession, the Debtor was unable to appeal the decision of the Tax Court, largely due to its inability to post

a bond equal to 120% of the total assessment.

Without the financial means to appeal the tax court decision, the Debtor determined that its best interest would be served by attempting to negotiate an offer and compromise with the IRS. With the continued assistance of the Debtor's tax counsel, it was able to successfully negotiate such a compromise, and reduced the Debtor's liability to the IRS from \$14,000,000 to \$6,241,558, which obligated the Debtor to pay monthly installments of \$57,262 (the "IRS Compromise").

From 2007 until 2009 the Debtor fully complied with the terms of the IRS Compromise, and in fact, successfully reduced its liability to the IRS by approximately \$2,000,000. However, this substantial monthly obligation to the IRS, coupled with the realities of the current economic climate placed an extraordinary financial strain on the Debtor's day to day operations.

The Debtor engaged in numerous cost cutting measures some of which were undertaken in or around the time that its tax difficulties began but the majority were implemented between 2007 and 2009. These savings included the relocation of the Debtor's offices which reduced its monthly rental obligation from \$6,400 *plus* utilities per month to \$900 *including* utilities. In addition, the Debtor implemented salary reductions and realized a yearly savings of \$210,000, as well as the discontinuance of costly subscriptions and contracts including Bloomberg News Service which was approximately \$2,000 per month. Furthermore, the Debtor eliminated sophisticated telecommunication systems which reduced not only technology and maintenance costs but also regular monthly usage bills. The Debtor also discontinued all employee bonus programs, relinquished the lease for a residential apartment used by the Debtor's principal and gradually reduced its staff down to its present staff of three people.

Notwithstanding these cost cutting measures, the Debtor's cash flow troubles continued. In or about 2009, the Debtor received an assessment from the New York State Department of Taxation and Finance ("NYSDTF") for approximately \$10,000,000. The Debtor contested this assessment and attempted, with tax counsel, to negotiate a reduction in the assessment through a payment plan, which as of the filing of this Chapter 11 case, was unsuccessful.

Despite the Debtor having negotiated a further reduction in its monthly payment obligations to the IRS, in or about December, 2009, the Debtor defaulted in its obligations to the IRS under the IRS Compromise. Thereafter, the Debtor was given a financial ultimatum by the NYSDTF that the Debtor's operations could not possibly sustain. The NYSDTF informed the Debtor that it could either agree to an offer to compromise the assessment by remitting \$1.1 million and monthly payments of \$50,000 per month, or the NYSDTF would begin seizure of all of the Debtor's assets. In light of the fact that both options would result in the complete cessation of the Debtor's operations, the Debtor had no choice but to file for chapter 11 bankruptcy and reorganize its affairs pursuant to the Bankruptcy Code under the protection of the Bankruptcy Court.

## **B. The Chapter 11 Case**

### **1. Commencement of the Case**

On August 18, 2010 (the "Petition Date"), the Debtor filed its chapter 11 case in order to reorganize its affairs and continue to liquidate its stock/investment portfolios in an orderly fashion that will maximize a return to its creditors..

## **2. Employment of the Debtor's Professionals**

By amended order of the Bankruptcy Court dated September 27, 2010, the Bankruptcy Court approved the retention of Rattet, Pasternak & Gordon Oliver, LLP, now known as Rattet Pasternak, LLP, *nunc pro tunc* to the Petition Date. Separately, by order of the Bankruptcy Court dated September 30, 2010, Sanford Becker & Co. was retained as the Debtor's accountants *nunc pro tunc* to the Petition Date. By Order dated February 7, 2011, Sanford Becker was relieved and substituted by KGS, LLP *nunc pro tunc* as of January 20, 2011.

## **3. Filing of Schedules of Assets and Liabilities and Statement of Financial Affairs**

On September 2, 2010, the Debtor filed its Schedules of Assets and Liabilities, together with its Statement of Financial Affairs (collectively, the "Schedules"). The Debtor's Schedules are available on the Bankruptcy Court's website: [www.nysb.uscourts.gov](http://www.nysb.uscourts.gov).

## **4. Establishment of a Claims Bar Date and Claims Process**

Pursuant to an order of the Bankruptcy Court dated March 29, 2011 ("Bar Date Order"), May 31, 2011 was established as the last date by which creditors may file proofs of claim in the Chapter 11 Case, except as otherwise provided in the Bar Date Order.

## **5. Post Petition Operations**

The Debtor filed its chapter 11 case in order to reorganize its affairs and maximize its illiquid investment portfolio for creditors. The Debtor has remained cash flow positive throughout the course of the Chapter 11 Case. The most current update on the status of the Debtor's illiquid investment portfolio can be summarized as follows:

**IntelliCorp:**

- Continued progress with major software company – potential acquirer. Reseller and OEM agreements signed. First revenue (small) in December 2011 quarter, revenues lower than expected thus far, but strong interest in products, and possible acquisition. Discussions begun with another major software and service company.
- FY 2012 small operating profit and net loss. Revenues \$5.7 million
- New product releases this year with added functionality. Working on totally new product with partner that could be game-changer.

**Permlight:**

- M&A: No progress and no current discussions.
- 2011: \$1 million loss on lower revenues of \$8.1 million. Constrained by lack of working capital.
- New CEO and VP Sales show promise.

**RAVE:**

- No current M & A activity except initial discussion for possible acquisitions. Completed small acquisition in 2010.
- 2011 results:      Revenues                      Net income                      EBITDA  
                                 \$23.0 mil                      \$3.6 mil                      \$6.4 mil
- 2012 AOP              \$27.8 mil                      \$8.6 mil                      \$12.5 mil

Currently on plan.

The Debtor believes that if given a reasonable amount of time, i.e., approximately 18 months, some of these investments will yield significant returns to the estate, although no results can be guaranteed at this time.

### **III. THE LIQUIDATING PLAN**

THE FOLLOWING IS A BRIEF SUMMARY OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE PLAN, A COPY OF WHICH IS ANNEXED HERETO AS **EXHIBIT “A.”** CREDITORS ARE URGED TO CONSULT WITH THEIR COUNSEL IN ORDER TO FULLY UNDERSTAND THE PLAN AND EXHIBITS ATTACHED TO IT. THE PLAN IS A PROPOSED LEGALLY BINDING AGREEMENT BY THE DEBTOR, AND AN INTELLIGENT JUDGMENT CONCERNING SUCH PLAN CANNOT BE MADE WITHOUT UNDERSTANDING IT.

#### **A. General**

In general, a Chapter 11 plan must (i) divide Claims and equity interests into separate categories and classes, (ii) specify the treatment that each category and class is to receive under such plan, and (iii) contain other provisions required by the Bankruptcy Court and necessary to its implementation. A Chapter 11 plan may specify that the legal, equitable, and contractual rights of the holders of Claims or equity interests in certain classes are to remain unchanged by the plan. Such classes are referred to as “unimpaired” and, because of such treatment, are deemed to vote to accept the plan. Accordingly, it is not necessary to solicit votes from holder of Claims in such “unimpaired” classes. Pursuant to Section 1124(1) of the Bankruptcy Code, a class of claims or interests is “impaired,” and entitled to vote on a plan, unless the plan “leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest.”

Under the Plan, Holder of Claims in Class 1 are “unimpaired,” and thus, are deemed to

vote to accept the Plan. Holder of Claims in Classes 2 and 3 are impaired, inasmuch as they will receive a lesser amount on account of their Claims than they would be entitled to under applicable law. A Class is impaired if its legal, contractual or equitable rights are materially altered or reduced. This means that a creditor or class whose rights are impaired will receive less than they would have received, or at a later date, than they would have in the absence of an insolvency proceeding. Accordingly, holders of Claims in Classes 2 and 3 are entitled to vote. Pursuant to Section 1126 of the Bankruptcy Code, the Plan must be accepted by more than one half in number and two-thirds in amount of those voting in at least one class of impaired creditors in order for the Plan to be confirmed. The holder of Interests in Class 4 is unimpaired and is presumed to accept the Plan and shall retain his Interests, subject to acceptance of the Plan by all classes of Impaired Creditors.

**B. Classification and Treatment of Claims and Interests**

Section 1122 of the Bankruptcy Code provides that a plan shall classify the claims and equity interests of a debtor's creditors and equity interest holders. In compliance with Section 1122, the Plan divides the holders of Claims and Equity into four categories of unclassified claims and three classes of classified claims, and sets forth the treatment offered to each class.<sup>2</sup> These Classes take into account the differing nature and priority of Claims against the Debtor.

The Plan segregates the various Claims against, and Interests in, the Debtor into four

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<sup>2</sup> A debtor is required under Section 1122 of the Bankruptcy Code to classify the claims and interests of its creditors and interest holders into classes containing claims and interests that are substantially similar to the other claims or interests in such class. While the Debtor believes that its classification of all Claims and Interests is in compliance with the provisions of Section 1122 of the Bankruptcy Code, it is possible that a holder of a Claim or Equity Interest may challenge the Debtor's classification scheme and the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In such event, it is the present intent of the Debtor, to the extent permitted by the Bankruptcy Court, to modify the Plan to provide for whatever reasonable classification might be required by the Bankruptcy Court for Confirmation.

categories of unclassified claims: Category 1 - Allowed Administrative Claims, Category 2- Allowed Administrative Professional Fee Claims, Category 3 - U.S. Trustee's Fees, Category 4 - Priority Tax Claims of the IRS, and four classes of Claims and Interests: Class 1 - Allowed Non-Tax Priority Claims, Class 2 - Allowed Secured/Priority Claims of NYSDTF, Class 3 – Allowed General Unsecured Claims and, Class 4- Interests. The order of distribution as set forth in the Plan and as described below is in accordance with the priorities set forth in the Code and applicable State Law.

<u>Class</u>	<u>Status</u>
Class 1 – Allowed Non-Tax Priority Claims	<u>Unimpaired</u> – deemed to accept the Plan, and therefore, not entitled to vote
Class 2 – Allowed Secured/Priority Claims of NYSDTF	<u>Impaired</u> – entitled to vote
Class 3 – Allowed General Unsecured Claims	<u>Impaired</u> – entitled to vote
Class 4 – Allowed Interests	<u>Unimpaired</u> – deemed to accept the Plan, and therefore, not entitled to vote

Set forth below is a summary of the Plan's treatment of the various unclassified categories of claims and Classes of Claims and Interests. This summary is qualified in its entirety by the full text of the Plan. In the event of an inconsistency between the Plan and the description contained herein, the terms of the Plan shall govern. The Plan is complicated and substantial. Time should be allowed for its analysis; consultation with a legal and/or financial advisor is recommended and should be considered. All payments contemplated under the Plan will be made from the Plan Distribution Fund which shall be comprised, other than Class 3, which shall be paid out of the Debtor's available Cash on hand, of the net recovery from the liquidation of the

debtor's illiquid investment portfolio, after payment of reasonable costs and expenses.

### **1. Unclassified Categories of Claims – Administrative Expense Claims**

Administrative Expense Claims include costs incurred in the operation of the Debtor's business after the Petition Date, the fees and expense of Professionals retained by the Debtor, and any statutory committee appointed to serve in the Chapter 11 cases. Administrative Expense Claims are paid in full in Cash under the Plan.

(a) Category 1 – Administrative Expense Claims other than  
Administrative Professional Fees Claims

General Administrative Expense Claims include claims for all costs and expenses of administration of the chapter 11 case Allowed under §§ 503(b) or 330(a) of the Bankruptcy Code, excluding Allowed Administrative Professional Fees, and that are entitled to priority under §507(a)(2), which may include Claims pursuant to §506(c) of the Bankruptcy Code. Under the Plan, all Administrative Expense Claims shall be paid in the ordinary course and according to the terms and conditions of the respective contracts with respect to such Claims. The Debtor estimates unpaid Allowed Administrative Expense Claims as of July 31, 2012 to be \$71,486.23.

(b) Category 2- Allowed Administrative Professional Fee Claims

Allowed Administrative Professional Fee Claims include the claims of Professionals retained under the Bankruptcy Code, subject to allowance under §330 of the Bankruptcy Code, or an order of the Bankruptcy Court. Allowed Administrative Professional Fee Claims shall be paid in full, in Cash, upon the later of (i) allowance by the Court, or (ii) the Effective Date. The Allowed Administrative Fee Claims consist of: (i) Rattet Pasternak, LLP and (ii) KGS, LLP. The estimated net unpaid Allowed Professional Fee Claims as of the anticipated Confirmation Date

are as follows<sup>3</sup>:

Rattet Pasternak, LLP	\$25,000.00
KGS, LLP	\$5,000.
<b>TOTAL</b>	<b>\$30,000</b>

(c) Category 3 – United States Trustee’s Fees

Under the Plan, all United States Trustee statutory fees arising under 28 U.S.C. § 1930(a)(6) and 31 U.S.C. §3717 shall be paid in full, in Cash, in such amount as they are incurred in the ordinary course of business by the Debtor. The Debtor shall be responsible, through the entry of a final decree closing the case for the payment of United States Trustee quarterly fees, and pursuant to 31 U.S.C. §3717, any interest assessed on unpaid Chapter 11 quarterly fees charged, assessed at the interest rate in effect as determined by the Treasury Department at the charges become past due, however if payment of the full principal amount is received within thirty (30) days of the date of the notice of initial interest assessment, the interest assessed with be waived. The Debtor estimates unpaid United States Trustee fees through Confirmation to be \$0 as the Debtor is current in all such payments.

(d) Category 4 – Priority Tax Claims of Internal Revenue Service

Category 4 consists of the Allowed Priority Tax Claims of the Internal Revenue Service (“IRS”) in the amount of \$20,086,832.97. Pursuant to the Plan, the IRS shall receive 15.4% of the Plan Distribution Fund, in Cash, on the Plan Distribution Date, in full and final satisfaction of the Allowed Priority and non-priority Claims of the IRS against the Debtor. In no event shall the IRS receive more than 100% of its Allowed Priority Tax Claim. The IRS Priority Tax Claims are

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<sup>3</sup> These amounts are estimates. All Professionals will be filing Final Fee Applications to be heard on the same day as the Confirmation Hearing for services rendered during the Debtor’s bankruptcy cases. Accordingly, these fees are subject to modification pursuant to Bankruptcy Court Final Fee Orders.

therefore Impaired; however, the IRS has agreed to accept such Impaired treatment under the Plan.

**2. Classified Categories of Claims**

(a) Class 1 – Allowed Non-Tax Priority Claims

Class 1 consists of all Allowed Claims entitled to priority pursuant to §507(a)(4)-(6) of the Bankruptcy Code. The Debtor shall pay to the holders of Class 1 Claims the amount of their Allowed Claim in full and in Cash on the Effective Date, in full and final satisfaction of such Claims as against the Debtor. Class 1 Claims are not impaired under the Plan, are not entitled to vote on the Plan, and are deemed to accept the Plan. The Debtor estimates that, in the aggregate, Allowed Class 1 Claims total approximately \$89.25.

(b) Class 2 – Allowed NYSDTF Secured/Priority Claims

Class 2 consists of the Allowed Secured and Priority Tax Claims of New York State Department of Taxation and Finance (“NYSDTF”) in the aggregate amount of \$12,031,183.63. Pursuant to the Plan, NYSDTF shall receive 84.6% of the Plan Distribution Fund, in Cash, on the Plan Distribution Date, in full and final satisfaction of the Allowed Priority and non-Priority Claims of NYSDTF against the Debtor. In no event shall NYSDTF receive more than 100% of its Allowed Secured and Priority Tax Claims. The NYSDTF Secured/Priority Tax Claims are therefore Impaired; however, NYSDTF has agreed to accept such Impaired treatment under the Plan.

(c) Class 3 – Allowed Unsecured Claims

(a) Class 3 consists of the holders of Allowed Unsecured Claims. Holders of Allowed Unsecured Claims, other than Norman Wechsler, will receive, in Cash, 50% of their Allowed

Claim in Cash on the Effective Date. Norm Wechsler has agreed to subordinate his Class 3 Claims against the Debtor and its estate, subject to confirmation of this Plan and further subject to Wechsler's right to set off such Class 3 Claims against any claims of the estate against him. Class 3 Claims are impaired under the Plan and thus are entitled to vote on the Plan.

The Debtor estimates that, in the aggregate, Allowed Class 3 Claims, other than the claims of Norman Wechsler, total approximately \$12,500.

(d) Class 4 –Interests

(b) Class 4 consists of the Interests of the holder of equity interest in the Debtor. Class 4 consists of Norman Wechsler – 100% . Class 4 will retain his Interests in the Debtor, subject to acceptance of the Plan by all senior Classed of Impaired Creditors . Class 4 Interests are unimpaired and are deemed to accept and thus are not entitled to vote on the Plan.

**C. Acceptance or Rejection of the Plan**

**1. Voting Classes**

Each Holder of an Allowed Claim in Classes 2 and 3 shall be entitled to vote to accept or reject the Plan.

**Acceptance By Impaired Classes of Claims**

Classes 2 and 3 shall have accepted the Plan if (i) the Holders (other than any Holder designated under Section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually voting in such class have voted accept the Plan and (ii) more than one-half in number of the Holders (other than any Holder designated under Section 1126(c) of the Bankruptcy Code) of such Allowed Claims actually voting in such Class have voted to accept the Plan.

## **2. Presumed Acceptance of the Plan**

Classes 1 and 4 are deemed unimpaired under the Plan, and therefore, is deemed to accept the Plan under Section 1126(f) of the Bankruptcy Code.

### **D. Miscellaneous Plan Provisions**

#### **1. Resolution Of Disputed Claims & Reserves**

(a) Objections. An objection to either the allowance of a Claim or an amendment to the Debtor's Schedules shall be in writing and may either be filed with the Bankruptcy Court no later than forty-five (45) days after the Effective Date, which may be extended for cause shown.

(b) Amendment of Claims. A Claim may be amended prior to the Effective Date only as agreed upon by the Debtor and the holder of such Claim and as approved by the Bankruptcy Court or as otherwise permitted by the Bankruptcy Code and Bankruptcy Rules. After the Effective Date, a Claim may be amended as agreed upon by the holder thereof and the Debtor to decrease, but not increase, the face amount thereof.

(c) Reserve for Disputed Claims. The Disbursing Agent shall reserve from the Distribution Fund, on account of each holder of a Disputed Claim, in Cash, the amount that would otherwise be distributable to such holder were such Disputed Claim an Allowed Claim on the Effective Date (the "Disputed Claims Reserve"). The Cash so reserved for the holder of such Disputed Claim, to the extent such Disputed Claim is Allowed, shall be distributed, as provided in Section III, D, 2, (f), only after such Disputed Claim becomes a subsequently Allowed Claim. The holder of a subsequently Allowed Claim shall not be entitled to any interest on the Allowed Claim, regardless of when distribution thereon is made to or received by such holder.

(d) Claims Estimation. The Debtor reserves the right to seek an order or orders from

the Bankruptcy Court estimating the maximum dollar amount of Allowed and Disputed Claims in each Class of Claims, inclusive of contingent and/or unliquidated Claims, or otherwise determining and fixing the amount of the Disputed Claims Reserve for each Class, and may seek to set the amount of any particular Claim for final allowance purposes pursuant to §§105 and 502(c) of the Bankruptcy Code. This estimate shall be used to calculate and fix distributions to holders of Allowed Claims and the amount of the respective Disputed Claims Reserve. Such a procedure may also be utilized for Administrative Claims, Priority Tax Claims and Priority Claims. In the event the Debtor seeks to estimate such Claims, Disputed Claims Reserves shall be established for each such category of Claims.

(e) Distributions to Holders of Subsequently Allowed Claims. Unless another date is agreed on by the Debtor and the holder of a particular subsequently Allowed Claim, the Debtor shall, within fourteen (14) days after an order Allowing the formerly Disputed Claim is entered by the Bankruptcy Court, and after such order becomes Final and Non-Appealable, make such distribution consistent with the terms of the Plan.

## **2. Unclaimed Property**

Except as otherwise provided in the Plan, in the event any claimant fails to claim any distribution within six (6) months from the date of such distribution, such claimant shall forfeit all rights thereto, and to any and all future payments, unless the claimant provides the Distribution Agent with a new address in writing in the interim, and thereafter the Claim for which such Cash was distributed shall be treated as a disallowed Claim. All unclaimed Cash shall be deposited into the Plan Distribution Fund for redistribution to the holders of Class 3 Claims.

### **3. Injunctions**

Effective on the Effective Date, all persons and entities who have held, hold or may hold Administrative Claims or Claims against or Interests in the Debtor are enjoined from taking any of the following actions against or affecting the Debtor or Assets of the Debtor with respect to such Claims, Interests or Administrative Claims, except as otherwise set forth in the Plan and other than actions brought to enforce any rights or obligations under the Plan or appeals, if any, from the Confirmation Order or other pending appeals or order of the Bankruptcy Court:

(a) Commencing, conducting or continuing in any manner, directly or indirectly, any suit, action, arbitration, or other proceeding of any kind against the Debtor or the assets of the Debtor;

(b) Enforcing, levying, attaching, or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree, or order against the Debtor or the assets of the Debtor;

(c) Creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtor, the assets of the Debtor or the Assets;

(d) Asserting any setoff, right of subrogation, or recoupment of any kind, directly or indirectly, or against the Debtor, the assets of the Debtor; and

(a) Proceeding in any manner and any place whatsoever that does not conform to or comply with the provisions of the Plan.

### **4. Exculpation**

Neither the Debtor nor any of its shareholders, officers, directors, employees, attorneys, advisors, agents, representatives and assigns (the “Released Parties”) shall have or incur any liability to any entity for any action taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, confirmation or consummation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into, or any other action taken or omitted to be taken in connection with this chapter 11 case or the Plan except with respect to (a) their obligations under the Plan and any related agreement or for (b) bad faith, willful misconduct, gross negligence, breach of fiduciary duty, malpractice, fraud, criminal conduct, unauthorized use of confidential information that causes damages, and/or ultra vires acts. Notwithstanding any other provision hereof, nothing in Sections 8.2 or 8.3 hereof 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 Debtor, or any of its shareholders, officers, directors, employees, attorneys, advisors, agents, representatives and assigns (the “Debtor Released Parties”), nor shall anything in Sections 8.2 or 8.3 hereof enjoin the United States or any state or local authority from bringing any claim, suit, action or other proceedings against the Debtor Released Parties referred to herein 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 and local authority, nor shall anything in this 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 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 Parties, or (b) limit the liability of the Debtor's Professionals Retained pursuant to Rule 1.8(h)(1) of the New York Rules of Professional Conduct.**

Notwithstanding any provision herein to the contrary, nothing herein is intended to, or does, release any nondebtor of any liabilities or obligations to or Claims or rights of the United States of America or its agencies or subdivisions or New York State Department of Taxation and Finance. Additionally, nothing in the Confirmation Order or the Plan shall affect a release as against the Debtor's principals 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; nor shall anything in the Confirmation Order or the Plan enjoin the United States or any state or local authority whatsoever, including, without limitation, from bringing any Claim, suit, action or other proceedings against the Debtor's Principals 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 whatsoever, nor shall anything in the Confirmation Order or the Plan exculpate any Debtor's principals 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 whatsoever, including, without limitation, the

New York State Department of Taxation and Finance. In addition, no provision contained herein shall have the effect of limiting the liability of the professionals of the Debtor or the Reorganized Debtor to its clients contrary to the requirements of 1.8(h)(1) of the New York State Rules of Professional Conduct, as promulgated in April, 2009, or for fraud, gross negligence, willful misconduct, malpractice, criminal conduct or unauthorized use of confidential information that causes damages, or ultra vires acts.

**5. Full and Final Satisfaction**

Performance of all of the obligations under the Plan shall be in full and final satisfaction, settlement, release and discharge of all Claims against and Interests in the Debtor to the fullest extent permitted by the Bankruptcy Code.

**6. Amendment, Modification, Withdrawal or Revocation of the Plan.**

The Debtor reserves the right, in accordance with §1127 of the Bankruptcy Code, to amend or modify the Plan with such order of the Bankruptcy Court as may be required. After the Effective Date, the Debtor may, with approval of the Creditors' Committee, subject to order of the Bankruptcy Court, and in accordance with §1127 of the Bankruptcy Court, remedy any defect or omission or reconcile any inconsistencies in the Plan in such manner as may be necessary to carry out the purposes and intent of the Plan.

The Debtor reserves the right to revoke or withdraw the Plan prior to the Effective Date. If the Debtor revokes or withdraws the Plan, then the result shall be the same as if the Confirmation Order was not entered and the Effective Date did not occur.

**7. Retention of Jurisdiction**

The Debtor and such other applicable parties in interest as set forth in this Plan reserve

the right, as set forth in this Plan, to institute preference and fraudulent conveyance actions, and object to the allowance of Claims for a period of forty-five (45) days after the Effective Date. The Bankruptcy Court shall retain jurisdiction of this chapter 11 case:

(a) To determine all controversies relating to or concerning the allowance of Claims upon objection to such Claims by any party in interest;

(b) To determine requests for payment of Administrative Claims including any and all Administrative Professional Fee Claims;

(c) To determine and, if necessary, liquidate, any and all Claims arising from the rejection of any executory contracts or unexpired leases;

(d) To determine any and all applications, adversary proceedings, and contested or litigated matters over which the Bankruptcy Court has subject matter jurisdiction pursuant to 28 U.S.C §§ 157 and 1334;

(e) To determine all disputed, contingent or unliquidated Claims;

(f) To determine requests to modify the Plan pursuant to §1127 of the Bankruptcy Code or to remedy any defect or omission or reconcile any inconsistencies in this Plan or Confirmation Order to the extent authorized by the Bankruptcy Code;

(g) To make such orders as are necessary or appropriate to enforce and carry out the provisions of the Plan;

(h) To resolve controversies and disputes regarding the interpretation or enforcement of the terms of the Plan and the Confirmation Order; and

(a) To enter a final decree closing this chapter 11 case.

**8. Contracts and Unexpired Leases**

Any contract that is executory and any unexpired lease, to which the Debtor is a party and which has not been rejected pursuant to §365 of the Bankruptcy Code during the pendency of this Chapter 11 case, shall be deemed rejected as of the Effective Date pursuant to §§365 and 1123 of the Bankruptcy Code.

**9. Post-Confirmation Fees, Final Decree**

The reasonable compensation and out-of-pocket expenses incurred post-Confirmation by professionals retained by the Debtor during this Chapter 11 Case shall be paid by the Disbursing Agent within ten (10) days upon presentation of invoices for such post-Confirmation professional services. All disputes concerning post-Confirmation fees and expenses shall be subject to Bankruptcy Court jurisdiction.

A final decree shall be sought as soon as practicable after distributions have commenced under the Plan.

**10. Continuation of Bankruptcy Stays**

All stays provided for in the Chapter 11 Case under § 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

**11. Revesting of Assets**

On the Effective Date, title to and possession of any and all property of the estate, real or personal, shall be assigned to the Plan Distribution Fund for distribution pursuant to the Plan. free and clear of all liens, claims, interests and encumbrances of any kind (except for any liens

created by purchase money security interests which are duly perfected and enforceable), subject to and except as otherwise provided in the Plan.

## **12. Treatment of Equity Security Holders**

Norman Wechsler is the sole Holder of Interests in the Debtor. Under the Plan, Class 4 Interest Claims will retain their Interests in the Debtor, subject to acceptance of the Plan by all senior Classes of Impaired Creditors.

## **13. Post-Confirmation Management**

The Post-Confirmation management of the Debtor shall consist of Norman Wechsler, Jay Mitentag and Matthew Dickinson. They shall be responsible for any decisions regarding the operations of the Reorganized Debtor, including but not limited to, decisions regarding the disposition and/or liquidation of the Debtor's illiquid investment portfolio and publicly traded stock portfolio, respectively. The annual compensation anticipated for the first 12 months post-Effective Date shall be:

Norman Wechsler - \$225,000

Jay Mitentag - \$104,000

Matthew Dickinson - \$175,000

## **14. Conditions to Effective Date of the Plan**

The Plan shall not become effective unless and until the following conditions shall have been satisfied or waived pursuant to Section 6.10 of the Plan:

(a) the Confirmation Order in form and substance reasonably acceptable to the Debtor, and other interested parties, shall have been entered by the Bankruptcy Court and shall have become a Final Order; and

(b) all actions, other documents and agreements necessary to implement the Plan shall have been effected or executed and delivered.

In the event that one or more of the conditions specified in Section 6.11 of the Plan have not occurred on or before fourteen (14) days after the Confirmation Date, upon notification submitted by the Debtor to the Bankruptcy Court (a) the Confirmation Order shall be vacated, (b) no distributions under the Plan shall be made, (c) the Debtor and all holders of Claims and Equity Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred and (d) the Debtor's obligations with respect to the Claims and Interests shall remain unchanged and nothing contained in the Plan shall constitute or be deemed a waiver or release of any Claim or Interests by or against the Debtor or any other Person or to prejudice in any manner the rights of the Debtor or any Person in any further proceedings involving the Debtor.

#### **IV. PLAN CONFIRMATION AND EXECUTION**

The following is a brief summary of the provisions of the Bankruptcy Code respecting acceptance and confirmation of a plan of reorganization. Holders of Claims and Equity Interests are encouraged to review the relevant provisions of the Bankruptcy Code and/or to consult their own attorneys.

##### **A. Acceptance of the Plan**

This Disclosure Statement is provided in connection with the solicitation of acceptances of the Plan. The Bankruptcy Code defines acceptance of a plan or reorganization by a class of Claims as acceptance by holders of at least two-thirds in dollar amount, and more than one-half in number, of the allowed Claims of that class that have actually voted or are deemed to have

voted to accept or reject a plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a class of interests as acceptance by at least two-thirds in amount of the allowed interests of that class that have actually voted or are deemed to have voted to accept or reject a plan. The Bankruptcy Court will confirm the Plan only if it finds that all of the requirements of Section 1129(a) or (b) of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan (i) is accepted by all impaired Classes of Claims and Interests or, if rejected or deemed rejected by an impaired Class, “does not discriminate unfairly” and is “fair and equitable” as to each rejecting class; (ii) is feasible; and (iii) is in the “best interest” of Creditors and Interest Holders impaired under the Plan.

**B. Solicitation of Votes**

Each Holder of a Claim in Classes 2 and 3 has been sent a ballot together with this Disclosure Statement. The ballot is to be used for voting to accept or reject the Plan.

The Bankruptcy Court has directed that, to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be mailed or delivered by hand or courier so that they are ACTUALLY RECEIVED no later than 5:00 p.m. (Eastern Standard Time) on October \_\_, 2012, at the following address:

**Rattet Pasternak, LLP  
550 Mamaroneck Avenue, Suite 510  
Harrison, New York 10528  
Attn: Erica R. Feynman, Esq.**

**TO BE COUNTED. YOUR BALLOT MUST BE ACTUALLY RECEIVED BY 5:00 P.M.  
(EASTERN STANDARD TIME) ON OCTOBER \_\_, 2012.**

Each Holder of an Allowed Claim in Classes 2 and 3 shall be entitled to vote to accept or reject the Plan as provided for in the order approving the Disclosure Statement. A vote may be disregarded if the Bankruptcy Court determines that such vote was not solicited or procured in good faith and in accordance with the Bankruptcy Code.

All Holders of Class 1 Claims and Class 4 Interests are deemed unimpaired under the Plan, such Holders are deemed to accept the Plan and, accordingly, are not entitled to vote on the Plan.

**C. Fair and Equitable Test; Cramdown.**

Notwithstanding a rejection by a Class of impaired creditors, the Bankruptcy Court may confirm the Plan and the Plan will be binding upon all Classes, including the Classes rejecting the Plan, if it is demonstrated to the Bankruptcy Court that at least one impaired Class of Claims has accepted the Plan and that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to each non-accepting Class. A plan does not discriminate unfairly if the legal rights of a dissenting Class are treated in a manner consistent with the treatment of other Classes whose legal rights are similar to those of the dissenting Class and if no Class receives more than it is entitled to on account of its Claims or Equity Interests.

Under the Bankruptcy Code, the Debtor’s Plan is “fair and equitable” as to non-accepting impaired Class if the holders of Claims and Interests that are junior to the Claims in the dissenting Class will not retain any property under the Plan. With respect to a class of secured claims, the plan provides that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another

entity, to the extent of the allowed amount of such claims; and that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property. With respect to a class of unsecured claims, the plan provides that each holder of a claim of such class receive or retain 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 the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property, except that in a case in which the debtor is an individual, the debtor may retain property included in the estate under §1115 of the Bankruptcy Code, subject to the requirements of §1129 (a)(14) of the Bankruptcy Code. With respect to a class of interests, the plan provides that each holder of an interest of such class receive or retain on account of such interest property of a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest; or the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property.

Under the Plan, the Class 5 Interests are cancelled and the holders of Class 5 Interests will not receive any distribution on their Class 3 Claims. Accordingly, the Debtor believes that the Plan “does not discriminate unfairly” and is “fair and equitable” to Class 3 and 4 in the event Class 3 and/or 4 rejects the Plan. In such event, the Debtor reserves the right to seek to confirm the Plan notwithstanding such rejection.

**D. Confirmation**

**1. Confirmation Hearing**

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan. Notice of the Confirmation Hearing of the Plan has been provided to all known holders of Claims and Equity Interests or their representatives along with this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent Confirmation Hearing. At the Confirmation Hearing, the Bankruptcy Court will (i) determine whether the Plan has been accepted by the requisite majorities of each voting class; (ii) hear and determine all objections to the Plan and to confirmation of the Plan; (iii) determine whether the Plan meets the requirements of the Bankruptcy Code and has been proposed in good faith; and (iv) confirm or refuse to confirm the Plan.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to Confirmation of the Plan must be in writing, must conform with the Bankruptcy Rules and the Local Rules of the Bankruptcy Court, must set forth the name of the objectant, the nature and amount of Claims or Equity Interests held or asserted by the objectant against the Debtor's Estates or property, and the basis for the objection and the specific grounds in support thereof. Such objection must be filed with the Bankruptcy Court together with proof of service thereof, and served on or before **October , 2012 at 5:00 p.m.**

(EST) upon (a) counsel to the Debtor, Rattet Pasternak, LLP, 550 Mamaroneck Avenue, Suite 510, Harrison, New York 10528, Attn: Erica R. Feynman, Esq, with a copy delivered to Chambers, so as to be received no later than the date and time designated in the notice of the Confirmation Hearing.

**2. Statutory Requirements for Confirmation of the Plan**

At the Confirmation Hearing, the Debtor will request that the Bankruptcy Court determine that the Plan satisfies the requirements of Section 1129 of the Bankruptcy Code. If so, the Bankruptcy Court shall enter an order confirming the Plan. The applicable requirements of Section 1129 of the Bankruptcy Code are as follows:

- (b) The Plan must comply with the applicable provisions of the Bankruptcy Code;
- (c) The Debtor must have complied with the applicable provisions of the Bankruptcy Code;
- (d) The Plan has been proposed in good faith and not by any means forbidden by law;
- (e) Any payment made or promised to be made by the Debtor under the Plan for services or for costs and expenses in, or in connection with, this Chapter 11 case, or in connection with the Plan and incident to the Reorganization Case, has been disclosed to the Bankruptcy Court, and any such payment made before 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;
- (f) The Debtor has disclosed the identity and affiliation of any individual proposed to serve, after Confirmation of the Plan, as a director, officer, or voting trustee of the Debtor under

the Plan. Moreover, the appointment to, or continuance in, such office of such individual, is consistent with the interests of holders of Claims and Interests and with public policy, and the Debtor have disclosed the identity of any insider that the Reorganized Debtor will employ or retain, and the nature of any compensation for such insider.

(g) Feasibility and “Best Interest” Tests: The Bankruptcy Code requires that in order to confirm the Plan the Bankruptcy Court must find that confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtor (the “Feasibility Test”). For a plan to meet the Feasibility Test, the Bankruptcy Court must find that the Debtor will possess the resources to meet its obligations under the Plan. In addition, the Bankruptcy Court must determine that the values of the distributions to be made under the Plan to each Class will equal or exceed the values which would be allocated to such Class in a liquidation under Chapter 7 of the Bankruptcy Code (the “Best Interest Test”). The Best Interest Test with respect to each impaired Class requires that each holder of a Claim or Interest in such Class either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code.

To determine if the Plan is in the best interest of each class, the probable results of Chapter 7 liquidation must be compared with the results proposed under the Plan. As discussed above, the Debtor’s estate is being fully liquidated over the next 18 months. These proceeds are being used to fund the Plan Distribution Fund. Because there assets would likely be worthless in a current liquidation, , the conversion of the Debtor’s case to a Chapter 7 case would only result in additional administrative expenses, i.e., trustee fees, commissions, and additional attorneys

fees, all of which would diminish the ultimate distribution to Holders of Class 3 Unsecured Claims. Furthermore, there would be a delay in the continued marshalling of the Debtor's assets including the pursuit of litigation which would cause a delay in the distribution to the creditors. Therefore, the Plan proposes to maximize the value of the assets in the most cost-efficient manner. A chapter 7 liquidation analysis is annexed hereto as **Exhibit "C."**, which clearly shows that the Class 3 Unsecured Claims will receive more under the Debtor's Plan than they would otherwise received in a chapter 7 liquidation.

Feasibility. 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 successor to the Debtor under the Plan. The Debtor's Plan is funded from both Cash on hand and the Plan Distribution Fund which shall consist of the net proceeds of liquidation or disposition of the Debtor's illiquid investment portfolio described at length above. The Projections annexed to the Plan (**Exhibit "E"**) demonstrate the Debtor will have sufficient Cash to sustain operations *at least* long enough to realize the disposition of the illiquid investment portfolio. Accordingly, the Debtor will be able to satisfy its obligations under the Plan.

(g) The Plan therefore satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, including the "best interest" and feasibility requirements. The Plan is "fair and equitable" and "does not discriminate unfairly". The Plan complies with all other requirements of Chapter 11 of the Bankruptcy Code and the Plan has been proposed in good faith.

**E. Plan Execution**

The Plan shall be funded by (i) the Debtor's Cash on hand and (b) the net proceeds realized from the liquidation and/or disposition of the Debtor's investment portfolios. The Debtor believes the range of recovery is still unknown at this time but could range from \$2 million to higher. After the Effective Date of the Plan, the Disbursing Agent shall effectuate payments required under the Plan. The Debtor estimates distributions under the Plan from the Plan Distribution Fund to occur within eighteen (18) months from the Effective Date of the Plan. However, in the event the Debtor fails to distribute payments under the Plan within eighteen (18) months from the Effective Date of the Plan, a hearing shall be scheduled in the Bankruptcy Court to determine if the Debtor's Plan has failed and the case should be converted to Chapter 7, or dismissed, subject to the Debtor's right to further amend the Plan.

**1. Financial Information**

(a) Debtor's Schedules of Assets and Liabilities. Schedules of the Debtor's assets and liabilities have been respectively filed with the Clerk of the Court and may be inspected by all interested parties.

(b) The Estimated Amounts Required On Confirmation:

Plan Distribution Summary	Total Amount of Claim
Administrative Operating Expenses	\$0 <sup>4</sup>
Chapter 11 Professional Fees	\$30,000.00
Class 3 - General Unsecured Creditors	\$6,250
<b>TOTAL</b>	<b>\$36,250</b>

(c) Liquidation Analysis. If this case were liquidated under Chapter 7 of the Bankruptcy Code as opposed to the means set forth herein, the Class 3 Unsecured Claims will receive lesser of a distribution than they would under the Plan. A chapter 7 liquidation analysis is annexed hereto as **Exhibit “B.”** As discussed above, the estate has been fully liquidated, the proceeds of which will be used to fund the Debtor’s Plan. Because there are no further assets to liquidate, the conversion of this case to a Chapter 7 case would only result in additional administrative expenses, which would ultimately diminish the distribution to the Class 3 Claims.

THE DEBTOR THEREFORE RECOMMENDS ACCEPTANCE OF THE PLAN.  
CREDITORS SHOULD ALSO CONSULT AMONG THEMSELVES AND THEIR COUNSEL  
IN DETERMINING WHETHER TO ACCEPT THE PLAN.

**V. POST-CONFIRMATION MATTERS**

**A. Disbursement of Funds and Delivery of Distribution**

The Disbursing Agent shall be Rattet Pasternak, LLP, Attorneys for the Debtor (the “Disbursing Agent”).

The Disbursing Agent shall open and maintain, in accordance with this Plan, a separate interest bearing bank account in which all Cash received for purposes of distribution shall be deposited in accordance with Section 345 of the Bankruptcy Code and as provided in the Plan. The Disbursing Agent shall not be liable for any distributions made in accordance with this Plan.

Except as otherwise provided in the Plan, including without limitation Article VIII of the Plan, the Cash required to be distributed to holders of Allowed Claims under the Plan shall be distributed by the Disbursing Agent within ten (10) business days after the Plan Distribution Date, except that to the extent that a Claim becomes an Allowed Claim after the Distribution Date, within ten (10) days after the order allowing such Claim becomes a Final Order.

Any property or notice which a person or entity is or becomes entitled to receive pursuant to the Plan shall be delivered by regular mail, postage prepaid, in an envelope addressed to that person or entity at the address indicated on a properly filed proof of Claim or, absent such a proof of Claim, the address that is listed for that person or entity on the Schedules; provided that any person or entity entitled to a distribution may notify the Disbursing Agent in writing of its change of address, which address shall become the address for the Disbursing Agent to mail future distributions, if any. The Distribution Date shall be the date of mailing, and the property distributed in accordance with this Section shall be deemed delivered to such person regardless of whether such property is actually received by that person.

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<sup>4</sup> The Debtor anticipates it will be current with all ordinary course post-petition accounts payable as of the confirmation date.

Payments to be made pursuant to the Plan shall be made by check drawn on a separate, interest bearing domestic bank account maintained by the Disbursing Agent.

Any other provision of the Plan to the contrary notwithstanding, no payments 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 such fraction to the nearest whole cent (up or down).

Except as otherwise provided in the Plan, the Confirmation Order, or in agreements previously approved by Final Order of the Bankruptcy Court, the Debtor may, pursuant to §553 of the Bankruptcy Code or applicable non-bankruptcy law, offset against any Claim and any distribution to be made on account of such Claim, any and all of the claims, rights and causes of action of any nature that the Debtor or the estate may hold against the holder of such Claim; provided, however, that neither the failure to effect such a setoff, the Allowance of any Claim, any other action or omission of the Debtor or the estate, nor any provision of this Plan shall constitute a waiver or release by the Debtor or the estate of any such claims, rights and causes of action that the Debtor or the estate may possess against such holder. To the extent the Debtor fails to set off against a creditor and seek to collect a claim from such creditor after a distribution to such creditor pursuant to the Plan, the estate shall be entitled to full recovery on its Allowed claim against such creditor.

**B. Unclaimed Cash**

Except as otherwise provided in the Plan, in the event any claimant fails to claim any distribution within six (6) months from the date of such distribution, such claimant shall forfeit all rights thereto, and to any and all future payments, and thereafter the Claim for which such

Cash was distributed shall be treated as a disallowed Claim. All unclaimed Cash shall be deposited into the Plan Distribution Fund for redistribution to the holders of Class 3 Claims.

**C. Avoidance and Recovery Actions**

As of and subject to the occurrence of the Effective Date, the Debtor will waive and release any of the Causes of Action under Sections 510, 544, 547, 548, 550 and 553 of the Bankruptcy Code. The Debtor believes, after a thorough investigation and review with its counsel, that except for purposes of setoff against an Allowed Claim, there are no Causes of Action under Section 510, 544, 547, 548, 550 and 553 of the Bankruptcy Code that would provide a meaningful source of funds for the Debtor except for setoff purposes.

**D. Events of Default**

An Event of Default shall occur if the Disbursing Agent shall fail to make any payment when due or shall fail to comply with any other material terms of this Plan, and written notice of same has been provided to the Disbursing Agent and the Bankruptcy Court. The Debtor estimates distributions under the Plan from the Plan Distribution Fund to occur within three (3) months from the Effective Date of the Plan. However, in the event the Debtor fails to distribute payments under the Plan within eighteen (18) months from the Effective Date of the Plan, a hearing shall be scheduled in the Bankruptcy Court to determine if the Debtor's Plan has failed and the case should be converted to chapter 7, or dismissed, subject to the Debtor's right to further amend the Plan. Following an Event of Default, if such Default has not been cured within ten (10) days thereafter, any holder of a Claim, payment of which is in Default, shall have the right to (a) accelerate and demand payment due to such holder under the Plan; and/or (b) commence an action against the Debtor in the Bankruptcy Court or United States District Court to compel

payment.

## **VI. TAX CONSEQUENCES OF CONFIRMATION.**

Confirmation may have federal income tax consequences for the Debtor and holders of Claims and Interests. The Debtor has not obtained and does not intend to request a ruling from the Internal Revenue Service (the "IRS"), nor has the Debtor obtained an opinion of counsel with respect to any tax matters. Any federal income tax matters raised by confirmation of the Plan are governed by the Internal Revenue Code and the regulations promulgated thereunder. Creditors and holders of Interests are urged to consult their own counsel and tax advisors as to the consequences to them, under federal and applicable state, local and foreign tax laws, of the Plan. The following is intended to be a summary only and not a substitute for careful tax planning with a tax professional. The federal, state and local tax consequences of the Plan may be complex in some circumstances and, in some cases, uncertain. Accordingly, each holder of a Claim or Interest is strongly urged to consult with his or her own tax advisor regarding the federal, state and local tax consequences of the Plan, including but not limited to the receipt of Cash and/or stock under this Plan.

### **A. Tax Consequences to the Debtor.**

The Debtor may not recognize income as a result of the discharge of debt pursuant to the Plan because Section 108 of the Internal Revenue Code provides that taxpayers in bankruptcy case do not recognize income from discharge of indebtedness. However, a taxpayer is required to reduce its "tax attributes" by the amount of the debt discharged. Tax attributes are reduced in the following order: (i) net operating losses; (ii) general business credits; (iii) capital loss

carryovers; (iv) basis in assets; (v) passive activity loss and credit carryovers; and (vi) foreign tax credit carryovers.

**B. Tax Consequences to Unsecured Creditors.**

An unsecured creditor that receives Cash in satisfaction of its Claim may recognize gain or loss, with respect to the principal amount of its Claim, equal to the difference between (i) the creditor's basis in the Claim (other than the portion of the Claim, if any, attributable to accrued interest), and (ii) the balance of the Cash received after any allocation to accrued interest. The character of the gain or loss as capital gain or loss, or ordinary income or loss, will generally be determined by whether the Claim is a capital asset in the creditor's hands. A creditor may also recognize income or loss in respect of consideration received for accrued interest on the Claim. The income or loss will generally be ordinary, regardless of whether the creditor's Claim is a capital asset in its hands.

**VII. ALTERNATIVES TO THE PLAN  
AND CONSEQUENCES OF NOT CONFIRMING**

Among the possible consequences if the Bankruptcy Court should not confirm the Plan are the following: (1) an alternative plan could be proposed or confirmed; or (2) the Chapter 11 Cases could be converted to liquidations under Chapter 7 of the Bankruptcy Code.

**A. Alternative Plans**

As previously mentioned, with respect to an alternative plan, the Debtor and their professional advisors have explored various alternative scenarios and believe that the Plan enables the holders of Claims and Interests to realize the maximum recovery under the circumstances. The Debtor believes that the Plan is the best plan that can be proposed and serves

the best interest of the Debtor and other parties-in-interest.

**B. Chapter 7 Liquidation**

For a discussion of Chapter 7 liquidation, see Section IV, D, 2, (f) above at pages 33-35 entitled “Plan Confirmation and Execution – Confirmation – Statutory Requirements for Confirming a Plan – Feasibility and ‘Best Interest’ Test.” The Debtor believes that if this Chapter 11 case was converted to Chapter 7 liquidation, the Class 3 Unsecured Creditors would receive no distribution on account of their claims or at the very best, a minimal distribution and only after a likely delay in the marshaling of the Debtor’s assets including the pursuit of litigation which would cause a delay in a distribution to creditors.

**VIII. RECOMMENDATION AND CONCLUSION**

The Debtor and its professional advisors as well and the Creditors’ Committee and its professional advisors have analyzed different scenarios and believe that the Plan is preferable to a conversion to cases under Chapter 7 of the Bankruptcy Code. The Plan will provide greater recoveries than those available in liquidation to all holders of Claims. Any other alternative would cause significant delay and uncertainty, as well as substantial administrative costs.

ACCORDINGLY, THE DEBTOR BELIEVES THAT THE PLAN PROVIDES THE BEST RECOVERY POSSIBLE FOR CLAIMHOLDERS AND THE DEBTOR STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

THE DEBTOR’S PLAN HAS BEEN REVIEWED BY THE CREDITORS’ COMMITTEE. AFTER REVIEW AND CONSULATATION WITH ITS ATTORNEYS, THE CREDITORS’ COMMITTEE SUPPORTS THE DEBTOR’S PLAN AND ENCOURAGES CREDITORS TO VOTE TO ACCEPT THE PLAN.

THE FOREGOING IS A BRIEF SUMMARY OF THE PLAN AND SHOULD NOT BE RELIED ON FOR VOTING PURPOSES. THE PLAN REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BETWEEN THE DEBTOR AND ITS CREDITORS, AND SHOULD BE READ TOGETHER WITH THIS DISCLOSURE STATEMENT IN ORDER THAT AN INTELLIGENT AND INFORMED JUDGMENT CONCERNING THE PLAN CAN BE MADE.

Dated: Mount Kisco, New York  
August 27, 2012

WECHSLER & CO., INC.  
DEBTOR

By: /s/ Norman Wechsler  
Norman Wechsler, President

RATTET PASTERNAK, LLP  
Attorneys for the Debtor  
550 Mamaroneck Avenue  
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