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

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In re:

477 West 142nd Street Housing Dev. Fund Corp,

Debtor.

Chapter 11

Case No. 15-12178 (SHL)

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**DISCLOSURE STATEMENT PERTAINING TO THE AMENDED PLAN (THE
“PLAN”) PROPOSED BY SHIRLEY PITTS AS PRESIDENT AND SHAREHOLDER IN
THE DEBTOR**

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 FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT.

THIS DISCLOSURE STATEMENT IS BEING SUBMITTED WITH RESPECT TO THE PLAN OF REORGANIZATION OF SHIRLEY PITTS, AS PRESIDENT AND SHAREHOLDER TO THE DEBTOR “PLAN PROPONENT.”

ALL NON-INSIDER CREDITORS ARE DEEMED TO HAVE ACCEPTED THE PLAN BY VIRTUE OF THEIR BEING UNIMPAIRED AND DO NOT HAVE A RIGHT TO VOTE ON THE PLAN.

ALL CAPITALIZED TERMS CONTAINED IN THE DISCLOSURE STATEMENT SHALL HAVE THE SAME MEANING AS THOSE CONTAINED IN THE PLAN.

COURT APPROVAL OF THE DISCLOSURE STATEMENT DOES NOT CONSTITUTE COURT APPROVAL OF THE TERMS OF THE PLAN.

INTRODUCTION

Shirley Pitts (hereinafter referred to as "Pitts" or the "Plan Proponent"), hereby submits this Disclosure Statement (hereinafter the "Disclosure Statement") in connection with the amended plan of reorganization (hereinafter the "Plan") under Chapter 11 of the United States Bankruptcy Code. A copy of the Plan is attached hereto as Exhibit A. All Creditors are urged to carefully review the Plan and Disclosure Statement. All capitalized terms used but not defined herein shall have the meaning set forth in the Plan.¹ **Also, all exhibits to this Disclosure Statement are incorporated into and are part of this Disclosure Statement as if set forth in full herein.**

This Disclosure Statement is not intended to replace a review and analysis of the Plan. Rather, it is submitted as a summary of the Plan in an effort to explain the terms and implications of the Plan. Every effort has been made to fully explain the various aspects of the Plan as it affects all Creditors, holders of Interests in the Debtor and other parties-in-interest. To the extent a Creditor has any questions, please contact counsel to the Plan Proponent (whose address and telephone number are listed on the cover of this Disclosure Statement) for assistance.

¹ Unless the context otherwise requires, any capitalized term used herein and not defined in the Plan, but defined in the Bankruptcy Code or Bankruptcy Rules, shall have the meaning set forth therein. Wherever from the context it appears appropriate, each term stated in either of the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter. The words "herein," "hereof," "hereto" and "hereunder," and other words of similar import, refer to this Disclosure Statement as a whole and not to any particular portion hereof. The word "including" shall mean "including, without limitation."

EXCEPT AS SET FORTH IN THIS DISCLOSURE STATEMENT, NO REPRESENTATIONS CONCERNING THE DEBTOR, ITS ASSETS, ITS PAST OR FUTURE OPERATIONS, OR THE PLAN ARE AUTHORIZED BY THE PLAN PROPONENT, NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED UPON, IN ARRIVING AT A DECISION WITH RESPECT TO THE PLAN.

THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BASED UPON INFORMATION SUPPLIED BY THE PLAN PROPONENT BASED UPON AVAILABLE PUBLIC INFORMATION REGARDING THE DEBTOR. AS INDICATED HEREIN, THE FINANCIAL INFORMATION WITH RESPECT TO THE DEBTOR'S ASSETS AND LIABILITIES ARE ESTIMATES BASED UPON THE AVAILABLE INFORMATION. THE PLAN PROPONENT, HOWEVER, CANNOT REPRESENT THAT FUTURE EVENTS MAY NOT REQUIRE CHANGES TO THE INFORMATION CONTAINED HEREIN.

I. DISCLAIMERS AND ENDORSEMENTS

This Disclosure Statement contains information supplementary to the Plan and is not intended to take the place of the Plan itself. All of the financial information contained in this Disclosure Statement has been provided by the Plan Proponent and has not been subject to a certified audit. This Disclosure Statement is accurate to the best of the knowledge, information and belief of the Plan Proponent based on information supplied by the Debtor. The Plan Proponent has endeavored to make this Disclosure Statement as clear and accurate as possible.

PLEASE READ THIS DISCLOSURE STATEMENT, INCLUDING THE PLAN, IN ITS ENTIRETY. A COPY OF THE PLAN IS ANNEXED HERETO AS EXHIBIT A. THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN FOR THE CONVENIENCE OF CREDITORS AND EQUITY INTEREST HOLDERS, BUT THE PLAN ITSELF QUALIFIES ALL SUCH SUMMARIES. ACCORDINGLY, IF ANY

INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN SHALL CONTROL.

II. GENERAL INFORMATION REGARDING THE DEBTOR

Background of Debtor's Business

The Debtor is primarily in the business of ownership of real property located at 477 West 142nd Street, New York, New York, also known as 1661-1669 Amsterdam Avenue, New York, New York, and identified on a tax map as block 2058, lot 29 (the "Property"). The Property is comprised of a residential building. The building is a 5 story walk up comer property located in the Hamilton Heights Historic District. The first floor consists of 4 commercial spaces. Floors 2, 3, 4 and 5 have two apartments each. Each apartment is numbered one through 8. The odd numbered apartments are in the south section of the building. The even numbered units are in the north section of the building. The building is approximately 80 years old. In addition, an exterior wall of the building has been rented for advertising purposes.

The Property is a Housing Development Fund Corporation ("HDFC") property which is a special type of limited equity housing cooperative in New York City which is incorporated under Article XI of the New York State Private Housing Finance Law and the Business Corporation Law (BCL). Under this law, the City of New York is able to sell buildings directly to tenant or community groups to provide low-income housing. Many HDFCs were created through a process of co-op conversion of a foreclosed, city-owned property.

An HDFC is a form of co-op housing intended for low-income New Yorkers. The bulk of these income-restricted co-ops came into being after thousands of derelict apartments were seized by the city in the late 1970s. The city began fixing up the buildings, then allowed tenants to buy

them for nominal amounts and turn them into low-income co-ops. The buildings were concentrated on the Lower East Side and in Upper Manhattan, Brooklyn and the South Bronx.

The Debtor was organized as a Housing Development Fund Corporation on or about April 2, 1982 pursuant to the provisions of Article XI of the Private Housing Finance Law of the State of New York. By deed, dated December 7, 1982, the City of New York granted the Property to the Debtor.

As with many HDFC's, however, the Debtor did not live up to its original promise. The primary reason for that is the shareholders failure to pay maintenance. To make matters worse those same shareholders who failed to pay the maintenance have been waging a loud and bellicose campaign to keep their shares and commandeer the Property, while having failed to pay maintenance in over twenty years. Accordingly, in or about 2007, after the Debtor failed to pay its taxes, the City of New York foreclosed upon the Property. By judgment of foreclosure, dated June 11, 2007, the Supreme Court of the State of New York, New York County, authorized the Commissioner of Finance of the City of New York to prepare and execute a deed conveying to the City or to a third party deemed qualified and designated by the Commissioner of the New York City Department of Housing Preservation and Development full and complete title to the Property.

In order to resolve the tax lien obligation, in or about September 20, 2007, the Debtor executed (I) a mortgage note in the principal amount of \$650,000.00, dated September 20, 2007, in favor of the Original Lender ("Note"); and (ii) a mortgage and security agreement, dated September 20, 2007, in favor of the Original Lender, encumbering the Mortgaged Premises and securing the repayment of the Note ("Mortgage"). The Mortgage was duly recorded with the New York City Office of the City Register on October 4, 2007 at CRFN 2001000507377.

That obligation was unable to be serviced properly and on about February 3, 2009, the Original Lender commenced an action to foreclose the lien of the Mortgage in the Supreme Court of the State of New York, County of New York (the "Foreclosure Action"). Thereafter, By order, signed by the Honorable Milton A. Tingling, J.S.C. on October 29, 2013, and entered in the New York County Clerk's Office on November 21, 2013, the Court granted summary judgment in favor of the Original Lender, and referred the matter to C. Sidney Lester, Esq., as referee to compute the amount due.

In the interim, by instrument dated March 23, 2015, and duly filed and recorded with the New York City Office of the City Register at CRFN 2015000123482, the Original Lender assigned all right, title and interest in and to the Mortgage to the current Secured Creditor.

Thereafter, by order, signed by the Honorable Shlomo S. Hagler, J.S.C. on June 10, 2015, and entered in the New York County Clerk's Office on June 26, 2015, the Court granted judgment of foreclosure and sale in favor of 477. The Property was noticed for sale by the referee, which sale was scheduled to occur on August 5, 2015, at the New York County Courthouse, 60 Centre Street New York, New York.

In order to stay the sale, on August 5, 2015 (the "Petition Date"), Shirley Pitts, as the president of Debtor, filed a petition in bankruptcy in the instant matter. As of the Petition Date, there was due and owing to 477 the sum of \$1,725,044.92, plus accrued interest, fees, taxes, insurance and other charges including attorney's fees. In addition to the secured claim of 477, the City of New York, through various agencies have filed claims in excess of \$750,000.00.

III. THE DEBTOR'S CHAPTER 11 CASE

A. The Filing of the Petition

On August 5, 2015, (the "Petition Date") the Debtor filed a voluntary petition (the "Petition") under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Eastern District of New York and continued in the management and operation of its business and property pursuant to §§ 1107 and 1108 of the Bankruptcy Code. The Petition was signed by Shirley Ann Pitts, as President of the Debtor. The Petition was filed *pro se*, that is, without representation by counsel. The Debtor is a single asset real estate case as that term is defined pursuant to § 101(51B) of the Bankruptcy Code. With the Petition, the Debtor filed Schedule A (a required Bankruptcy document), a Creditor Matrix List of Creditors, and a Credit Matrix Verification page.

B. Events Subsequent to the Petition Date

Due to issues related to the dispute over corporate ownership the Debtor was unable to retain counsel. After going through a few candidates unsuccessfully, the Debtor sought to dismiss its case which motion was opposed by other shareholders of the Debtor and was ultimately withdrawn by the Debtor. Accordingly, the Debtor's secured lender, 477, sought to appoint a chapter 11 trustee. By orders, dated March 17, 2016, and March 21, 2016, the Court appointed Gregory Messer as the Chapter 11 Trustee. The Trustee has obtained a Bar Date from the Court which has gone a long way towards assisting in the formulation of the Plan Process.

D. The Plan

The Plan Proponent has engaged in extensive discussion with the Trustee in seeking to reach a consensus on a plan which is fair to the Plan Proponent as well to all the Debtor's constituencies.

The Plan calls for the payment of all allowed Creditor Claims, including Administrative Expenses, Secured Claims, Priority Claims and Unsecured Claims, in full, in Cash on the Effective Date or as soon thereafter as is practicable. The fundamental feature of the Plan is that, in exchange for the Plan Payment in an amount sufficient to pay all allowed Claims, the Equity Interests in the Debtor will be cancelled and extinguished, or, in the alternative, all Equity Interests in the Debtor will be cancelled and new Equity Interests will be issued solely to the Plan Proponent or her nominee.

Additionally, and as set forth below in greater detail. The Plan Proponent will offer a Life Occupancy Lease to each of the verified shareholders as identified in the Plan. Thus, the fundamental purpose of the HDFC will be preserved even though as a practical economical matter the HDFC has not been viable for a very long time. Thus, the Plan will not cause the dispossession of any of verified historical shareholders of the Debtor. The Plan Proponent will require the verified shareholders to accept the Plan in order to get the benefit thereof. To continue to engage in protracted litigation would defeat the purpose of the Plan which is to bring resolution to the Property. The Plan Proponent will also require the commencement of maintenance payments. Any other arrangement leads to economic imbalance and defeats even the purpose of the original HDFC intent, was to always have the shareholders pay maintenance. Indeed, the one factor, which is clearly the reason for the failure of the HDFC is the failure to pay maintenance, which not only proximately caused its economic failure but also was an important cause of the internecine warfare as the lack of economic discipline inevitably leads to chaos. Finally, the Plan also calls for the surrender of possession by squatters. Upon information and belief one or more of the present occupants have no claim to any kind of tenancy or ownership but are simply taking advantage of the situation and squatting at the property. The Plan requires their immediate surrender of the premises or any portion thereof.

In consideration for the Plan Proponents significant economic contribution as well as the Life Occupancies, which obviously significantly devalue the Property, the change in Equity Interest holders will cause the ownership of the Property to go to the Plan Proponent, or her nominee, free and clear of all liens, Claims and encumbrances. The Plan Proponent hereby represents that she has the financial wherewithal to make all the payments required pursuant to the Plan.

Other important elements of the Plan are that:

1. The Debtor shall be dissolved on the Effective Date.
2. The Old Common Stock and Old Common Interests shall be deemed canceled on the Effective Date.
3. The Debtor's certificate of incorporation shall be terminated and shall be of no further force and effect.
4. The Debtor's Bylaws shall be terminated and shall be of no further force and effect.
5. The HDFC status of the Debtor and the Property shall terminate on the Effective Date.
6. The Plan Proponent shall grant a Life Occupancy Lease to each of the Shareholders beginning on the Effective Date, *provided that* each Shareholder accepts the Plan.
7. Each of the Life Occupants shall, on the Effective Date and on the first day of every month thereafter, pay to the Owner the sum of \$1,000, subject to yearly increases as fixed by the New York City Rent Guidelines Board for leases for apartments and lofts located in New York City.

8. Each of the Life Occupants shall have the rights and obligations of a tenant under a lease in the form attached to the Disclosure Statement as Exhibit _____, as such form is in effect on the Effective Date. In no way should such rights entitle such units to rent stabilization to any Life Occupant or any future tenants.

9. Except for the Life Occupants, all other occupants who are not legal tenants shall immediately surrender possession, dominion and control over the Property, or any portion thereof not later than the Effective Date.

10. On the Effective Date, or as soon thereafter as is practicable, the Property shall be transferred from the Debtor to the Plan Proponent or her designee pursuant to the Plan. Any consideration for such transfer (whether by sale or otherwise) shall be used to provide the funds to implement the Plan.

11. Pursuant to the Plan, the Confirmation Order and 11 U.S.C. §§ 363(f) and 1129, the transfer of the Property to the Plan Proponent or her designee shall be free and clear all liens, claims (as such term is defined by section 101(5) of the Bankruptcy Code), encumbrances, rights, remedies, restrictions, interests, liabilities and contractual commitments of any kind or nature whatsoever, whether arising before or after the Petition Date, whether at law or in equity, including all rights or claims based on any successor or transferee liability, all environmental claims, all change in control provisions, all rights to object or consent to the effectiveness of the transfer of the Property to the Plan Proponent or her designee or to be excused from accepting performance by the Plan Proponent or her designee or performing for the

benefit of the Plan Proponent or her designee under any Executory Contract and all rights at law or in equity.

12. On the Effective Date, or as soon thereafter as is practicable, the Property shall be transferred from the Debtor to the Plan Proponent or her designee pursuant to the Plan. Any consideration for such transfer (whether by sale or otherwise) shall be used to provide the funds to implement the Plan.

13. Pursuant to the Plan, the Confirmation Order and 11 U.S.C. §§ 363(f) and 1129, the transfer of the Property to the Plan Proponent or her designee shall be free and clear all liens, claims (as such term is defined by section 101(5) of the Bankruptcy Code), encumbrances, rights, remedies, restrictions, interests, liabilities and contractual commitments of any kind or nature whatsoever, whether arising before or after the Petition Date, whether at law or in equity, including all rights or claims based on any successor or transferee liability, all environmental claims, all change in control provisions, all rights to object or consent to the effectiveness of the transfer of the Property to the Plan Proponent or her designee or to be excused from accepting performance by the Plan Proponent or her designee or performing for the benefit of the Plan Proponent or her designee under any Executory Contract and all rights at law or in equity.

**IV. CLASSIFICATION AND TREATMENT OF CLAIMS, BANKRUPTCY FEES
AND EQUITY INTERESTS.**

Unclassified Claims

United States Trustee Fees. The Debtor shall pay all United States Trustee quarterly fees under 28 U.S.C. § 1930(a)(6), plus interest due and payable under 31 U.S.C. § 3717 on all disbursements in and outside the ordinary course of the Debtor's business, until the earliest of (a) entry of a Final Order, (b) dismissal of the Chapter 11 Case or © conversion of the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code. After entry of the Confirmation Order, the Plan Proponent shall pay all United States Trustee quarterly fees under 28 U.S.C. § 1930(a)(6), plus interest due and payable under 31 U.S.C. § 3717 on all disbursements in and outside the ordinary course of the Debtor's business and shall file quarterly Post Confirmation Reports and schedule quarterly post-confirmation status conferences with the Court.

Priority Tax Claims. Priority Tax Claims are certain unsecured income, employment and other taxes described by Code Section 507(a)(8). As of the Date hereof, the only Priority Tax Claim is the Priority tax Claim of the NYC Department of Finance in the amount of \$21,300.68, pursuant to proof of Claim No. 1, filed on November 13, 2015 by the New York City Department of Finance plus appropriate interest.

Treatment. Allowed Priority Claims shall be paid in full, in Cash, on the Effective Date, or on the date of the entry of the Court's order approving such Priority Claim.

Administration Expenses. Administration Expenses are defined above. The Plan Proponent estimates that total Administration Expenses including all professional fees be no more than \$350,000.00. In addition to the amount of estimated Administration Expenses, the Plan Proponent expects to seek entry of an order under section 503 authorizing the Debtor to pay (a) its actual, necessary expenses and (b) reasonable compensation for its retained professionals.

Treatment. Administration Expenses that require the Court's approval shall be paid in full, in Cash, on the date of the entry of the Court's order approving such Administration Expense. Administration Expenses that do not require approval of the Court shall be paid (a) in the ordinary course of the Debtor's business, (b) on the Effective Date, or as soon thereafter as is practicable, © on such other basis as is agreed upon between the Plan Proponent and the holder of such Administration Expense, or (d) on any combination of (a), (b) or ©.

Impairment. All unclassified claims are deemed to be unimpaired under the Plan.

Class I

Classification: Class II consists of the Secured Claim of 477 Funding Claim. As of the Petition Date, there was due and owing to 477 the sum of \$1,725,044.92, plus accrued interest, fees, taxes, insurance and other charges including attorney's fees.

Treatment: 477 Funding has agreed to modify the terms of the 477 Funding Claim, and has agreed to vote in favor of this Plan only. The Disbursing Agent or Plan Proponent shall pay the allowed amount of the Class I Claims, as allowed, pursuant to such agreement, in Cash, on the Effective Date or as soon as practicable thereafter. Class I is an impaired class and is entitled to vote to accept or reject the Plan.

Class II

Classification: Class III consists of the Secured Claims of the New York City Department of Finance ("DOF"). DOF has filed two secured claims based on Real Estate Taxes. Claim # 4-1 (Amended by #6-1) in the amount of \$173,400.23, has been filed as an Administrative Secured Claim based on post-petition taxes. Claim # 5-1 has been filed in the amount of \$362,021.73 based on pre-petition real estate taxes.

Treatment: The Disbursing Agent or Plan Proponent shall pay the allowed amount of the Class II Claims, as allowed, in full, in Cash, on the Effective Date. Class II is an unimpaired class and is not entitled to vote to accept or reject the Plan.

Class III

Classification: Class III consists of the Secured Claims of the Environmental Control Board in the amount of \$111,669.76, Claim # 3-1.

Treatment: The Disbursing Agent or Plan Proponent shall pay the allowed amount of the Class III Claims, as allowed, in full, in Cash, on the Effective Date. Class III is an unimpaired class and is not entitled to vote to accept or reject the Plan.

Class IV

Classification: Class V consists of the Secured Claims of the Department of Housing Preservation and Development of the City of New York (“HPD”) based upon pre-petition civil penalty judgements obtained for violations and for emergency work orders. HPD has filed three claims #7-1 in the amount of \$5130.00, Claim # 8-1 in the amount of \$9625.00, based on Real Estate Taxes. Claim # 9-1 in the amount of \$10,000.00 and Claim # 10 in the amount of \$46,490.28.

Treatment: The Disbursing Agent or Plan Proponent shall pay the allowed amount of the Class IV Claims, as allowed, in full, in Cash, on the Effective Date. Class IV is an unimpaired class and is not entitled to vote to accept or reject the Plan.

Class V

Classification: Class V consists of all allowed Unsecured Claims against the Debtor. The Trustee has not as yet filed Schedules. The Plan Proponent is not aware of any valid unsecured claims against the Debtor. Three Occupants of the Property, Blakely, Deberry and McClain have filed unsecured claims (#'s 11-14) totaling \$4,250,000.00 These claims appear to be completely baseless and interposed solely for obstructionist purposes. Indeed, they are belied by the fact that these Occupants have historically paid little or no maintenance, and if anything, are heavily indebted to the Debtor for unpaid maintenance. The City Agency claims also demonstrate that no investment of any kind for the upkeep of the Property was being made by these Occupants.

Treatment: The Disbursing Agent or Plan Proponent shall pay the allowed amount of the Class V Claims in full, in Cash, on the Effective Date or as soon as practicable thereafter. Class V is an unimpaired class and is not entitled to vote to accept or reject the Plan.

Class VI

Classification: Class VI consists of the Equity Interests in the Debtor that are held by the Plan Proponent and by all other holders of Equity Interests.

Treatment: In exchange for the Plan Payment and payment of all Creditor Claims and other amounts to be paid pursuant to this Plan, on the Effective Date (a) all outstanding Equity Interests in the Debtor shall be canceled and deemed

terminated and of no force and effect, (b) the holders of such Equity Interests shall not be entitled to retain or receive any property on account of such Equity Interest except to the extent that the four tenants, DeBlakely, Pitts, Callendar and McClain, ¹¹who may have had viable claims to shareholder status will be granted a Life Occupancy Lease except that if any of said tenants, in any manner, directly or indirectly, attempt

¹¹ The only other tenant who has generally asserted that he has shareholder status is Charles Deberry. however, his claim has already been largely debunked in prior pleadings before filed by 447 Funding (Docket # 30) pp.3-4 ¶¶s 8-11, as follows:

8. Mr. DeBerry, however, is not even a shareholder of the Debtor - - - admitting as much in the foreclosure action. The transcript of the State Court proceedings held on August 5, 215 is attached hereto as Exhibit A.
9. In a colloquy with Justice Shlomo Hagler (Ex. A, pp. 6-7, lines 22-14), Mr. DeBerry confirmed that he was not a shareholder:
THE COURT: Let me ask, who else is here? What's your name, please?
MR. DEBERRY: My name is Charles DeBerry.
THE COURT: And what's your connection to the property?
MR. DEBERRY: I've been a resident for 25 years. My uncle was a shareholder. I have applied to be the shareholder after his - - after he died. I am the administrator - -

THE COURT: You're not even a shareholder. You have no standing. You're telling me you're not even a shareholder.
MR. DEBERRY: I'm an heir of the shareholder.
THE COURT: An heir doesn't matter. The corporation has to transfer the shares to your name. Did the corporation transfer the shares to your name?
MR. DEBERRY: They have not.
THE COURT: So you have no standing.

10. Mr. DeBerry provides no evidence that Debtor has transferred or otherwise issued shares to him.
11. Moreover, Mr. DeBerry has not produced any evidence that he is entitled to the shares as a beneficiary of his uncle's estate or otherwise.

to contest or oppose the plan herein or any subsequent version thereof (including any amendment herein) or commences, continues, or prosecutes any legal proceedings to contest the plan herein, including but not limited to the continued prosecution of the bogus proofs of claim referenced in 2.13 above, then such tenant person shall forfeit his or her right to a Life Occupancy Lease and © the deed to the Property shall be transferred to a new entity designated by the Plan Proponent.

Impairment. Class VI is an impaired class and is entitled to vote to accept or reject the Plan.

V. JURISDICTION.

After Confirmation, the Court will retain jurisdiction to resolve, among other matters, issues relating to objections to Claims.

VI. CONFIRMATION REQUIREMENTS AND PROCEDURES.

To be confirmable, the Plan must meet the requirements listed in § 1129(a) or (b) of the Bankruptcy Code. The requirements include that the Plan must be proposed in good faith; at least one impaired class of Claims must accept the Plan, without counting votes of insiders; the Plan must distribute to each Creditor and equity Interest holder at least as much as the Creditor or equity Interest holder would receive in a chapter 7 liquidation case, unless the Creditor or equity Interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129 of the Bankruptcy Code, and they are not the only requirements for confirmation.

a. **Who May Vote or Object.**

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A Creditor or equity Interest holder has a right to vote for or against the Plan only if that Creditor or equity Interest holder has a Claim or equity Interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, holders of Claims who are unimpaired, and are therefore not entitled to vote to accept or reject the Plan. The Plan Proponent shall only send ballots to the holders of Claims in impaired classes.

1. *Allowed Claim or Allowed Equity Interest.*

Only a Creditor or equity Interest holder with an allowed Claim or an allowed Equity Interest has the right to vote on the Plan. Generally, a Claim or Equity Interest is allowed if either (1) the Debtor has scheduled the Claim on the Debtor's Schedules, unless the Claim has been scheduled as disputed, contingent, or unliquidated, or (2) the Creditor has filed a proof of Claim or Equity Interest, unless an objection has been filed to such proof of Claim or Equity Interest. When a Claim or Equity Interest is not allowed, the Creditor or Equity Interest holder cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the Claim or Equity Interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

2. *Impaired Claim or Impaired Equity Interest.*

As noted above, the holder of an allowed Claim or allowed Equity Interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Bankruptcy Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is Not Entitled to Vote.*

The holders of the following five types of Claims and Equity Interests are *not* entitled to

vote:

- A. Holders of Claims and Equity Interests that have been disallowed by an order of the Court;
- B. Holders of other Claims or Equity Interests that are not “allowed Claims” or “allowed Equity Interests”, unless they have been “allowed” for voting purposes.
- C. Holders of Claims or Equity Interests in unimpaired classes;
- D. Holders of Claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Bankruptcy Code;
- E. Holders of Claims or Equity Interests in classes that do not receive or retain any value under the Plan; and
- F. Administrative expenses.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

4. *Who Can Vote in More than One Class*

A Creditor whose Claim has been allowed in part as a secured Claim and in part as an unsecured Claim, or who otherwise hold Claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each Claim.

b. **Votes Necessary to Confirm the Plan.**

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of Creditors or Equity Interests has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cram down” on non-accepting classes, as discussed later in Section B.2.

1. *Votes Necessary for a Class to Accept the Plan.*

A class of Claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (½) of the allowed Claims in the class, who vote, cast their votes to accept the Plan,

and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed Claims in the class, who vote, cast their votes to accept the Plan.

A class of Equity Interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity Interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Non-accepting Classes.*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by § 1129(b) of the Bankruptcy Code. A Plan that binds non-accepting classes is commonly referred to as a “cram down” Plan.

The Code allows the Plan to bind non-accepting classes of Claims or equity Interests if it meets all the requirements for consensual confirmation, except the voting requirements of § 1129(a)(8) of the Bankruptcy Code does not “discriminate unfairly,” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a “cramdown” confirmation will affect your Claim or equity Interest, as the variations on this general rule are numerous and complex.

VII. SATISFACTION OF CLAIMS, INTERESTS AND SETOFFS

Consideration to be received by holders of allowed Claims and Equity Interests pursuant to the Plan shall be in full and final satisfaction, release and discharge of such Claims or Interests, as the case may be.

A plan of reorganization does not discriminate unfairly within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its Claims or Equity Interests. "Fair and equitable" has different meanings for secured and unsecured Claims.

With respect to a Secured Claim, "fair and equitable" means either:

- (a) the impaired secured creditor retains its liens to the extent of its allowed claim and receives deferred cash payments at least equal to the allowed amount of its claim with a present value as of the effective date at least equal to the value of such creditor's interest in the property securing its liens;
- (b) property subject to the lien of the impaired secured creditor is sold free and clear of that lien, with that lien attaching to the proceeds of the sale; or
- © the impaired secured creditor realizes the "indubitable equivalent" of its claim under the plan.

With respect to an Unsecured Claim, "fair and equitable" means either:

- (a) each impaired unsecured creditor receives or retains property of a value equal to the amount of its allowed claim; or
- (b) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan.

In the event one or more classes of impaired Claims rejects the Plan, the Court will determine at the Confirmation Hearing whether the Plan is fair and equitable and does not discriminate unfairly against any rejecting impaired class of Claims.

Disbursing Agent. Lavotshkin shall be the Disbursing Agent under the Plan. The Disbursing Agent or the Plan Proponent shall disburse the Plan Payment in accordance with the Plan, in satisfaction of all Claims against the Debtor's Estate. The Disbursing Agent or the Plan Proponent shall not be compensated for services rendered under the Plan and shall not be required to secure a bond.

VIII TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

a. **Rejection of Executory Contracts and Unexpired Leases.** On 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. The Plan Proponent does not believe that there are any executory contracts and unexpired leases which would be subject to rejection, and therefore there are no “rejection damage Claims” to be asserted.

b. **Rejection Claims.** Allowed Claims arising from the rejection of Executory Contracts and Unexpired Leases of the Debtor shall be treated as Class VI Claims.

c. **Bar to Rejection Claims.** A proof of Claim with respect to any Class IV Claim for damages arising from the rejection of an executory contract or unexpired lease shall not be timely filed unless it is filed with the Bankruptcy Court and served so that it is received by the Debtor within thirty (30) 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 Effective Date. Any such Claim not timely filed and served shall be forever barred from assertion and may not be enforced against the Debtor, or its successors or its respective properties.

IX INJUNCTION AND RELEASES

a. **Injunction.** Except (a) as otherwise provided in the Plan; or (b) as otherwise provided under the Confirmation Order and entered by the Bankruptcy Court, the entry of the Confirmation Order shall forever stay, restrain and permanently enjoin with respect to any Claim or Interest held as of the Effective Date: (y) the commencement or continuation of any action, the employment of process, or any act to collect, enforce, attach, recover or offset from the Property or property of the Debtor’s state that has been, or is to be, distributed under the Plan, and (z) the creation, perfection or enforcement of any lien or encumbrance against the Property or any property of the Estate that has been, or is to be transferred or distributed under the Plan.

Except as otherwise provided in the Plan or Confirmation Order, the entry of the Confirmation Order shall constitute an injunction against the commencement or continuation of any action, the employment of process, or any act, to collect, recover or offset, from the Debtor, from the Plan Proponent, from the Property or from the property of the Estate, any Claim, obligation or debt that was held by any person or entity as of the Effective Date except pursuant to the terms of the Plan.

b. **Limitation of Liability.** Neither the Debtor, the Trustee, the Plan Proponent nor any of their respective officers, directors, or employees (acting in such capacity) nor any professional person employed by any of them (collectively, the “Released Entities”), 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 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. Nothing in the Plan or the Confirmation Order 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, the Plan Proponent or any of their respective members, shareholders, officers, directors, employees, attorneys, advisors, agents, representatives and assigns, nor shall anything in the Plan enjoin the United States or any state or local authority from bringing any claim, suit, action or other proceedings against the Released Entities 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 or local authority, nor shall anything in the 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 Released Entities referred to herein.

c. **Plan and Confirmation Order as Release.** Except as otherwise provided in the Plan, from and after the Effective Date, a copy of the Confirmation Order and the Plan shall constitute a complete defense to any Claim or liability not otherwise asserted in the Plan.

X. ALTERNATIVES TO THE PLAN

The Plan Proponent believes that the Plan provides Creditors with the best possible value that can be realized on their respective Claims. The principle alternatives to Confirmation of the Plan are: (I) confirmation of an alternative plan submitted by the Plan Proponent or by another party in interest or (ii) liquidation of the Debtor under Chapter 7 of the Bankruptcy Code.

a. Alternative Chapter 11 Plan.

If the Plan is not confirmed, the Plan Proponent or a party in interest theoretically could attempt to formulate an alternative Chapter 11 plan. The Plan Proponent believes that, if the Plan is not confirmed, there is a substantial likelihood that any alternative Chapter 11 plan proposed will impair Claims to a far greater degree than the Plan, and may provide for substantially smaller distributions to Creditors on account of their Claims and may result in dispossession of all existing tenants. Furthermore, any attempt to formulate an alternative Chapter 11 plan would necessarily delay Creditors' receipt of any initial distributions to be made and further burden the Debtor's Estate with administrative expenses that would further dilute Creditor recoveries. Accordingly, the Plan Proponent believes that the Plan clearly will enable all Creditors to realize the greatest possible

recovery on their respective Claims with the least delay.

b. **Liquidation Under Chapter 7.**

If the Plan or any other Chapter 11 plan for the Debtor cannot be confirmed under §§ 1129(a) or 1129(b) of the Bankruptcy Code, the Chapter 11 Case may be converted to a case under Chapter 7 of the Bankruptcy Code, in which case a Chapter 7 trustee would be elected or appointed to liquidate the assets of the Debtor for distribution to Creditors pursuant to Chapter 7 of the Bankruptcy Code. In the event of a conversion of the Debtor's Chapter 11 Case to a case under Chapter 7 of the Bankruptcy Code, an additional tier of administrative expenses entitled to priority under § 507(a)(2) of the Bankruptcy Code would be incurred. Such administrative expenses would include the Chapter 7 trustee's commissions and would include fees for the trustee's attorneys, accountants, or other professionals retained by the trustee. It is clear that in a distressed sale liquidation of the Debtor's assets, unsecured Creditors will receive no distribution on their Claims.

c. **Additional Risks.**

In the event that the Plan is not confirmed or the Chapter 11 Case is converted to a case under Chapter 7 of the Bankruptcy Code, the Plan Proponent believes that such inaction or action, as the case may be, will cause substantial expenses to be incurred by the Debtor and will otherwise serve only to unnecessarily prolong the Chapter 11 Case and otherwise negatively affect Creditors' recoveries on account of their Claims.

XI. TAX CONSEQUENCES

The following discussion summarizes certain federal income tax consequences of the Plan to the Debtor and the holders of Claims based upon the Internal Revenue Code, the Treasury Regulations promulgated thereunder, judicial authorities and current administrative rulings and practices now in effect, all of which are subject to change at any time by legislative, judicial or

administrative action. Any such change could be retroactively applied in a manner that could adversely affect the Debtor and holders of Claims. In addition, certain aspects of the following discussion are based on proposed Treasury Regulations.

The tax consequences of certain aspects of the Plan may be subject to administrative or judicial interpretations that differ from the discussion below. The Plan Proponent has not requested, nor do they intend to request, a tax ruling from the IRS, 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. Further, matters not discussed below may affect the federal income tax consequences to the Debtor, holders of Claims and holders of Interests. For example, the following discussion does not address state, local or foreign tax considerations that may be applicable to the Debtor or the holders of Claims, and the discussion does not address the tax consequences of the Plan to certain types of holders of Claims and holders of Interests (including non-U.S. persons, financial institutions, life insurance companies, tax-exempt organizations and taxpayers subject to the alternative minimum tax) who may be subject to special rules not addressed herein.

THE DISCUSSION SET FORTH BELOW IS INCLUDED FOR GENERAL INFORMATION ONLY. THE PLAN PROPONENT AND ITS COUNSEL ARE NOT MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN, WITH RESPECT TO THE DEBTOR, HOLDERS OF CLAIMS OR HOLDERS OF INTERESTS, NOR ARE THEY RENDERING ANY FORM OF LEGAL OPINION OR TAX ADVICE ON SUCH TAX CONSEQUENCES. THE TAX LAWS APPLICABLE TO INDIVIDUALS AND CORPORATIONS IN BANKRUPTCY ARE EXTREMELY COMPLEX, AND THE

FOLLOWING SUMMARY IS NOT EXHAUSTIVE. HOLDERS OF CLAIMS AND HOLDERS OF INTERESTS ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISORS REGARDING TAX CONSEQUENCES OF THE PLAN, INCLUDING FEDERAL, FOREIGN, STATE AND LOCAL TAX CONSEQUENCES.

a. **Tax Consequences to the Debtor:**

Consummation of the Plan, including certain cancellation of indebtedness of the Debtor and other actions required under the Plan may result in recognition of income, deductions, gain or loss to the Debtor and possible the incurrence of tax on the part of the Debtor or the Plan Proponent. Any such tax may constitute an Administrative Expense Claim of the Debtor.

b. **General Tax Considerations for Holders of Claims:**

The receipt of solely Cash by a holder of an Allowed Class VI Claim against the Debtor may be a fully taxable transaction. Accordingly, a holder of such a Claim may recognize gain or loss in an amount equal to the difference between (I) the amount realized by the holder in satisfaction of its Claim (other than in respect of any Claim for accrued but unpaid interest, and excluding any portion required to be treated as imputed interest due to the post-Effective Date distribution of such consideration following the resolution of any Disputed Claims in the same class), and (ii) the holder's adjusted tax basis in its Claim (other than any Claim for accrued but unpaid interest).

The Plan Proponent has not researched the tax consequences of the Plan to holders of Claims and Interests nor has it requested a ruling from federal, state or local taxing authorities with respect to these matters. There may be federal, state, local or foreign tax considerations applicable to each Creditor or holder of an Interest. EACH CREDITOR AND HOLDER OF AN INTEREST IS URGED TO CONSULT ITS OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE Plan AND APPLICABLE FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS. The Plan is not

intended to result in the forfeiture or compromise of any of the Debtor's tax attributes, all of which are preserved to the extent allowed by applicable law.

c. **Transfer Taxes:**

Pursuant to § 1146 of the Bankruptcy Code, the 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 shall be exempt and shall not be subject to tax under any law imposing a stamp tax, real estate Transfer Tax, mortgage recording tax or similar tax, and, to the extent provided by § 1146 of the Bankruptcy Code, if any, shall not be subject to any state, local or federal law imposing sales tax. In addition, pursuant to § 1142(b) of the Bankruptcy Code, the Order confirming the Plan shall direct the City Register of the City of New York, County of Kings (the “Register”) to record any recordable document executed in connection with the consummation of the Plan, without the payment of Transfer Taxes. The Register, and any applicable Register’s Office in the State of New York or its municipalities and counties shall record any recordable document executed in connection therewith without the payment of any Transfer Taxes.

In the event any provision of the Plan is determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any or all other provisions of the Plan.

CONCLUSION

The acceptances of the holders of all Classes of impaired Claims are hereby solicited. The Plan Proponent believes that Confirmation of the Plan is in the best interests of all Creditors. The Plan Proponent has worked diligently and expeditiously to formulate a Plan that would afford Creditors substantially more than they would receive if the Chapter 11 Case were converted to

liquidation case under Chapter 7 of the Bankruptcy Code. The Plan Proponent believes that the Plan is in the best interests of Creditors and strongly urges all Creditors to vote for the Plan.

In the event of any inconsistency between the terms of the Plan and this Disclosure Statement, the terms of the Plan shall be controlling.

THE PLAN PROPONENT SUBMITS THAT THE PLAN COMPLIES IN ALL RESPECTS WITH CHAPTER 11 OF THE BANKRUPTCY CODE, AND RECOMMENDS TO HOLDERS OF CLAIMS AND INTERESTS WHO ARE ENTITLED TO VOTE ON THE PLAN THAT THEY VOTE TO ACCEPT THE PLAN. THE PLAN PROPONENT REMINDS SUCH HOLDERS THAT EACH BALLOT, SIGNED AND MARKED TO INDICATE THE HOLDER'S VOTE, MUST BE RECEIVED BY NO LATER THAN 5 P.M. E.S.T. ON FEBRUARY , 2016 AT THE FOLLOWING ADDRESS:

LAW OFFICES OF DAVID CARLEBACH, ESQ.

s/

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September 7, 2016

s/_____
Shirley Pitts,
President and Shareholder

to the Debtor and Plan Proponent

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Index of Exhibits

Exhibit A: Plan of Reorganization