

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

In re:

GEK Realty and Home Improvement LLC,

Debtor.

Chapter 11

Case No. 1:17-40228-nhl
Hon. Nancy H. Lord

**DISCLOSURE STATEMENT TO SECURED CREDITOR BHMPW
FUNDING LLC'S PLAN OF REORGANIZATION FOR GEK
REALTY AND HOME IMPROVEMENT LLC.**

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

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Dated: New York, New York
August 29, 2017

Secured creditor BHMPW Funding LLC (the “Secured Creditor” or “Plan Proponent”) has filed its *Plan of Reorganization for GEK Realty and Home Improvement LLC*, (the “Plan”), with the United States Bankruptcy Court for the Eastern District of New York (the “Bankruptcy Court”). This *Disclosure Statement for Secured Creditor’s Plan of Reorganization for GEK Realty and Home Improvement LLC* (the “Disclosure Statement”) is being submitted for the approval of the Bankruptcy Court for use in connection with the Plan filed to sell substantially all of the assets of the estate of GEK Realty and Home Improvement LLC (the “Debtor”) pursuant to § 1125 of Title 11 of the United States Code (the “Bankruptcy Code”).

A copy of the Plan accompanies this Disclosure Statement. A glossary of terms frequently used in this Disclosure Statement is set forth in Article 1 of the Plan.

The Secured Creditor believes that Confirmation of the Plan is in the best interests of all the Debtor’s creditors.

SUMMARY OF THE PLAN

The Plan provides for the Plan Proponent, or its designated nominee, to purchase the real property and improvements thereon located at (i) 2750 Pearsall Avenue, Bronx, New York 10469 (Block 4525; Lot 20) (the “Pearsall Property”)¹ and (ii) 403 Jefferson Avenue, Brooklyn, New York 11221 (Block 1830; Lot 48) (the “Jefferson Property”² and together with the Pearsall Property, the “Properties”) from the Debtor in accordance with the provisions of the Bankruptcy Code, pursuant to 11 U.S.C. § 363 and Federal Rule of Bankruptcy Procedure 6004(f), with a foreclosing on such sale (the “Sale”) immediately following Confirmation of the Plan. The Plan Proponent’s ability to purchase the Properties will be subject another party submitting a higher and better bid. Bidding procedures for the Sale will be set forth by separate motion, describing marketing efforts and a bidding deadline of August 30, 2017.

In the event that the Plan Proponent is the Successful Bidder at the Sale, proceeds generated from the Sale, in addition to Cash being provided by the Plan Proponent, if any, will be utilized by the Plan Proponent to fund distributions under the Plan to pay Allowed Claims of creditors of the Debtor, with payments to unsecured creditors receiving a pro-rata distribution of not less than ten (10%) and Secured Creditors receiving payment in full as guided by agreement or by statute.

In the event that the Plan Proponent is the Successful Bidder, the Plan Proponent, or its designated nominee, has agreed to purchase the Property at the Sale by (i) satisfying and/or credit bidding their amounts of its Secured Claim; and (ii) providing an additional cash contribution (the “Cash Contribution”) in an amount of \$75,000.00 simultaneously with the closing of the Sale. The Cash Contribution shall be utilized to pay a *pro rata* distribution to holders of Allowed Claims, and also to pay Administrative Claims, fees due to the Office of the UST and Professional Fees in full.

¹ Upon information and belief, the Pearsall Property consists of a two (2) story, single family home.

² Upon information and belief, the Jefferson Property consists of a two (2) story, two-family apartment building.

Upon a closing on the Sale, the Plan Proponent, or its nominee, shall take title to the Property free and clear of all liens, claims and encumbrances pursuant to §§ 363(f) and 1123(a)(5) of the Bankruptcy Code, except that its election ownership shall be subject to the Mortgage.

All proceeds received from the Sale of the Property and cash on hand shall be used to fund the Plan. The Secured Creditor's authority to purchase the Property by credit bidding the amount of its secured claim and Cash is subject to approval of this Court, which shall be deemed granted upon entry of the Confirmation Order and the Sale Order.

Although the Secured Creditor will be permitted to bid in excess of its credit, it will have no obligation to do so. In the event that the Secured Creditor is outbid at the Sale, it will not provide any Cash Contribution. If the Secured Creditor's credit bid exceeds the amount of its secured claim, the Secured Creditor shall provide proof of additional cash deposit needed to close over its credit bid. If, however, the Secured Creditor is outbid, it will not contribute the Cash Contribution, and all distributions will be paid from sale proceeds. Details regarding the sale shall be more fully set forth in a sale motion to be filed by the Secured Creditor contemporaneously with this Plan and Disclosure Statement.

The table below provides a summary of the classification and treatment of Claims and Interests under the Plan. The figures set forth in the table below represents the Plan Proponent's best estimate of the total amount of Claims and Interests filed or scheduled in this Case. These estimates have been developed by the Plan Proponent based on its own research, documents provided by counsel to the New York State Department of Finance, the Court's Claims Register and certain other documents of public record. Although the Plan Proponent believes that the amounts of the Claims set forth below are substantially correct, there can be no assurance that Claims and Interests will be allowed by the Bankruptcy Court in the amounts set forth below:

Class	Claim/Interest	Treatment of Claim/Interest	Estimated Amount of Allowed Claims or Interests ³
N/A	Bankruptcy Fees	NA	\$7,000.00
1	Priority Claims	Unimpaired	\$0.00
2	Secured Creditor's	Impaired	\$916,751.67 ⁴
3	NY Claims	Unimpaired	\$1,875.00 ⁵
4	General Unsecured Claims	Impaired	\$598,905.27 ⁶

³ The amounts set forth in this schedule are not, and should not be deemed admissions by the Secured Creditor as to the validity or amount of any claim and Secured Creditor reserves all rights to object to any claim in this case.

⁴ Through the anticipated Effective Date of November 30, 2017.

⁵ Through the anticipated Effective Date of November 30, 2017, for taxes, water and sewer on the Properties with applicable interest.

⁶ Through the anticipated Effective Date of November 30, 2017 with interest at 4%. The actual scheduled amount of general unsecured claims comes to \$582,529.72, however that sum contains a few insider claims of principals of the Debtor, which have been deducted from the amount set forth herein.

5	Equity Interests	Impaired	\$0.00
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In furtherance of the Plan, and in addition to sums being held by the State Court appointed Receiver, the Secured Creditor has agreed to provide Cash necessary to fund distributions under the Plan as follows: (1) payment to governmental units in the full amount of their Allowed Secured Claims for real estate taxes and water and sewer use charges; (2) payment to the Secured Creditor in the full amount of its Secured Claim; (3) payment in full to amounts due to and claims of (a) the Office of the United States Trustee (b) Holders of Priority Claims (c) Holders of Priority Claims (d) Allowed Administrative Creditors; and (e) Holders of Unsecured Claims.

CONFIRMATION OF THE PLAN

Pursuant to § 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a combined hearing to consider approval of this Disclosure Statement and Confirmation of the Plan, on _____, 2017 at _____ p.m., Eastern Standard Time, in the United States Bankruptcy Court for the Eastern District of New York, 271-C Cadman Plaza East, Brooklyn, New York, Courtroom 3577. The Bankruptcy Court has directed that objections, if any, to the Approval of the Disclosure Statement or Confirmation of the Plan be filed and served on or before _____ at __:00 p.m. EST.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of § 1129(a) of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. The Plan Proponent intends to seek Confirmation of the Plan at the Confirmation Hearing. **The Plan Proponent believes that the Plan satisfies all applicable requirements of § 1129(a) of the Bankruptcy Code.** Confirmation makes the Plan binding upon the Debtor, its Interest Holders, all Creditors, and other parties regardless of whether they have objected to the Plan. Since no classes of claims are impaired under the Plan, all classes of claims are deemed to have accepted the Plan.

As of the Effective Date, all holders of Claims or Interests will be precluded from asserting any Claim against the Plan Proponent, the Debtor, or the Debtor's assets or Property or other interests in the Debtor based on any transaction or other activity of any kind that occurred before the Confirmation Date except as otherwise provided in the Plan.

VOTING INSTRUCTIONS AND CONFIRMATION OF PLAN

A. Manner of Voting on Plan

Before voting, this Disclosure Statement as well as the Plan, should be read in its entirety. You should only use the Ballot sent to you with this Disclosure Statement to cast your vote for or against the Plan.

If you hold a Claim in Class 4, included in the package of materials forwarded to you along with this Disclosure Statement and the Plan is a ballot for your acceptance or rejection of the Plan. You should complete, date and sign your ballot and return it to Kriss & Feuerstein LLP, 360

Lexington Ave, Suite 1200, New York, New York 10017, Attn: Jason S. Leibowitz, Esq., attorneys for BHMPW Funding LLC. All ballots must be **received** prior to **5:00 P.M. on August __, 2017**.

B. Claim Holders Entitled to Vote

Under the Bankruptcy Code, any holders of Claims in Classes that are "impaired" under the Plan are entitled to vote to accept or reject the Plan, unless such Class neither receives nor retains any property under the Plan (in which case such Class is deemed to have rejected the Plan). Bankruptcy Code § 1124 provides generally that a Class is impaired if the legal, equitable or contractual rights of the Claims or interests in that Class are altered.

Subject to the exceptions provided below, any holder whose Claim is impaired under the Plan is entitled to vote if either (i) its Claim has been scheduled by the Debtor and such Claim is not scheduled as disputed, contingent or unliquidated; or (ii) such Claim holder has filed a proof of Claim which is not otherwise a Disputed Claim.

A holder of a Disputed Claim is not entitled to vote on the Plan unless such Claim is temporarily allowed by the Trustee or by an order of the Bankruptcy Court in an estimated amount which it deems proper for the purpose of voting to accept or reject the Plan. In other words, only holders of Allowed Claims in impaired classes may vote to accept or reject the Plan. A Claim to which an objection has been filed by the Trustee or a Claim (i) which is listed on the Debtor's Schedules or Amended Schedules as disputed, unliquidated or contingent; and (ii) with respect to which a superseding proof of Claim has not been filed, is not an Allowed Claim for voting purposes, unless the Claim is settled by agreement or the Court allows the Claim (in whole or in part) by Final Order. Upon request of a party-in-interest, the Court may temporarily allow or estimate a Disputed Claim for the purpose of voting on the Plan. Ballots cast in respect of claims other than Allowed Claims will not be counted. In addition, a vote may be disregarded if the Bankruptcy Court determines that the acceptance or rejection of the Plan by the creditor is not solicited or procured in good faith, or in accordance with the provisions of the Bankruptcy Code.

C. Classes Not Impaired Under the Plan

Claims by Holders in Class 1 (97 Grand Secured Claim), Class 2 (Other Secured Claims) and Class 3 (Priority Claims) pursuant to § 1124 of the Bankruptcy Code are unimpaired under the Plan and therefore not entitled to vote on the Plan. The Interest Holders in Class 5 shall retain their Interests as they existed on the Petition Date, are deemed unimpaired and deemed to have accepted the Plan.

D. Classes Impaired Under the Plan

Claims by Holders in Class 4 are impaired under the Plan and are eligible, subject to the limitations set forth above, to vote to accept or reject the Plan. Any controversy as to whether any Claim or Class of Claims is impaired under the Plan shall, after notice of any hearing, be determined by the Bankruptcy Court.

E. Vote Required for Class Acceptance

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a Class of impaired Claims as acceptance by at least two-thirds (2/3) in dollar amount and more than one half (1/2) in number of holders of Allowed Claims in that Class who cast ballots.

Section 1126(d) of the Bankruptcy Code defines acceptance of a plan by a class of Interest holders as acceptance by holders of at least two-thirds (2/3) in amount of the allowed interests of such class who cast ballots.

NOTICE TO HOLDERS OF CLAIMS AND INTERESTS

This Disclosure Statement is being furnished by the Plan Proponent to the Debtor's known creditors pursuant to § 1125(b) of the Bankruptcy Code. The Plan has been filed with the Bankruptcy Court and is incorporated herein by reference. Parties in interest may view the Plan on the internet at <http://www.nyeb.uscourts.gov>.⁷

The purpose of this Disclosure Statement is to enable you, as a Creditor to make an informed decision in exercising your right to consider whether to object to the Plan.

The historical information concerning the Debtor has been prepared using certain filings made with the Bankruptcy Court. The estimates of Claims and Interests set forth herein may vary from the final amounts of Claims or Interests allowed by the Bankruptcy Court. However, the Plan provides for the allowance of the Secured Creditor's Secured Claim (\$900,419.18) in full as secured by the Property.

Notwithstanding any provision of the Plan to the contrary, definitions and descriptions contained herein respecting pre-Petition documents, agreements, or claims are provided solely for the purpose of identification and classification thereof and do not constitute an admission by the Plan Proponent of the existence, validity, allowance, or amount of any such claim, document or agreement. The Plan Proponent expressly reserves the right to challenge the existence, validity, allowance, or amount of any such claim, document or agreement.

This Disclosure Statement contains a summary of certain provisions of the Plan and the transactions contemplated thereunder, as well as descriptions of certain other related documents.

While the Plan Proponent believes that these summaries are fair and accurate, such summaries are qualified to the extent that they do not set forth the entire text of such documents. Reference is made to the Plan and the documents referred to herein and therein for a complete statement of the terms and provisions thereof. In the event of any inconsistency between the terms of the Plan and this Disclosure Statement, the terms of the Plan shall be controlling. In reviewing the Plan and this Disclosure Statement, the reader should give special attention to "RISK FACTORS." No statements or information concerning the Debtor or its assets, results of business operations or financial condition are authorized by the Plan Proponent, other than as set forth in this Disclosure Statement, its exhibit(s) and the Plan.

⁷ A password is necessary for access to view documents on the Internet.

The statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified herein. The delivery of this Disclosure Statement shall not create, under any circumstances, an implication that there has been no change in the facts set forth herein since the date hereof.

This Disclosure Statement is intended for the sole use of Creditors and Interest Holders to be informed about the Plan. Each holder of a Claim or Interest should review this Disclosure Statement, its exhibit(s) and the Plan. Holders of Claims or Interests are urged to consult with their own legal and financial advisors.

Solicitations of votes to accept or reject the Plan will not be made by the Plan Proponent in accordance with this Disclosure Statement and § 1125 of the Bankruptcy Code as pursuant to § 1126(f) of the Bankruptcy Code, all classes of claims are conclusively presumed to have accepted the Plan. No Person has been authorized to use or promulgate any information concerning the Debtor or its business or the Plan, other than the information contained in this Disclosure Statement and the exhibits hereto. You should not rely on any information relating to the Debtor or its business or the Plan other than that contained in this Disclosure Statement and the exhibits hereto.

BACKGROUND

THE DEBTOR

The Debtor's business consists of the ownership and operation of the Properties, and the Debtor is a New York Limited Liability Company having an address of 111-20 200th Street, St. Albans, New York 11412. As explained more fully below, the Properties which contain residential apartment units generate substantially all of the Debtor's income, and on which Properties, no substantial business is being conducted by the Debtor other than the business of operating the Properties and activities incidental thereto. The Plan Proponent makes no representations as to whether the residential units at the Property are subject to rent regulation such as the New York City Rent Stabilization Code. Upon information and belief, the Debtor's sole source of income is from rents generated by the Properties. Upon information and belief, the Debtor's members manage the Properties and the Debtor remains a debtor in possession for the duration of this matter.

THE SECURED CREDITOR & THE LOAN

On or about April 21, 2015, TBG Funding LLC ("TBG"), made a loan to the Debtor, in the original principal sum of \$700,000.00 (the "Loan"). The Loan was evidenced by a Promissory Note (the "Note") dated April 21, 2015, which was executed by the Debtor, through its principals Karone Carmichael ("Karone") and Gregory Carmichael ("Gregory").

To secure repayment of the indebtedness evidenced by the Note, on or about April 21, 2015, the Debtor further executed and delivered to TBG, a Mortgage and Security Agreement (the "Mortgage"), which encumbered the Properties in the principal sum of \$700,000.00. The duly executed Mortgage was recorded with the Office of the City Register of the City of New York, Bronx County (the "City Register") on June 5, 2015 under CRFN 2015000189912.

The Debtor defaulted under the terms of the Note and Mortgage by, failing to tender the

balance due under the Loan which came due when the Loan matured on October 22, 2015 (the “Default”).

On or about December 22, 2015, the Note, Mortgage and all other documents evidencing the Loan were assigned by TBG to the Secured Creditor pursuant to that certain Assignment of Mortgage (the “Assignment”), which was recorded with the Register’s Office on January 24, 2017 under CRFN 2017000031195.

Additionally, in connection with the Assignment, TBG also executed an Assignment of Assignment of Leases and Rents (“ALR”), in favor of the Secured Creditor, pursuant to which all rents and/or other proceeds generate at the Properties became the Secured Creditor’s cash collateral.

As a result of the Default and the Debtor’s failure to cure same, on or about January 28, 2018, the Secured Creditor commenced an action to foreclose the Mortgage (the “Foreclosure Action”) under Index No. 32083/2016E, by filing a Summons, Verified Complaint and Notice of Pendency in the Bronx County Supreme Court, State of New York (the “State Court”).

By *Order of Reference Commercial Foreclosure* entered on November 4, 2016 (the “Referee Order”), I. Scott Edelstein, Esq. (the “Referee”) was appointed to compute the amount due to the Secured Creditor for principal, interest, and other disbursements advanced as provided for by statute and in the Note and Mortgage.

THE PROPERTIES

Upon information and belief, the Pearsall Property consists of a two (2) story single family home, and the Jefferson Property consists of a three-story, two-family, walk-up apartment building. It is impossible to determine based upon the monthly operating reports (“MOR’s”) filed by the Debtor, how rents are allocated between each of the apartment units at the Properties.

THE DEBTOR’S BANKRUPTCY FILING

On January 19, 2017 (the “Petition Date”), the Debtor filed a bare bones petition (the “Petition”) for Chapter 11 bankruptcy relief before this Court under Case No. 1:17-40228-nhl, which was executed by Gregory, as Managing Member of the Debtor.

SIGNIFICANT POST-PETITION EVENTS IN THIS CHAPTER 11 CASE

THE PETITION AND SCHEDULES

On the Petition Date, the Debtor filed a skeletal petition. On January 24, 2017, the Debtor filed its *Application For Order Extending Time for Filing Schedules of Assets and Liabilities and Statement of Financial Affairs* (the “Schedules Application”), which indicate that the Jefferson Property consists of a two-family home, the Jefferson Property consists of a single family home, and that the Debtor is involved in the purchase and remodeling of real property. Since the Schedules Application was never actually noticed for a hearing by the Bankruptcy, no ruling was

ever made on account thereof. Nevertheless, on February 10, 2017, the Debtor filed all remaining schedules [ECF No. 13]. On that same date, the Debtor filed a list identifying the following Equity Security Holders Denise Duck, Glen Ettienne, Gregory and Karone.

In its Petition and Schedules, the Debtor identifies the Secured Creditor as its only secured creditor with an estimated claim of \$1,985,000.00. The Debtor's schedules further provide that other than the Secured Creditor, the Debtor has less than a dozen unsecured claims which total \$619,172.41, after consideration of three (3) large general unsecured claims in the amount of \$250,000.00 (to DIJ Realty), \$204,651.56 (ESF Property Management) and \$77,416.49 (Delux Gallery Inc.). Curiously, other than the Secured Claim filed by the Secured Creditor, no creditors have filed proofs of claims in this matter other than Consolidated Edison ("ConEd") (\$611.04 – general unsecured), and the Internal Revenue Service ("IRS") (\$6,240.00 – general unsecured). Indeed, the unsecured proof of claim filed by the IRS provides that the Debtor failed to file any tax returns for the 2015 or 2016 years which is the basis of the IRS claim itself.

Furthermore, the Petition appears to list several a general unsecured claims of insiders, including, but not limited to those claims to Gregory Carmichael (\$19,900.00) and Misja Carmichael (\$5,000.00) and Glen Ettienne (\$11,742.63). Further discovery is required to determine the nature of the aforementioned insider claims as well as the three (3) largest claims which were listed in the Petition, but for which no proof of claim was filed, as discussed hereinabove.

RETENTION OF DEBTOR'S COUNSEL

On April 3, 2017, Arlene Gordon-Oliver, Esq. ("Debtor's Counsel") filed an application to become retained as counsel to the Debtor (the "Retention Application"). On June 30, 2017, Debtor's counsel filed a Supplemental Affirmation to her Retention Application to disclose that she received a pre-petition retainer from a party other than the Debtor, which was applied in part and held in part prior to the Petition Date.

OPERATING REPORTS

As of the date hereof, the Debtor has filed monthly operating reports for the months of January 2017, through June 2017. No MOR has yet been filed for the month of July 2017. The MOR's suggest that the Debtor has been generating nominal revenues and appears to be operating at a net loss each month.

BAR DATE

In accordance with the requirements of § 521 of the Bankruptcy Code and Bankruptcy Rule 1007, the Debtor filed its Schedules of assets and liabilities, including schedules of all of its known creditors and the amounts and priorities of the Claims the Debtor believes are owed to such creditors. On May 26, 2017, the Bankruptcy Court entered an Order (the "Bar Date Order") [ECF No. 23] fixing July 18, 2017 as the last date for filing any and all claims (including governmental claims) in this matter (the "Bar Date"). The Bar Date Order provides that creditors of the Debtor shall be provided with at least thirty-five (35) days' notice of the Bar Date.

Notably, in light of the fact that it is inconclusive whether the Debtor's counsel served any of the Debtor's creditors with a copy of the Bar Date Order since the Debtor's counsel failed to file any proof of service of the Bar Date Order, contemporaneously with the filing of this Disclosure Statement, the Secured Creditor shall serve a copy of the Bar Date Order on all known creditors of the Debtor, and set a hearing on confirmation of the Secured Creditor's Plan for a date that is 35 days after the Secured Creditor's service of the Bar Date Order.

If neither the Plan Proponent nor the Debtor file an objection to a properly filed proof of claim on or before thirty (30) days from the Effective Date (or as extended by the court) then such Claim will be deemed Allowed and will be entitled to the full Distribution under the Plan on account of its Allowed Claim. At this time, the Plan Proponent intends on objecting to any claim which has been scheduled in the Petition, but for which no prima facie proof of claim has been filed which exceeds \$10,000.00, or which appears that it could be the claim of an insider, yet not disclosed as such.

THE EXPIRATION OF THE EXCLUSIVE PERIOD

The Debtor's exclusive right to file a plan of reorganization in this Case expired on May 19, 2017, and no application to extend such time period has been filed by the Debtor prior thereto.

NO OTHER APPLICATIONS

No other applications have been filed in this case. The Debtor continues to remain in custody, possession and control of the Properties as a debtor-in-possession. There is a status conference scheduled for October 25, 2017 at 10:30 a.m.

SUMMARY OF THE PLAN

The following summary of the terms of the Plan is qualified in its entirety by reference to the provisions of the Plan, a copy of which accompanies this Disclosure Statement and which is incorporated herein by reference.

The Secured Creditor submits that the treatment of Creditors under the Plan is more favorable than the treatment Creditors would receive if the Chapter 11 Case were converted to a Chapter 7. Therefore, the Trustee submits that the Plan is in the best interests of the Creditors and the Secured Creditor recommends acceptance of the Plan by holders of Claims in Class 4.

THE PROPOSED SALE

The Plan provides that the Properties shall be sold at a public auction. The Secured Creditor, or its designated nominee, shall serve as the stalking horse bidder under the Plan, who shall seek to purchase the Properties in satisfaction of the Plan Proponent's Secured Claim, plus an additional Cash Contribution by the Plan Proponent of \$75,000.00, subject to the approval of the Bankruptcy Court which shall be included in the Confirmation Order.

The Cash Contribution is comprised of the Secured Creditor's contribution of \$85,000.00⁸ (the "Cash Contribution"), which the Secured Creditor intends use to pay fees due to the UST (\$7,000.00), Administrative fees of the Debtor's estate (\$15,000.00), and property tax and water and sewer claims (estimated to be \$2,000.00 collectively), with the remainder to be used to pay *pro rata* distributions, in an amount not less than ten (10%) to Allowed Claims of unsecured creditors of the Debtor's estate, prior to litigating some questionable and disputed unsecured claims listed in the Debtor's petition.

The Plan Proponent intends to purchase the Property as a credit against, and in full satisfaction of its Secured Claim as that Secured Claim exists as of the date of the Sale, and to provide an additional Cash Contribution of \$75,000.00 at the time of Sale pursuant to 11 U.S.C. §§ 363(b), (f), and (m), to permit a closing to occur as soon as practicable following Confirmation of the Plan.

Through the Sale, the Plan Proponent, or its nominee, shall take title to the Properties free and clear of all liens, claims and encumbrances pursuant to §§ 363(f) and 1123(a)(5) of the Bankruptcy Code. In addition, the Plan Proponent shall utilize the Cash Contribution, to pay Allowed Claims.

Although the Secured Creditor will be permitted to bid in excess of its credit, it will have no obligation to do so. In the event that the Secured Creditor is outbid at the Sale, it will not provide any Cash Contribution. If the Secured Creditor's credit bid exceeds the amount of its secured claim, the Secured Creditor shall provide proof of additional cash deposit needed to close over its credit bid. If, however, the Secured Creditor is outbid, it will not contribute the Cash Contribution, and all distributions will be paid from sale proceeds. Details regarding the sale shall be more fully set forth in a sale motion to be filed by the Secured Creditor contemporaneously with this Plan and Disclosure Statement.

Provided that the Secured Creditor is the Successful Bidder at the Sale, promptly after entry of the Confirmation Order, the Plan Proponent or its nominee, shall take title to the respective Property free and clear of all liens, claims and encumbrances, except that their election ownership shall be subject to the respective mortgages. In addition to proceeds received from the Sale of the Property, the Receivership Funds shall be used to fund the distributions under the Plan to pay Allowed Claims. The Plan Proponent's authority to purchase the Property in satisfaction of the amount of its Secured Claim is subject to approval of this Court, which shall be deemed granted upon entry of the Confirmation Order.

The closing of the Sale will take place promptly after entry of the Confirmation Order. In addition, upon completion of the Sale, Kriss & Feuerstein LLP, the Plan Proponent's Disbursing Agent, shall be authorized to execute any and all documents necessary to effectuate the conveyance of the Property to the Plan Proponent in accordance with the terms of the Plan, including without

⁸ Of this amount, the Secured Creditor has intended for payments in amounts not in excess of the following: 1) anticipated bankruptcy fees to the United States Trustee's Office of (\$7,000.00), 2) NY Claims (\$2,000.00), 4) outstanding estimated Administrative Claims (\$15,000) (which contemplates payment of Debtor's counsel's anticipated legal fees, and general unsecured claims in the amount of \$61,000.00 prior to litigating certain disputed unsecured claims.

limitation, Bargain and Sale Deeds with Covenants, a Bills of Sale and all required transfer tax returns and ACRIS documents. Upon the Sale, the Debtor (to the extent the Debtor is in possession of same) and/or the Receiver shall turn over all leases and security deposits to the Plan Proponent or its designee for the Property. Furthermore, on the Effective Date, the Debtor and/or the Receiver will provide the Plan Proponent, or its nominee, an assignment and assumption of all residential and/or commercial leases at the Property and the right to collect any and all rent arrears from such tenants.

Classification of Claims and Interests

Classification of claims is governed, in part, by §§ 1122 and 1123(a) of the Bankruptcy Code. 11 U.S.C. § 1123(a) requires that a plan designate classes of claims, requires that the plan specify the treatment of any impaired class of claims, and requires that the plan provide the same treatment for each claim of a particular class, unless the holder of a claim receiving less favorable treatment consents to such treatment. 11 U.S.C. § 1123(a)(1), (3) and (4). 11 U.S.C. § 1122(a) of the Bankruptcy Code provides, subject to an exception for administrative convenience, that “a plan may place a claim or interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class.”

Article 3 of the Plan classifies the various Claims against and Interests in the Debtor into Six (6) classes of Claims and one (1) class of Interests:

- Class 1 - Priority Claims
- Class 2 - Secured Creditor’s Secured Claim
- Class 3 - NY Claims
- Class 4 - General Unsecured Claims
- Class 5 - Equity Interests

Since no classes of claims are impaired under the Plan, holders of all classes of claims and claimholders are conclusively deemed to have accepted the Plan pursuant to § 1126(f) of the Bankruptcy Code and no voting or balloting will be conducted under the Plan. As set forth in Article 2 of the Plan, pursuant to § 1123(a)(1) of the Bankruptcy Code, certain Administrative Claims against the Debtor have not been classified. See “SUMMARY OF THE PLAN -- Treatment of Non-Classified Claims.”

Class 1 – Priority Claims. Class 1 consists of all Allowed Claims, other than Administrative Claims or Bankruptcy Fees, of New York State and/or the Internal Revenue Service for unpaid and outstanding income and/or corporate taxes allegedly owed by the Debtor. Certain Claims for taxes and the payment of expenses incurred by the Debtor subsequent to the Petition Date may be entitled to priority treatment under § 507 of the Bankruptcy Code, and are treated elsewhere as non-classified Claims. See “SUMMARY OF THE PLAN -- Treatment of Non-Classified Claims.” As of the date hereof, there are no known Priority Claims.

Class 2 – Secured Creditor’s Secured Claim. Class 2 consists of the Secured Creditor’s Allowed Secured Claim against the Property, which as of the Petition Date existed in

the amount of \$782,351.67 and is estimated to accrue to an amount in excess of \$916,751.00 as of the anticipated November 30, 2017 Effective Date.

Class 3 – NY Claims. Class 3 consists of the Claim of New York City and/or New York State against the Property. Class 3 consists of (a) the Claims of the City of New York Department of Finance for any and all outstanding property taxes and water and sewer charges assessed against the Property, and (b) any Claims of New York Department of Buildings and/or New York Department of Housing Preservation & Development as payable to City of New York Department of Finance for environmental control board violations, as may be applicable to the Property, and any Allowed Claims which may be filed by New York State. As of the date hereof, outstanding taxes due to the City of New York Department of Finance are estimated to be \$2,000.00. The total estimated amount to be reserved by the Secured Creditor for Allowed Class 3 Claim holders is \$2,000.00.

Class 4 – General Unsecured Claims. Class 4 consists of General Unsecured Claims, which have been scheduled in the Debtor's petition and/or schedules, and upon which no proofs of claims have been filed in the Court's Claims Register. The amount of alleged general unsecured claims, without factoring known insider claims is \$582,529.72, and the Secured Creditor intends to make distributions to holders of Class 4 claims in the *pro rata* amount of not less than ten (10%). In addition, the Secured Creditor intends to litigate all scheduled claims upon which no proof of claim has been filed in the Bankruptcy Court's Claims Register that exceeds \$10,000.00.

Class 5 – Equity Interests. Class 5 consists of all Equity Interests in the Debtor.

TREATMENT OF CLAIMS AND INTERESTS CLASSIFIED UNDER THE PLAN

Articles 4 and 5 of the Plan provide for the treatment of Claims classified in Article 3 of the Plan as follows:

Class 1 – Priority Claims. As of the date hereof, no Priority Claims have been filed.

Class 2 – Secured Creditor's Secured Claim. In full satisfaction, release and discharge of the Secured Creditor's Secured Claim, the Secured Creditor shall obtain fee title to the Property free and clear of all liens, claims and encumbrances by virtue of its purchase of the Property through a combination of credit bidding its allowed secured claim and paying into the Cash Contribution. The Secured Creditor's Secured Claim is estimated to be \$900,419.18 as of the anticipated November 30, 2017 Effective Date, and may be adjusted to include any and all post-petition charges, penalties, attorney's fees, accrued interest, protective advances and all other sums that the Secured Creditor is entitled to pursuant to the Note and Mortgage incurred after the Petition Date. The Secured Creditor's Secured Claim of \$900,419.18 (estimated as of the Effective Date), may be adjusted to include any and all post-petition charges, penalties, attorney's fees, accrued interest by virtue of §506(b) of the Bankruptcy Code, protective advances and all other sums which the Secured Creditor is entitled to pursuant to the Note and Mortgage through and including the Closing Date. In the event that the Secured Creditor becomes the Successful Purchaser, it shall be obligated to pay the Cash Contribution at the closing of the Sale of the Properties, which amount shall be deposited in escrow with the Disbursing Agent no later than

seven (7) days prior to the Auction. At the closing, the Properties shall be conveyed to the Secured Creditor or the Successful Purchaser, or their nominee, subject only to the Secured Creditor's existing Mortgage of record if the Secured Creditor so elects in its sole discretion. The Class 2 claimholder is impaired to the extent that does not receive the full amount of its claim and must tender the Cash Contribution, and waives any right to a deficiency against the Debtor. The Class 2 claimholder supports the Plan, and is the Plan Proponent.

Class 3 – NY Claims. Consists of (a) the Secured Claim of City of New York Department of Finance for outstanding property taxes in connection with the Property and (b) the Claim of the NYC Office of Administrative Trials and Hearings for environmental control board violations, as applicable to the Property, in the approximate amount of \$2,000.00. Holders of Class 3 claims shall be paid in full with interest, and are deemed unimpaired and not entitled to vote.

Class 4 – General Unsecured Claims. Class 4 is impaired. Holders of Allowed Claims in Class 4 are entitled to vote to accept or reject the Plan. Each Holder of an Allowed Class 4 Claim shall receive its Pro Rata share of excess Available Cash (but not to exceed 100% of the Face Amount of its Allowed Claim plus allowed interest and not less than 10% of the Pro Rata Face Amount of their Allowed Unsecured Claim). Payments to Holders of Allowed Class 4 Claims shall be made as follows: on the later of (i) fourteen (14) days after the Effective Date; (ii) within fifteen (15) days after the date on which such Claim becomes an Allowed Unsecured Claim; or (ii) such other date as may be determined by the Disbursing Agent. Unless otherwise provided in the Plan, to the extent there is excess Available Cash subsequent to the Effective Date, the Disbursing Agent shall distribute all such excess Available Cash Pro Rata to the Holders of Allowed Class 4 Claims in amounts necessary to allow such Holders to have received aggregate Distributions of Cash up to the Face Amount of their Allowed Claim.

Subject to the provisions of Article 7 of the Plan with respect to Disputed Claims, in full satisfaction, release and discharge of all Allowed Unsecured Claims (excluding deficiency claims), on the Effective Date, each holder of an Allowed Unsecured Claim shall receive a distribution in an amount equivalent to not less than ten percent (10%) percent of their Allowed Unsecured Claims from the Disbursing Agent on account of their Allowed Claims. Holders of Class 4 Allowed Claims are impaired and are entitled to vote for or against the Plan.

Class 5 – Equity Interests. Equity interests shall be terminated on the Effective Date and shall not receive a distribution under the Plan on account of their interests. Equity interests shall remain responsible for winding down the affairs of the Debtor subsequent to the Effective Date. The Debtor's schedules do not indicate, nor is the Secured Creditor aware, of the Debtor retaining anything other than the Property that would need to be administered by the reorganized Debtor. While Equity interest may be impaired, they are not entitled to vote.

TREATMENT OF NON-CLASSIFIED CLAIMS

Pursuant to § 1123(a)(1) of the Bankruptcy Code, the Plan does not classify Administrative Claims entitled to priority treatment under § 507(a)(2) of the Bankruptcy Code or Claims of Governmental Units entitled to priority pursuant to § 507(a)(8) of the Bankruptcy Code. Article 2 of the Plan provides for the manner of treatment of such non-classified Claims.

Administrative Claims. Administrative Claims are the costs and expenses of administration of this Case, allowable under § 503(b) of the Bankruptcy Code, other than Bankruptcy Fees. Administrative Claims include Claims for the provision of goods and service to the Debtor after the Petition Date, the liabilities incurred in the ordinary course of the Debtor's business (other than claims of governmental units for taxes or interest or penalties related to such taxes) after the Petition Date, Claims of professionals, such as attorneys, brokers, appraisers, and accountants, retained pursuant to an order of the Bankruptcy Court, for compensation and reimbursement of expenses under § 330 of the Bankruptcy Code, and tax claims for the period from the Petition Date to the Effective Date of the Plan.

Each holder of an Allowed Administrative Claim shall receive cash in the full amount of its Administrative Claim. It is estimated that the Administrative Claims total not more than \$15,000.00 which consists of the Debtor's counsel's professional fees in the approximate amount of \$15,000.00.

Each Administrative Claim, shall be paid by the Disbursing Agent in Cash in full on (i) the later of the Effective Date, the date payment of such Claim is due under the terms thereof or applicable law, or three business days after such Claim becomes an Administrative Claim, or (ii) as may be otherwise mutually agreed in writing between the Disbursing Agent and the holder of such Claim, provided, however, that any Allowed Administrative Claim incurred by the Debtor in the ordinary course of its business shall be paid in full in accordance with the terms and conditions of the particular transaction giving rise to such Allowed Administrative Claim and any agreements relating thereto.

Article 2 of the Plan sets a final date for the filing of Administrative Claims against the Debtor. The Administrative Bar Date is the first Business Day that is fifteen (15) days after Confirmation.

Bankruptcy Fees. All fees and charges assessed against the Debtor of its Estate under § 1930 of title 28 of the United States Code and any applicable interest thereon shall be paid by the Disbursing Agent in Cash in full as required by statute, and until the closing, conversion or dismissal of this case, whichever is earlier. The Disbursing Agent shall continue to be responsible for the payment of any such fees and charges. It is estimated that Bankruptcy Fees and charges will be approximately \$6,000.00, or such greater sum as necessary to satisfy the Office of the United States Trustee.

Professional Fees. 11 U.S.C. § 330 of the Bankruptcy Code sets the standard for the determination by the Bankruptcy Court of the appropriateness of fees to be awarded to Professionals retained by the Debtor in a case under the Bankruptcy Code. In general, bankruptcy legal services are entitled to command the same competency of counsel as other cases. "In that light, the policy of this section is to compensate attorneys and other professionals serving in a case under title 11 at the same rate as the attorney or other professional would be compensated for performing comparable service other than in a case under title 11." 124 Cong. Rec. H11091 (Daily ed. Sept. 28, 1978).

Reasonable compensation due to the Debtor's retained professionals pursuant to § 330 of the Bankruptcy Code, as determined by the Bankruptcy Court, shall be payable in full and in Cash

on the Effective Date unless otherwise agreed to in writing between the holder of such claim and the Debtor and approved by the Bankruptcy Court. After speaking with the Debtor's counsel, it is estimated that the Debtor's professional's compensation should not exceed \$15,000.00.

DISPUTED CLAIMS

Article 7 of the Plan contains a mechanism for resolving disputes concerning the amount of certain Claims asserted against the Debtor by any Entity. The Secured Creditor has every intention of litigating with the large and unexplained unsecured claims listed by the Debtor in its Petition and Schedules, but upon which no proof of claim has been filed, before the Bankruptcy Court.

Time to Object. Unless otherwise ordered by the Bankruptcy Court, objections to the allowance of any Claim must be filed no later than forty-five (45) days after the Effective Date. Until the earlier of (i) the filing of an objection to a Proof of Claim or (ii) the last date to file objections to Claims as established by the Plan or by Final Order, Claims shall be deemed to be Disputed in their entirety if, (x) the amount specified in a Proof of Claim exceeds the amount of any corresponding Claim listed in the Schedules; (y) any corresponding Claim listed in the Schedules has been scheduled as disputed, contingent or unliquidated; or (z) no corresponding Claim has been listed in the Schedules.

DISTRIBUTIONS UNDER THE PLAN

Article 7 contains provisions governing the making of Distributions on account of Claims and Interests. In general, any payments, distributions or other performance to be made pursuant to the Plan on account of any Allowed Claim or Allowed Interest shall be deemed to be timely made if made on or within fifteen (15) days following the later of (i) the Effective Date, or (ii) the expiration of any applicable objection deadline with respect to such Claim or Interest, or (iii) such other times provided in the Plan. All Cash payments to be made pursuant to the Plan shall be made by check drawn on a domestic bank.

Disbursing Agent. In the event that the Secured Creditor is the Successful Bidder at the Sale, then and only then, will Kriss & Feuerstein LLP act as the Disbursing Agent, in order to make Distributions under the Plan for all claims against the Debtor's Estate. The Disbursing Agent shall not be compensated for services rendered under the Plan and shall not be required to secure a bond. The Disbursing Agent shall not incur any liability, other than for gross negligence, willful misconduct, criminal conduct, or for any claim for liability pursuant to 28 U.S.C. § 959 in connection with carrying out its duties under the Plan, which liability shall be expressly limited to the period commencing from the date of the Disbursing Agent's receipt of the Cash Contribution and ending on the date that all disbursements contemplated by the Plan have been distributed.

In the event that the Secured Creditor is not the Successful Bidder under the Plan, the auctioneer retained in the Sale Motion to be filed by the Secured Creditor shall act as Disbursing Agent, and in connection therewith, will be responsible for collecting all sale proceeds and paying

all distributions pursuant to the Plan. In the event that the Secured Creditor is not the Successful Bidder at the Sale, a commission will be due the Disbursing Agent pursuant to the terms and conditions set forth in the Sale Motion, to be filed by the Secured Creditor.

Distributions shall be made: (1) at the addresses set forth on the Proofs of Claim or Proofs of Interests filed by such holders; (2) at the addresses set forth in any written notices of address changes delivered to the Disbursing Agent after the date of any related Proof of Claim or Proof of Interest; or (3) at the address reflected in the Schedules if no Proof of Claim or Proof of Interest is filed and the Disbursing Agent has not received a written notice of a change of address. If the Distribution to the holder of any Claim or Interest is returned to the Disbursing Agent as undeliverable, no further Distribution shall be made to such holder unless and until the Disbursing Agent is notified in writing of such holder's then current address.

UNCLAIMED DISTRIBUTIONS

Any Cash or other property to be distributed under the Plan shall revert to the Disbursing Agent and such creditor shall forfeit its right to receive any Distribution(s) under this Plan if such Distribution is not claimed by the Entity entitled thereto before the later of (i) 90 days after the Effective Date or (ii) 90 days after an Order allowing the Claim of that Entity becomes a Final Order or are otherwise Allowed. Any such forfeited sums shall then be retained by the Plan Proponent.

DISTRIBUTIONS WITH RESPECT TO DISPUTED CLAIMS

During the pendency of any objection to any Claim, no Distribution under the Plan will be made to the holder of such Claim. However, there will be set aside and reserved on behalf of such disputed Claim such cash or property as the holder thereof would be entitled to receive in the event such Claim was an Allowed Claim on the date of such Distribution. The Debtor may seek an order of the Bankruptcy Court estimating or limiting the amount of Cash or property that must be deposited in respect of any such Disputed Claims. Cash held in reserve for Disputed Claims will be held in trust for the benefit of the holders of such Claims.

Within 15 days after the entry of a Final Order resolving an objection to a Disputed Claim, the Disbursing Agent shall distribute all Cash or other property, including any interest, dividends or proceeds thereof, to which a holder is then entitled with respect to any formerly Disputed Claim that has become an Allowed Claim. To the extent practicable, the Disbursing Agent shall hold such cash in a segregated account in accordance with § 345 of the Bankruptcy Code, and may invest any cash or other property segregated on account of a Disputed Claim, Disputed Interest, undeliverable distribution, or any proceeds thereof; however, the Disbursing Agent shall be under no obligation to so invest such Cash or proceeds and shall have no liability to any party for any investment made or any omission to invest such Cash, other property or proceeds.

SURRENDER OF INSTRUMENTS

No Creditor that holds a note or other instrument of the Debtor evidencing such Creditor's Claim may receive any distribution with respect to such Claim or Interest unless and until the note or other instrument evidencing such Claim is surrendered pursuant to the provisions of the Plan.

In the event an instrument evidencing a claim has been lost, stolen or mutilated, the Disbursing Agent may request reasonable affidavits and indemnification by a financially responsible party before making any distribution(s) to such Creditor.

COMPLIANCE WITH TAX REQUIREMENTS

In connection with the Plan, the Debtor shall not be relieved of, and shall comply with all withholding and reporting requirements imposed by federal, state and local taxing authorities, and distributions under the Plan shall be subject to such withholding and reporting requirements.

EFFECTIVE DATE

The Effective Date of the Plan is defined as the Closing Date of the sale of the Property.

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Effective on and as of the Effective Date, all Executory Contracts and Unexpired Leases to which the Debtor is a party shall be deemed rejected in accordance with § 365 of the Bankruptcy Code, EXCEPT those pertaining to leases between the Debtor and residential tenants at the Property. The Plan Proponent does not believe that there are any executory contracts and unexpired leases which would be subject to rejection since all leases are believed to be between the Debtor and residential tenants at the Property. For the avoidance of doubt, only residential leases between the Debtor and tenants at the Property shall remain in full force and effect subject to their terms. In addition, on the Effective Date, the Disbursing Agent may provide the Plan Proponent, or its nominee, with an assignment and assumption of all residential leases at the Property and the right to collect any and all rent arrears from existing tenants.

Rejection Claims. Allowed Claims arising from the rejection of any Executory Contract or Unexpired Lease of the Debtor pursuant to the Plan shall be treated as Unsecured Claims. A Proof of Claim with respect to any Unsecured Claim for damages arising from the rejection of an Executory Contract or Unexpired Lease pursuant to the Plan must be filed with the Bankruptcy Court and served so that it is received by the Disbursing Agent within 15 days after the later of (i) the date of entry of a Final Order approving such rejection (unless such Final Order expressly provides a Bar Date with respect to such Claim, in which event no Proof of Claim with respect to such Claim shall be deemed timely unless it is filed with the Bankruptcy Court and served in the manner provided in such Final Order), or (ii) the date the Plan is Confirmed. Any such Claim not timely filed and served shall be forever barred from assertion and may not be enforced against either the Debtor, the Plan Proponent (or its nominee), their successors or their respective Property.

TRANSFER OF THE PROPERTY

Except as otherwise provided in the Plan, on the Effective Date all of the assets and Property of the Debtor's Estate shall vest in the Plan Proponent, or its nominee, free and clear of all Liens, Claims and encumbrances and the Debtor shall cooperate with the execution of any and all documents needed to facilitate the transfer of the Property. On the Effective Date, any and all Liens, Claims and encumbrances that have not been expressly preserved under the Plan shall be deemed extinguished as of such date. Furthermore, on the Effective Date or as soon as practicable

thereafter, all rent arrears, leases, insurance claims and proceeds thereof to which the Debtor was entitled, shall be assigned by the Disbursing Agent to the Plan Proponent and/or its nominee.

FUNDING

The Plan will be funded by proceeds made available as a result of the Sale of the Properties, and in the event that the Secured Creditor becomes the Successful Bidder at the Sale, by and through the Cash Contribution on the Effective Date, or as soon as practicable thereafter. A detailed breakdown of how the Plan Proponent intends to fund the plan is as follows. The Secured Creditor has escrowed with the Disbursing Agent, the sum of \$75,000.00.

The Plan Proponent estimates that Debtor's counsel's legal fees total approximately \$15,000.00, and the estimated fees due to the Office of the United States Trustee upon a sale of the Property will total approximately than \$6,000.00.

In order to pay a ten (10%) *pro rata* distribution on account of estimated Administrative Claims and quarterly fees due to the Office of the United States Trustee (estimated to be \$6,000.00), the Secured Creditor's Secured Claim (\$900,419.18), NY Claims (\$1,875.00), General Unsecured Claims (\$582,529.78), and Administrative Claims in the amount of \$15,000.00 in full, the Plan Proponent is prepared to bid in the amount of its Claim and pay Cash in the sum of \$75,000.00. Any remaining funds after the payment to holders of Allowed Claims in Classes 1 through 6, shall be retained by the Plan Proponent.

The Debtor shall take all necessary steps and perform all acts to consummate the terms and conditions for the Plan. The Confirmation Order shall contain appropriate provisions consistent with § 1142 of the Bankruptcy Code, directing the Debtor and any other necessary party to execute or deliver or to join in the extension or delivery of any instrument required to affect the Plan or to perform any act necessary to consummate the Plan.

Except as set forth elsewhere in the Plan, all payments required to be made under the Plan shall be made by the Disbursing Agent for disbursement in accordance with the terms of the Plan.

PRESERVATION OF RIGHTS OF ACTION

The Debtor shall retain, and in accordance with its determination of the best interest of the estate, may enforce any claims, rights and causes of action (i) arising under §§ 544 through 550 of the Bankruptcy Code or (ii) belonging to the Debtor as of the Petition Date, or the Estate, and arising under any provision of state or federal law, or any theory of statutory or common law or equity.

POST-CONFIRMATION OPERATING REPORTS AND UNITED STATES TRUSTEE'S FEES

The Debtor shall be responsible for the preparation and filing of monthly operating reports and post-confirmation status reports which post-confirmation status reports shall be filed until the closing of the Debtor's Chapter 11 Case by means of a final decree, dismissal or conversion of this case, whichever is earlier. Within 10 days of the Effective Date, the Disbursing agent shall file a closing report detailing all disbursements made at the closing on the Property. All outstanding

quarterly fees and any applicable interest due thereon payable to the Office of the United States Trustee shall be paid by the Disbursing Agent until entry of a final decree, conversion or dismissal, whichever is earlier.

TRANSFER TAXES

Pursuant to § 1146(a) of the Bankruptcy Code, the initial issuance, transfer, or exchange of any security and the making or delivery of any instrument of transfer in connection with or in furtherance of the Plan (including any instrument executed in furtherance of the transactions contemplated by the Plan including but not limited to the sale of the Property to the Plan Proponent) shall be exempt and shall not be subject to tax under any law imposing a Transfer Tax, mortgage recording tax or similar tax as set forth in the Plan. In connection therewith, the Plan Proponent shall have the protections afforded under the “good faith” purchaser provisions of § 363(m) of the Bankruptcy Code and all stay provisions under Bankruptcy Rule 6004(h) or elsewhere will be waived.

REVOCAION OF THE PLAN

The Plan may be altered, amended, modified or withdrawn by the Plan Proponent at any time before substantial consummation of the Plan, as provided in §§ 1101(a) and 1127 of the Bankruptcy Code and Bankruptcy Rule 3019. § 1127 of the Bankruptcy Code authorizes the proponent of a plan of reorganization to modify such plan at any time prior to confirmation of the plan so long as the plan, as modified, continues to meet certain technical requirements of §§ 1122 and 1123 of the Bankruptcy Code with respect to the classification of Claims and Interests and the contents of a plan. Prior to Confirmation, if a Plan Proponent files modifications to the Plan, pursuant to § 1127(a) “the plan as modified becomes the plan.” No order of the Court is required to modify the Plan under the terms of § 1127(a); however, the proponent of a modification to a plan must comply with § 1125 of the Bankruptcy Code with respect to the plan as modified.

If the Plan Proponent revokes or withdraws the Plan, or if no Confirmation Order is entered, the Plan shall be null and void, and nothing contained in the Plan shall constitute a waiver or release of any Claims by or against, or any Interest in the Debtor in any further proceedings involving the Debtor.

RETENTION OF JURISDICTION

The Plan contains detailed provisions providing for the retention of jurisdiction by the Bankruptcy Court over the Case for the purposes of, *inter alia*, determining all disputes relating to Claims or Interests and other issues presented by or arising under the interpretation, implementation or enforcement of the Plan.

RISK FACTORS

Plan payments are to be made from the Sale proceeds which will come primarily from the Cash Contribution. There can be no assurance that the sale of the Property will occur.

CONFIRMATION OF THE PLAN

All Distributions to holders of Allowed Claims are contingent on the Plan being confirmed by this Court. Otherwise, the Debtor is not obligated to make the payments required hereunder.

CONFIRMATION HEARING

The Bankruptcy Code requires that the Bankruptcy Court, after notice, hold a hearing to consider confirmation of the Plan. **The Confirmation Hearing is scheduled to commence on _____, 2017 at 10:00 a.m. in the United States Bankruptcy Court, 271-C Cadman Plaza East, Brooklyn, New York.** The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the Confirmation Hearing.

The Bankruptcy Court has directed **that objections, if any, to confirmation of the Plan be filed and served on or before _____ at 5:00 p.m.** Objections must be served upon (i) Counsel to the Debtor: Arlene Gordon-Oliver & Associates., 199 Main Street, Suite 203, White Plains, New York 10601 - Attn: Arlene Gordon-Oliver, Esq., (ii) Counsel to the Plan Proponent, Kriss & Feuerstein LLP., 360 Lexington Avenue, Suite 1200, New York, New York, New York 10017 – Attn: Jason S. Leibowitz, Esq., (iii) The United States Trustee, U.S. Federal Office Building, 201 Varick Street, Suite 1006, New York, New York 10014-9449 – Attn: Mary Lou Martin, Esq. and be filed electronically in accordance with the Court's ECF procedures.

REQUIREMENTS FOR CONFIRMATION

At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of § 1129 of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. These requirements include determinations by the Bankruptcy Court that: (i) the Plan has classified Claims and Interests in a permissible manner, (ii) the contents of the Plan comply with various technical requirements of the Bankruptcy Code, (iii) the Plan Proponent has proposed the Plan in good faith, (iv) the Plan Proponent has made disclosures concerning the Plan that are adequate and include information concerning all payments made or promised in connection with the Plan and the Case, (v) the Plan is in the "best interests" of all Creditors and Interest Holders; and (vi) the Plan is feasible. The Plan Proponent believes that all of these conditions have been or will be met prior to the Confirmation Hearing.

Best Interest Test. The so-called "best interest" test requires that each impaired Creditor and impaired Interest Holder either (a) accepts the Plan or (b) receives or retains under the Plan property of a value, as of the Effective Date of the Plan, that is not less than the value such entity would receive or retain if the Debtor was to be liquidated under chapter 7 of the Bankruptcy Code.

To determine what the holders in each Class of Claims or Interest would receive if the Debtor were liquidated under Chapter 7, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtor's assets in a chapter 7 liquidation case. The amount that would be available for satisfaction of Allowed Claims against and Allowed Interests in the Debtor would consist of the proceeds resulting from the disposition of the Debtor's assets, augmented by the cash held by the Debtor. Such amount would be reduced by the amount

of any Claim or Claims secured by the Debtor's assets, the costs and expenses of the liquidation, and such additional Administrative Claims and Priority Claims that may result from the termination of the Debtor's business. Such value is then juxtaposed against the amount creditors are receiving under the Plan to determine if the value each impaired creditor is receiving is the same or more than such creditor would receive from a Chapter 7 liquidation on the Confirmation Date.

The costs of liquidation under Chapter 7 would become Administrative Claims with the highest priority against the proceeds of liquidation. Such costs would include the fees payable to a Chapter 7 trustee, as well as those which might be payable to attorneys, financial advisors, appraisers, accountants and other professionals that such trustee may engage to assist in the liquidation. In addition, Chapter 7 costs would include any liabilities incurred or assumed pursuant to the transactions necessary to effectuate the liquidation. Moreover, claims entitled to administrative priority may arise by reason of any breach or rejection of any executory contracts entered into by the Debtor during the pendency of the Case in chapter 11.

After satisfying Administrative Claims arising in the course of the chapter 7 liquidation, the proceeds of the liquidation would then be payable to satisfy any unpaid expenses incurred during the time this Case was pending under chapter 11, including compensation for attorneys, financial advisors, appraisers, accountants and other professionals retained by the Debtor.

Liquidation Analysis. The Plan Proponent has concluded that the Plan provides to each Creditor and Interest Holder a recovery with a *present value* which equals the distribution that such person would receive if the Debtor were to be liquidated under Chapter 7 of the Bankruptcy Code. The Plan provides for the Debtor's reorganization, the payment of all of the Debtor's outstanding secured indebtedness, and 100% plus interest to holders of all other Allowed Claims. Since Creditors would not be entitled to receive more than 100% plus interest in a Chapter 7 liquidation, § 1129(a)(7) of the Bankruptcy Code is satisfied.

Feasibility. For the Plan to be confirmed, it must be demonstrated that consummation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor. This Plan calls for the sale of the Debtor's Property to the Plan Proponent. Thus, the Plan meets the feasibility requirements of the Bankruptcy Code as long as the Plan Proponent deposits the Cash Contribution in Escrow prior to the Confirmation Hearing.

EFFECT OF CONFIRMATION

LIMITATION OF LIABILITY

11 U.S.C. § 1125(e) of the Bankruptcy Code, commonly referred to as the "safe harbor," protects persons acting in good faith, from civil claims arising in connection with solicitations of acceptances of plans of reorganization or participating in the offer, issuance, sale or purchase of a security under the Plan. Pursuant to § 1125(e), as set forth in Article 8 of the Plan, neither the Plan Proponent or its nominee, nor any of their respective officers, directors, members, general partner, managers or employees (acting in such capacity), nor any professional person employed by any of them 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 other action taken or omitted to be taken in connection with the Plan except in the case of fraud, gross negligence, willful misconduct, malpractice, breach of fiduciary duty, criminal conduct, unauthorized use of confidential information that causes damages, or ultra vires acts. Nothing contained herein shall limit the liability of the Debtor's professionals pursuant to Rule 1.8(h)(1) of the New York State Rules of Professional Conduct. From and after the Effective Date, a copy of the Confirmation Order and the Plan shall constitute, and may be submitted as, a complete defense to any claim or liability released to the extent provided by Article 8 of the Plan.

ALTERNATIVES TO THE PLAN

If the Plan is not confirmed by the Bankruptcy Court the alternatives may include (a) liquidation of the Debtor under chapter 7 of the Bankruptcy Code or (b) the formulation, promulgation and confirmation or an alternative plan of reorganization involving a sale to a different purchaser; or (c) the dismissal of the Debtor's case.

The Plan Proponent believes that the Plan provides a recovery to all Creditors and Interest Holders equal to or greater than would be obtainable in chapter 7 liquidation or foreclosure sale and believes that the Plan enables Creditors to realize the most value under the circumstances.

The Plan Proponent reserves their right to file an amended plan and/or disclosure statement.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following summary of certain U.S. Federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon the particular circumstances pertaining to each holder of an Allowed Claim. Each holder of an Allowed Claim is urged to consult his own tax advisors. This summary does not cover all potential U.S. federal income tax consequences that could possibly arise under the Plan and does not address the Plan's U.S. federal income tax consequences for any holder of an Allowed Claim that is a partnership (or other pass-through entity) or otherwise subject to special tax rules.

The Plan Proponent have not requested any ruling from the Internal Revenue Service or any other taxing authority with respect to such matters nor will the Plan Proponent, with respect to the federal income tax consequences of the Plan, obtain any opinion of counsel. Consequently, there can be no assurance that the treatment set forth in the following discussion will be accepted by the IRS. The Plan Proponent offers no statements or opinions that are to be relied upon by the creditors as to the treatment of creditors' claims under the Plan. Matters not discussed in this Disclosure Statement may affect the tax consequences of the Plan on any particular holder of a Claim or Equity Interest

This summary is based upon the laws in effect on the date of this Disclosure Statement and existing judicial and administrative interpretations thereof, all of which are subject to change, possibly with retroactive effect. Holders of Allowed Claims should consult their own tax advisors as to the Plan's specific federal, state, local and foreign income and other tax consequences.

The tax consequences to Creditors and Interest Holders will differ and will depend on factors specific to each Creditor or Interest Holder, including but not limited to: (i) whether the Claim or Interest (or portion thereof) constitutes a claim for principal or interest; (ii) the origin of the Claim or Interest; (iii) the type of consideration received by the Creditor or Interest Holder in exchange for the Claim or Interest; (iv) whether the Creditor or Interest Holder is a United States person or foreign person for tax purposes; (v) whether the Creditor or Interest Holder reports income on the accrual or cash basis method; (vi) whether the Creditor or Interest Holder has taken a bad debt deduction or otherwise recognized loss with respect to a Claim or Interest.

THERE ARE MANY FACTORS WHICH WILL DETERMINE THE TAX CONSEQUENCES TO EACH CREDITOR OR INTEREST HOLDER. FURTHERMORE, THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX, AND IN SOME CASES, UNCERTAIN. THEREFORE, IT IS IMPORTANT THAT EACH CREDITOR OR INTEREST HOLDER OBTAIN HIS, HER OR ITS OWN TAX ADVICE REGARDING THE TAX CONSEQUENCES TO SUCH CREDITOR OR INTEREST HOLDER AS A RESULT OF THE PLAN.

THE DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY CREDITOR OR INTEREST HOLDER FOR THE PURPOSE OF AVOIDING TAX PENALTIES THAT MAY BE IMPOSED ON A TAX PAYER. THE DISCUSSION HEREIN WAS WRITTEN TO SUPPORT THE TRANSACTIONS DESCRIBED IN THIS DISCLOSURE STATEMENT. EACH CREDITOR OR INTEREST HOLDER SHOULD SEEK ADVICE BASED UPON THE CREDITOR'S OR INTEREST HOLDER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

ADDITIONAL INFORMATION

Requests for information and additional copies of this Disclosure Statement and the other materials delivered together herewith and all deliveries, correspondence and questions, as the case may be, relating to the Plan should be directed to (i) Counsel to the Debtor: Arlene Gordon-Oliver & Associates., 199 Main Street, Suite 203, White Plains, New York 10601 - Attn: Arlene Gordon-Oliver, Esq., (ii) Counsel to the Plan Proponent, Kriss & Feuerstein LLP., 360 Lexington Avenue, Suite 1200, New York, New York, New York 10017 – Attn: Jason S. Leibowitz, Esq., (iii) The United States Trustee, U.S. Federal Office Building, 201 Varick Street, Suite 1006, New York, New York 10014-9449 – Attn: Mary Lou Martin, Esq. or (iv) may be retrieved from the Court's web site at <https://ecf.nyeb.uscourts.gov> (provided such party has PACER access) by searching Case No.: 1:15-40000-scc.

Copies of all pleadings, orders, lists, schedules, proofs of claims or other documents submitted in these cases are on file in the Office of the Clerk of the United States Bankruptcy Court, Eastern District of New York, One Bowling Green, New York, New York 11201, and are available for public inspection Monday through Friday, between the hours of 9:00 a.m. and 5:00 p.m.

CONCLUSION

The Plan Proponent believes that confirmation of the Plan is in the best interests of all Creditors.

Dated: New York, New York
August 3, 2017

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