

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:
SCPD GRAMERCY 1 HOLDING LLC, et al.,

Chapter 11
Case No. 16-11885 (SHL)

Debtors.

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**DISCLOSURE STATEMENT IN CONNECTION WITH CHAPTER 11 PLAN
OF REORGANIZATION PROPOSED BY THE DEBTORS**

**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 YET BEEN APPROVED BY THE COURT.***

PICK & ZABICKI LLP

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I. PURPOSE OF THIS DISCLOSURE STATEMENT

SCPD Gramercy 1 Holding LLC (“SCPD Holding”) and SCPD Gramercy 1 LLC (“SCPD Gramercy”), the debtors and debtors-in-possession herein (together, the “Debtors”), provide this Disclosure Statement (the “Disclosure Statement”), pursuant to §1125(b) of title 11 of the United States Code (the “Bankruptcy Code”), to all of their known creditors and other parties-in-interest for the purpose of soliciting acceptances of the Chapter 11 Plan of Reorganization (the “Plan”) proposed by the Debtors. The Plan has been filed with the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) and a copy of the same is attached hereto as **Exhibit “A”**. By Order dated _____, 2016, this Disclosure Statement was approved by the Bankruptcy Court as containing “adequate information” of a kind and in sufficient detail to enable a hypothetical reasonable investor typical of the Debtors’ creditors to make an informed decision whether to accept or reject the Plan and/or whether or not to object to Confirmation.

Capitalized terms utilized, but not defined herein, have the meanings ascribed to them in the Plan. The Debtors strongly urge that you read this Disclosure Statement because it contains a summary of the Plan provisions and important information concerning the Debtors’ financial affairs, the administration of the Debtors’ bankruptcy Estates and the anticipated recovery by creditors of the Debtors.

Briefly, and as more fully discussed at length herein, the Plan provides for a reorganization of the Debtors’ collective financial obligations and affairs. The Plan will be implemented through, and the Distributions contemplated to be made under the Plan will be funded by certain Equity Financing and Construction Financing obtained by the Debtors (collectively, the “Financing”). Under the Plan:

- (a) Any Statutory Fees owed by the Debtors as of the Effective Date, together with any applicable interest thereon, will be fully paid on the Effective Date, and any Statutory Fees, together with any applicable interest thereon, that may become due after the Effective Date shall be paid as they become due by the Post-Confirmation Debtors until the entry of a final decree closing the Chapter 11 Cases, or until the Chapter 11 Cases are converted or dismissed, whichever occurs earlier;
- (b) Allowed Administrative Claims will be fully paid, with interest at the applicable rate, if any, on the Effective Date, or upon such terms as may be agreed upon between the Debtors and any holders of such Claims;
- (c) Allowed Priority Tax Claims will be fully paid, with interest at the applicable rate, if any: (a) in cash on the Effective Date; or (b) in equal and consecutive monthly installment payments in cash equal to the Allowed Amounts of such Claims over a period ending not later than five (5) years after the Petition Date absent the consent of the holders of the respective Allowed Priority Tax Claims.
- (d) The Debtors will make a first and final Distribution of \$12,000,000.00 to Aristone on the Effective Date in full satisfaction of the Allowed Aristone Secured Claim in Class 1;
- (e) The Allowed NYCTL Secured Claim in Class 2 will be fully paid, with interest at the applicable rate, if any, on the Effective Date;
- (f) The Debtors will make a first and final Pro Rata Distribution to each holder of an Allowed Class 3 General Unsecured Claim (which includes any and all Claims on account of which a mechanic's lien was asserted against the Property) in an amount equal to 5% of the Allowed Amount of its Claim on the Effective Date in full satisfaction of said Claim;
- (g) The existing Interests (*i.e.*, equity) in SCPD Holding in Class 4 will be cancelled on the Effective Date;
- (h) SCPD Holding shall retain its Class 5 Interests in SCPD Gramercy; and
- (i) In consideration of the Equity Financing, SCPD Holding will be recapitalized such that the Interests in SCPD Holding post-Confirmation shall be allocated pursuant to the terms of a mutually agreeable Operating Agreement.

The Effective Date shall be the later of: (a) one Business Day after the Confirmation Order becomes a Final Order; or (b) the date all conditions to the Effective Date have been satisfied or waived. The conditions to the Effective Date include the Financing Approval

Order(s) (*i.e.*, the Order(s) authorizing the Debtors to obtain the Financing) having become Final Orders and all actions required to be taken to implement the Confirmation Order (including the deposit of the proceeds of the Financing needed to fund the Distributions provided for under the Plan with the Disbursing Agent) having occurred.

Detailed voting instructions are provided with the Ballot accompanying this Disclosure Statement. Under the Plan, holders of Claims in Class 1 (Aristone Secured Claim) and Class 3 (General Unsecured Claims) are entitled to vote to accept or reject the Plan. **To vote on the Plan, creditors within the aforementioned Classes must complete the enclosed Ballot and mail it so that it is received by not later than the Voting Deadline, which is _____, 2016 at 5:00 p.m. (Prevailing Eastern Time), at the offices of Pick & Zabicki LLP, 369 Lexington Avenue, 12th Floor, New York, New York 10017, Attn: Douglas J. Pick, Esq.** Votes may not be transmitted orally, by facsimile or by e-mail. If a Ballot is damaged or lost, you may contact Pick & Zabicki LLP at (212) 695-6000 to receive another. Any Ballot that is executed and returned but which does not indicate an acceptance or rejection of the Plan will not be counted.

THE DEBTORS URGE THAT ALL CREDITORS ENTITLED TO VOTE, VOTE IN FAVOR OF THE PLAN.

II. DISCLAIMER

NO PERSON MAY BE GIVEN ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THAT DATE. ALL CREDITORS SHOULD READ CAREFULLY AND CONSIDER FULLY THIS DISCLOSURE STATEMENT BEFORE VOTING FOR OR AGAINST THE PLAN. TO THE EXTENT OF ANY INCONSISTENCY BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT,

THE TERMS OF THE PLAN SHALL CONTROL. TERMS USED IN THIS DISCLOSURE STATEMENT BUT THAT ARE NOT OTHERWISE DEFINED HEREIN HAVE THE MEANING ASCRIBED TO THEM IN THE PLAN AND, IF NOT DEFINED IN THE PLAN, THEN IN THE BANKRUPTCY CODE.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT, LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS THE EQUIVALENT OF A STATEMENT MADE IN FURTHERANCE OF SETTLEMENT NEGOTIATIONS.

THIS DISCLOSURE STATEMENT SUMMARIZES CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, EVENTS IN THE DEBTORS' CHAPTER 11 CASES, AND FINANCIAL INFORMATION. ALTHOUGH THE DEBTORS BELIEVE THAT THE PLAN AND RELATED DOCUMENT SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS. EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED, FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED FROM THE DEBTORS' BOOKS AND RECORDS AND PUBLIC PLEADINGS. ALTHOUGH DILIGENT EFFORTS HAVE BEEN MADE TO PRESENT ACCURATE AND COMPLETE INFORMATION, THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION IS WITHOUT SOME INACCURACY OR OMISSION.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN.

THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, NOR SHALL IT BE CONSTRUED TO BE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST THE DEBTORS. ANY VALUE GIVEN AS TO ASSETS OF THE DEBTORS IS BASED UPON AN ESTIMATION OF SUCH VALUE. YOU ARE URGED TO CONSULT YOUR OWN COUNSEL AND FINANCIAL AND TAX ADVISORS IF YOU HAVE ANY QUESTIONS OR CONCERNS REGARDING TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS.

THE DISCLOSURE STATEMENT ORDER, A COPY OF WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT, SPECIFIES THE DEADLINES, PROCEDURES, AND INSTRUCTIONS FOR VOTING TO ACCEPT OR REJECT THE PLAN AND FOR FILING OBJECTIONS TO CONFIRMATION OF THE PLAN. A FORM BALLOT FOR VOTING ON THE ACCEPTANCE OR REJECTION OF THE PLAN IS ALSO PROVIDED HERewith. EACH HOLDER OF A CLAIM ENTITLED TO VOTE ON THE PLAN SHOULD READ THE

DISCLOSURE STATEMENT, THE PLAN AND THE DISCLOSURE STATEMENT ORDER IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

III. BACKGROUND CONCERNING THE DEBTORS, THE BANKRUPTCY FILING AND THE ADMINISTRATION OF THE DEBTORS' ESTATES

A. General Background Concerning the Debtors and Their Bankruptcy Filings

1. The Debtors' Organizational Structure, Business and Assets

The Debtors are New York limited liability companies formed in 2013 for the purpose of acquiring, owning, and developing certain real property located at 327 East 22nd Street, New York, New York, Block 928, Lot 5, in the Gramercy neighborhood of Manhattan (the "Property"). SCPD Gramercy holds title to the Property and is the "operating" entity. SCPD Holding's sole purpose is to hold all of the membership interests in SCPD Gramercy. SCPD Gramercy's current equity structure is as follows: (a) Preferred Interests: (i) LC Red, LLC – 72.2%; and (ii) Newport Capital LLC – 27.8%; and (b) Common Interests: (i) LC Red, LLC – 38.1%; (ii) Con Cap 1 LLC – 4.7%; (iii) ASPY LLC – 16.7%; (iv) Gramercy 22 LLC – 38.1%; and (v) JGP SC Gramercy 1 LLC – 2.4%.

2. Acquisition of the Property

The Property consists of a 50' x 98.75' lot with a partially demolished building situated thereon. On April 3, 2014, SCPD Gramercy purchased the property for \$13,244,000.00 with an acquisition loan of \$8,600,000.00 from Madison Realty Capital and sponsor equity of \$4,624,000.00. The total acquisition cost is composed of the purchase price of \$11,500,000.00 and closing costs of \$1,744,000.00.

3. Planned Development and Construction Financing

In September 2014, SCPD Gramercy entered into a \$17,180,770.06 "building loan" and an \$819,229.94 "project loan" with Doral Bank. A portion of the loan proceeds were used to pay

off Madison Realty Capital. The amounts advanced by Doral Bank were secured by, among other collateral, mortgage liens against the Property and the membership interests in SCPD Gramercy which were pledged by SCPD Holding. In June 2015, SCPD Gramercy's plans for the ground up construction of a seven story, ten unit, luxury, residential condominium building on the Property were filed with the New York City Dept. of Buildings (the "Project"). Construction on the Project commenced and the following work has already been completed:

- Construction bids signed for hard costs and softs costs.
- Obtained all necessary permits from the Department of Buildings in January 2015.
- Appraisal and environmental reports before the acquisition, February 2014 and December 2013 respectively, then completed/updated again on April 2016 for both.
- Property Condition Report in February 2014.
- Asbestos removal from building completed in September 2014. Form ACP21 was filed 9/17/14 with the New York City Dept. of Environmental Protection.
- Interior demolition completed in early 2015.
- Approved plans filed with Department of Building in June 2015 for the ground up construction of a 7-story, 10-unit, luxury residential condominium building.
- Approved CPS-1 from NYS Attorney General's office in May 2015.

4. Doral Bank Failure and Cessation of Construction Financing

Shortly after obtaining the construction loan, and after construction on the Project had begun, Doral Bank was taken over by the FDIC on February 27, 2015. As a result, the funds needed to complete the Project were not provided and construction ceased.¹ Doral Bank was

¹ Attached as **Exhibit "B"** is an analysis showing all of the loan draws to date. As reflected therein, the construction draws ceased when Doral Bank failed. Total draws to date are only \$10,774,691. The increase in the loan payoff as provided by the secured lender of \$14,431,082 was due to interest accrued. As noted in the loan analysis, \$4,456,365 was the remaining loan amount available for draws prior to Doral Bank's failure and this is the same amount of the new equity that is being funded in this plan to complete the Project. As such, if the construction draws had been timely advanced under the Doral Bank construction loan, the Project could have been completed years ago, the amounts advanced could have been repaid, and the Debtors would not be saddled with the enormous amount of interest that has accrued on the principal balance.

eventually absorbed into Popular Community Bank and the transition caused interfered with and delayed the construction financing for the Project. Ultimately, the construction financing was halted altogether as a result of which construction on the Project ceased. Consequently, the note went into default. In turn, and in May 2015, a hedge fund, Atalaya Capital Management, along with Aristone 22nd Street Lender, LLC (together, “Aristone”) purchased the note from Popular Community Bank.

5. Collection Efforts By the Lenders and the Debtors’ Bankruptcy Filings

Upon its acquisition of the note, Aristone demanded immediate payment from SCPD Gramercy under the loan documents. When SCPD Gramercy could not make payment as demanded, Aristone initiated efforts to foreclose or otherwise enforce its rights with regard to the membership interests in SCPD Gramercy. In furtherance thereof, a Notice of Disposition of Collateral dated December 7, 2015 was served advising that the membership interests in SCPD Gramercy would be sold to highest qualified bidder at a public sale to take place March 1, 2016. This sale was subsequently re-noticed for June 30, 2016.

On June 30, 2016 (the “Petition Date”), and so as to stay the sale, as well as any other collection/enforcement efforts by Aristone, while SCPD Gramercy attempted to negotiate with its creditors, to procure replacement financing and/or to otherwise reorganize its financial affairs, each of the Debtors filed a voluntary petition for relief under chapter 11 of the bankruptcy Code with the Bankruptcy Court. The Debtors’ Chapter 11 Cases are “single asset real estate” cases pursuant to §101(51B) of the Bankruptcy Code. The Debtors are “affiliates” as that term is defined in §101(2) of the Bankruptcy Code.

B. Administration of the Debtors' Estates

1. General Bankruptcy Information

Subsequent to the Petition Date, the Debtors continued to manage their property and affairs as debtors-in-possession pursuant to §§1107 and 1108 of the Bankruptcy Code. The Debtors' respective Schedules of Assets and Liabilities, Schedules of Executory Contracts and Unexpired Leases, and Statement of Financial Affairs, were all filed with the Bankruptcy Court pursuant to Bankruptcy Rule 1007(b) (together, and as amended from time to time, the "Schedules"). No committee, trustee or examiner has been appointed with regard to the Debtors' Chapter 11 Cases. The Debtors recently filed a motion with the Bankruptcy Court seeking joint administration and procedural consolidation of their Chapter 11 Cases.

2. Retention of Professionals

Upon its chapter 11 filing, the Debtors immediately began efforts to efficiently and expeditiously administer their bankruptcy estates. In furtherance thereof, the Debtors sought and were granted authority to retain the law firm Pick & Zabicki LLP as its general bankruptcy counsel with regard to its Chapter 11 Cases.

3. Claim Solicitation

The Debtors and their Professionals sought to solicit the filing of proofs of claim by potential creditors of the Debtors and to reconcile any proofs of claim asserted. In furtherance thereof, and upon the application of the Debtors, Orders were entered on August 19, 2016 establishing September 30, 2016 as the last date for non-governmental units, and December 27, 2016 with regard to governmental units, to file proofs of claim on account of pre-Petition Date obligations of the Debtors (the "Claims Bar Date"). A Bankruptcy Court-approved Notice to File Claims was mailed to all known or potential creditors and parties in interest in connection

with the Claims Bar Date. As of the date hereof, a total of two (2) proofs of claim have been filed in SCPD Holding's Chapter 11 Cases and a total of four (4) proofs of claim have been filed in SCPD Gramercy's Chapter 11 Cases.

4. Valuation and Marketing Efforts

Since 2015 when the construction financing ceased, the Debtor pursued alternative capital sources. As many as fifty (50) discussions, non-disclosure agreements, and site visits were completed with multiple parties (principals, developers, and brokers, both foreign and domestic, and including such well known firms as Nestseekers, Cushman Wakefield, JLL, Eastern Consolidated and Douglas Elliman), and all of whom completed various levels of due diligence for parties interested in a possible joint venture to complete the Project or an outright sale of the Property.

5. New Equity Financing

As a result of their extensive efforts, the Debtors have entered into (subject to the Bankruptcy Court's approval) a written term sheet dated September 26, 2016, with NBO4 Architecture PLC ("NBO4") and APC Capital (or its nominee) pursuant to which, among other things: (a) NBO4 (as a "Sponsor" and general partner) has agreed to make a \$1,000,000.00 capital contribution to SCPD Gramercy²; and (b) APC Capital (as a preferred member and limited partner) has agreed to make a \$4,500,000.00 capital contribution to SCPD Gramercy (the "Equity Financing").³ A copy of said term sheet is attached hereto as **Exhibit "C"**. In

² NBO4 is a boutique, residential design practice located in Williamsburg, Brooklyn. Partners Matthew and Esther Dockery have over thirty (30) years combined experience in professional practice and have delivered over 50,000 square feet of luxury residential space at multiple scales in varied contexts. Most recently, NBO4 was joined by Tom Pen, Architect, a Harvard-educated, award-winning designer currently based in Shanghai, in the completion of the condominium ground up development of 559 West 23rd Street in New York City. NBO4 was only secured as a new equity investor by the efforts of the executives of Suzuki Capital LLC.

³ APC Capital, based in Australia, is part of the APC Property Group. Their principals, including, Josh Lewski, have broad-based experience in all aspects of commercial, industrial and residential real estate, including

consideration of the Equity Financing, the membership interests in (reorganized) SCPD Holding post-Confirmation will be allocated pursuant to the terms of a mutually agreeable Operating Agreement.

6. New Construction Financing

In furtherance of procuring the financing required to complete the Project, the Debtors prepared and distributed investment memos and financial/market analyses to potential investors, including with the assistance of the investment banking firm HKS Capital Partners, LLC. As a result of these efforts, and despite the challenging New York City condominium market, several term sheets concerning construction financing were received. The Debtors have entered into (again subject to the Bankruptcy Court's approval) a written term sheet dated September 2, 2016 with Hall Structured Finance, based in Dallas, Texas, pursuant to which, among other things, Hall Structured Finance has agree to advance SCPD Gramercy up to \$18,195,126.00 at a rate of 30 Day LIBOR plus 8.75% per annum with an estimated closing of sixty (60) days (the "Construction Financing"). A copy of said term sheet is attached hereto as **Exhibit "D"**.

7. Summary

As a result of, among other things, the Equity Financing and the Construction Financing, the Debtors believe that they will be able to successfully emerge from chapter 11 while remaining profitable going forward. The illustrations above are merely a sampling of the numerous steps taken during the administration of the Debtors' Estates. The Debtors' Estates have been fully administered with an eye toward maximizing the value of the Debtors' assets and

acquisition, development, construction, joint ventures, management, sales, leasing, structured financing and syndication. Additionally they have 3 real estate development projects in NYC where they are also in the position as a limited partner. Mr. Lewski's accolades and achievements include tertiary education in core disciplines related to the real estate industry, a Bachelor's Degree in Commerce (Accounting + Finance), a Bachelor's of Property & Sustainable Development, owning and operating his own property development and property finance business since 2010, and conducting extensive due diligence and research on the U.S. property market with a specific focus on New York City over the last four (4) years.

operations for all creditors. Accordingly, the Debtors now propose the Plan to their creditors and parties in interest.

IV. OVERVIEW OF THE PLAN

A. Generally

The overall purpose of the Plan is to distribute value to the Debtors' creditors on a fair and equitable basis and in accordance with the priorities established by law and/or by agreement. The Plan represents the culmination of the analyses conducted and efforts expended by the Debtors and their Professionals concerning the best means to maximize and allocate value to the Debtors' creditors. The Debtors have determined that the Plan provides the highest value to creditors and greatly exceeds any value that might otherwise be achievable in a liquidation under chapter 7 of the Bankruptcy Code. Accordingly, the Debtors recommend that the Plan be accepted by its creditors.

B. Summary of Classification and Treatment of Claims and Equity Interests

Under the Plan, Claims against and Interests in the Debtors are grouped into Classes according to their similarity with other Claims and Interests and their relative legal and contractual priorities. Under the Bankruptcy Code, only the holders of Allowed Claims in "impaired" Classes are entitled to vote and to receive Distributions under the Plan. The classification and treatment of such Claims and Interests are summarized below. All Claims and Interests other than Statutory Fees, Administrative Claims and Priority Tax Claims are placed in Classes under the Plan. The Debtors believe that this classification scheme is consistent with the requirements of the Bankruptcy Code.

1. Statutory Fees

The Debtors (and the Post-Confirmation Debtors) have a statutory duty to pay all

outstanding amounts that may be due to the United States Trustee upon Confirmation, together with any fees due pursuant to 28 U.S.C. §1930(a)(6) through the date of the entry of a final decree closing the Chapter 11 Cases, conversion of the cases to chapter 7 or dismissal of the cases.

As of the date hereof, the Debtors are current with regard to their obligations to the United States Trustee (through the second quarter of 2016). The Debtors estimate that the unpaid Statutory Fees will not exceed \$13,000.00 as of the Effective Date of the Plan (representing amounts that will be owed on the amounts proposed to be disbursed under the Plan on the Effective Date). Any Statutory Fees that are due on or prior to the Effective Date of the Plan, including any applicable interest, shall be paid on the Effective Date. Statutory Fees that may become due after the Effective Date shall be paid as they become due by the Post-Confirmation Debtors until the entry of a final decree closing the Chapter 11 Cases, conversion of the cases to chapter 7 or dismissal of the cases.

2. Administrative Claims

Administrative Claims are defined in the Plan as the costs and expenses of administration of the Debtors' Chapter 11 Cases incurred on or after the Petition Date, and (except as to post-Petition Date obligations incurred and/or paid by the Debtors in the ordinary course) allowed by final order under §503(b) of the Bankruptcy Code. These claims include, without limitation, any actual and necessary expenses: (a) of preserving the Estates of the Debtors; (b) any costs and expenses of the Debtors and/or the Post-Confirmation Debtors for the management, maintenance, preservation, sale or other disposition of any assets; (c) the administration and implementation of the Plan; (e) the administration, prosecution or defense of Claims by or Claims against the Debtors and for Distributions under the Plan; and (f) any allowances of

professional compensation and reimbursement of expenses to the extent allowed by an order of the Bankruptcy Court, whether arising before or after the Effective Date.

The only known potential Administrative Expense Claims are: (a) amounts owed to the New York City Dept. of Finance on account of post-Petition Date real property taxes on account of which the New York City Dept. of Finance filed a proof of claim (Claim No. 2) in SCPD Gramercy's Chapter 11 Cases in the amount of \$42,500.83; and (b) amounts owed by the Debtors to their counsel, Pick & Zabicki LLP, on account of professional services rendered and reimbursable expenses incurred subsequent to the Petition Date. If there is no significant litigation initiated or objections filed with respect to Confirmation of the Plan, and the Plan is confirmed within the next thirty (30) to ninety (90) days, and subject to the approval of the Bankruptcy Court, the Debtors' estimate that the Allowed Administrative Claims will not exceed \$75,000.00. The actual amounts of the Allowed Administrative Claims may increase or decrease from the amounts stated above prior to the Effective Date of the Plan and are subject to, among other things, the approval thereof by the Bankruptcy Court upon the submission of appropriate applications for allowances of compensation and reimbursement of expenses by the Debtors' counsel.

In accordance with certain mandatory provisions of the Bankruptcy Code, the Plan provides that holders of Allowed Administrative Claims will be entitled to full payment of their Claims: (a) in cash on the Effective Date; or (b) on such terms as are mutually agreed to by the holder of an Allowed Administrative Claim and the Debtor. Thus, Allowed Administrative Claims are unclassified under the Plan and holders of Allowed Administrative Claims are not entitled to vote on the acceptance or rejection of the Plan.

3. Priority Tax Claims

Priority Tax Claims are unclassified under the Plan and include claims for tax-related obligations that are entitled to priority under §507(a)(8) of the Bankruptcy Code. Generally, Priority Tax Claims are (subject to certain timing and date of assessment limitations) unsecured claims of “governmental units” (as defined in the Bankruptcy Code) based upon: (a) taxes measured by income or gross receipts; (b) property taxes; (c) withholding taxes; (d) employment taxes; (e) excise taxes; (f) customs duties; and (g) penalties based on actual pecuniary losses relating to the foregoing. These Priority Tax Claims include, among others, all taxes measured by income or gross receipts attributable to the three-year period immediately preceding the Petition Date (*i.e.*, from June 30, 2013 through the Petition Date).

The only known potential Priority Tax Claims are: (a) amounts owed to the New York City Dept. of Finance on account of pre-Petition Date real property taxes on account of which the New York City Dept. of Finance filed a proof of claim (Claim No. 1) in SCPD Gramercy’s Chapter 11 Cases in the amount of \$3,000.00; and (b) amounts owed to the New York City Office of Administrative Trials and Hearings on account of Environmental Control Board violations on account of which the New York City Office of Administrative Trials and Hearings filed a proof of claim (Claim No. 4) in SCPD Gramercy’s Chapter 11 Cases in the amount of \$1,000.00

In accordance with certain mandatory provisions of the Bankruptcy Code, the Plan provides that holders of Allowed Administrative Claims will be entitled to full payment of their Claims: (a) in cash on the Effective Date or as soon thereafter as is reasonably practicable; or (b) in equal and consecutive monthly installment payments in cash equal to the Allowed Amounts of such Claims, with interest thereon, over a period ending not later than five (5) years after the

Petition Date absent the consent of the holders of the respective Allowed Priority Tax Claims. Thus, Allowed Administrative Claims are unclassified under the Plan and holders of Allowed Administrative Claims are not entitled to vote on the acceptance or rejection of the Plan.

4. Class 1 – Aristone Secured Claim

Class 1 consists of the Allowed Claim of Aristone on account of monies owed by the Debtors secured by a valid, enforceable Lien under applicable non-bankruptcy law that was perfected as of the Petition Date and is not otherwise avoidable. The Debtors believe that, as of the Petition Date, the Aristone Secured Claim totaled approximately \$14,431,082.00.⁴ Under the Plan, the Debtors will pay Aristone the sum of \$12,000,000.00 on the Effective Date in full satisfaction of the Allowed Aristone Secured Claim.

Class 1 is impaired under the Plan and, thus, the holder of the Allowed Aristone Claim is entitled to vote as to the acceptance or rejection of the Plan on account of said Claim.

5. Class 2 – NYCTL Secured Claim

Class 2 consists of the Allowed Claim, if any, of NYCTL for real property taxes or any other amounts secured by a valid, enforceable Lien under applicable non-bankruptcy law that was perfected as of the Petition Date and is not otherwise avoidable, and with regard to which NYCTL filed a proof of claim (Claim No. 3) in SCPD Gramercy's Chapter 11 Cases in the amount of \$153,182.76. Under the Plan, the Allowed Amount of the Class 2 NYCTL Secured Claim will be fully paid, with interest at the applicable rate, if any, on the Effective Date.

Class 2 is not impaired under the Plan and, thus, NYCTL is not entitled to vote as to the acceptance or rejection of the Plan on account of said Claim.

⁴ The Debtors may have a significant lender liability claim against Aristone and defenses to Aristone's note in whole or in part due to the defaults of Doral Bank (Aristone's predecessor in interest) with regard to the construction financing.

6. Class 3 – General Unsecured Claims.

Class 3 consists of Allowed General Unsecured Claims against the Debtors which consist of all Claims against the Debtors other than Statutory Fees, Administrative Claims, Priority Tax Claims, the Class 1 Aristone Secured Claim, or the Class 2 NYCTL Secured Claim which Claims the Debtors estimate will not exceed approximately \$750,000.00.⁵ Under the Plan, the Debtors will make a first and final Pro Rata Distribution of Cash to each holder of an Allowed Class 3 General Unsecured Claim in an amount equal to 5% of its Allowed Claim, on the Effective Date in full satisfaction of said Claims.

Class 2 General Unsecured Claims are impaired under the Plan and, thus, the holders of such Claims are entitled to vote as to the acceptance or rejection of the Plan.

7. Class 4 – Interests in SCPD Holding

Class 4 consists of the Interests in SCPD Holding held by the existing members thereof. Under the Plan, all of said Interests will be cancelled on the Effective Date. Since the holders of Class 4 Interests will not receive any property on account of their Interests in SCPD Holding under the Plan, said holders shall be deemed to have rejected the Plan.

8. Class 5 – Interests in SCPD Gramercy

Class 5 consists of the Interests in SCPD Gramercy held by SCPD Holding which are not affected by the terms of the Plan, *i.e.*, following Confirmation of the Plan, SCPD Holding will retain his 100% membership interest SCPD Gramercy. Because it is an “insider” of the Debtors whose Interests are not impaired under the Plan, SCPD Holding is not entitled to vote on the Plan on account of its Class 5 Interests.

⁵ By way of its Schedules, SCPD Gramercy had identified Red Ball Contracting Corp. and Stalwart Construction Group Inc. as potential secured creditors on account of mechanic’s liens filed against the Property. SCPD Gramercy now believes that said claims should actually be treated as general unsecured claims. SCPD Gramercy will make appropriate amendments to its Schedules and/or will file appropriate objections to reclassify these claims.

C. Implementation of the Plan

The primary vehicles for the implementation of the Plan are the Equity Financing and the Construction Financing. The Debtors will shortly be filing a motion with the Bankruptcy Court seeking authority to obtain the Equity Financing and the Construction Financing. As such, the Debtors' anticipate that the Financing Approval Order(s) will have been entered prior to the Confirmation Hearing. On the Effective Date, the holders of the membership interests in (reorganized) SCPD Holding post-Confirmation shall be allocated pursuant to the terms of a mutually agreeable Operating Agreement.

Pursuant to §1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of any mortgage, lien, security interest, and the like, or the making or delivery of any deed or other instrument of transfer, in connection with or in furtherance of the Plan and shall not be subject to tax under any law imposing a stamp tax, real estate transfer taxes, mortgage recording tax or similar tax, and, to the extent provided by §1146(a) of the Bankruptcy Code, if any, shall not be subject to any state, local or federal law imposing sales tax.

The Distributions contemplated to be made on the Effective Date of the Plan will be made by the Debtors' counsel, Pick & Zabicki LLP, as Disbursing Agent. Any post-Confirmation payments contemplated under the Plan, shall be made by the Post-Confirmation Debtors. The Post-Confirmation Debtors will be responsible for making these payments. The Post-Confirmation Debtors' affairs shall be conducted and overseen by Sam Suzuki of Suzuki Capital LLC. Mr. Suzuki will not be paid any salary, wage or other compensation for his services in this regard.

V. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Under §365 of the Bankruptcy Code, a debtor has the right, subject to approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases. Although not defined in the Bankruptcy Code, an “executory contract” is usually described as a contract under which material performance (other than the payment of money) is due by each party. If an executory contract or unexpired lease is rejected under §365 of the Bankruptcy Code, the “rejection” is treated as a breach of the contract or lease prior to the Petition Date giving rise to a pre-petition unsecured claim. In addition, “rejection” damages are limited in certain contexts under §502 of the Bankruptcy Code. If an executory contract or unexpired lease is assumed, the debtor has the obligation to cure any default and to perform its obligations thereunder in accordance with the terms of such agreement.

The Debtors are not aware of any leases or executory contracts to which it may be a party. The Plan nevertheless provides that all executory contracts and unexpired leases to which either of the Debtors may be a party as of the Effective Date which were not previously rejected, assumed, or assumed and assigned by the Debtors shall be deemed rejected and disaffirmed under the Plan as of the Effective Date in accordance with the provisions and requirements of §§365 and 1123 of the Bankruptcy Code. All proofs of claim with respect to any Claims arising from the rejection of executory contracts or unexpired leases must be filed with the Bankruptcy Court within thirty (30) days after the mailing of notice of the entry of the Confirmation Order. The failure of any such counter party to file a proof of claim within the period proscribed shall forever bar it from asserting against the Estates any Claim for damages arising from the rejection of its executory contract or unexpired lease with the Debtors. The filing of any such proof of claim shall be without prejudice to any and all rights that the Debtors may have to object to the

allowance thereof on any and all available grounds.

VI. OBJECTIONS TO AND ESTIMATION OF CLAIMS

Except with regard to any late-filed Claim(s), any Claim(s) that is amended after the date hereof, any Claim(s) arising from the rejection of any executory contract(s) or unexpired lease(s), or any Claim(s) that is the subject of an objection filed with the Bankruptcy Court prior to the Effective Date of the Plan, all Claims asserted against the Debtors have been deemed Allowed Claims as described herein and in the Plan. Under the Plan, the Debtors may continue to prosecute any existing objection(s) to any Claim(s) already filed and the Debtors may further object, on appropriate grounds, to the allowance of any late-filed Claim, any subsequently amended Claim or any Claim for rejection damages. In the event that any proof of Claim is filed, amended and/or asserted after the Effective Date, the Debtors shall have ninety (90) days from the date of such filing or amendment, which deadline may be extended by the Court upon motion of the Debtors without notice. All objections shall be litigated to Final Order. The Plan reserves the right of the Debtors to compromise, settle, withdraw or resolve by any other method approved by the Bankruptcy Court, any such objections to Claims.

Under the Plan, the Debtors may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to §502(c) of the Bankruptcy Code regardless of whether the Debtors previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. The Bankruptcy Court shall retain jurisdiction to estimate any such contingent or unliquidated Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. All of the aforementioned Claim objection, estimation and resolution procedures are cumulative and are not necessarily exclusive of one another. Claims may be estimated and thereafter resolved by any

permitted method.

VII. CAUSES OF ACTION

Except as otherwise provided in the Plan, any and all Causes of Action⁶ shall remain assets of the Estates pursuant to §1123(b)(3)(B) of the Bankruptcy Code on the Effective Date. Pursuant to §1123(b)(3)(B) of the Bankruptcy Code, only the Debtors, or the Post-Confirmation Debtors, as the case may be, shall have the right to pursue or not to pursue, or, subject to the terms of the Plan, compromise or settle Causes of Action owned or held by the Debtors and/or the Estates as of the Effective Date. From and after the Effective Date, the Debtors may commence, litigate, and settle any Causes of Action or rights to payment or claims that belong to the Debtors that may be pending on the Effective Date or instituted by the Debtors after the Effective Date, except as otherwise expressly provided in the Plan. Other than as set forth herein, no other Person may pursue such Causes of Action after the Effective Date. The Bankruptcy Court shall retain jurisdiction to adjudicate any and all Causes of Action whether commenced prior to or after the Effective Date.

Creditors should note that the benefits, if any, whether in the form of monetary recoveries, setoffs, recoupments, defenses and the like, of all Causes of Action shall inure to the benefit of the Debtors and not any creditors. As such, recoveries by creditors under the Plan shall not be affected by the pursuit, non-pursuit or outcome of any Causes of Action.

The Debtors have reviewed their records with counsel and believes that all of their pre-Petition Date payments and transfers were made in the ordinary course. As such, the Debtors

⁶ “Causes of Action” is defined in the Plan as “all claims, actions, third-party claims, counterclaims and crossclaims (including, without limitation, an avoidance, recovery, or subordination actions against insiders and/or any other persons or entities under §§510, 542, 543, 544, 545, 547, 548, 549, 550, 551 and 553 of the Bankruptcy Code) in favor of the Debtor and/or the Estate existing on the Effective Date against any entity based in law or equity, whether direct, indirect, derivative or otherwise, and whether asserted or unasserted as of the date of entry of the Confirmation Order.”

does not believe that any preferential transfers, fraudulent conveyances or other actionable transfers were made prior to or after the Petition Date. Accordingly, the Debtors do not believe that there are potential Causes of Action under Chapter 5 of the Bankruptcy Code in its favor which would benefit the Estates and, as such, the Debtors do not anticipate that any post-Confirmation litigation to recover on Causes of Action under Chapter 5 of the Bankruptcy Code will be pursued. The Debtors nevertheless reserve all rights concerning any Causes of Action arising under Chapter 5 of the Bankruptcy Code to the extent that any such Causes of Action may exist.

The Debtors further specifically reserve all rights with regard to any and all potential Causes of Action on account of the loan transactions with Doral Bank, all of which shall be revested in the Post-Confirmation Debtor. Causes of Action of any kind or nature may be asserted by the Debtors or the Post-Confirmation Debtors defensively, however.

VIII. LEGAL EFFECTS OF CONFIRMATION OF THE PLAN

1. Binding Effect

Pursuant to §1141(a) of the Bankruptcy Code, once confirmed, the provisions of the Plan shall be binding upon the Debtors, all creditors and other parties in interest, regardless of whether they cast a Ballot to accept or reject the Plan.

2. Discharge

Pursuant to §1141(d)(1) of the Bankruptcy Code, except as otherwise specified in the Plan, the Confirmation Order and/or §1141 of the Bankruptcy Code, the Confirmation of the Plan shall discharge the Debtors from any and all debts arising prior to the date of Confirmation.

3. Limitation of Liability in Connection with the Plan

Pick & Zabicki LLP, as Disbursing Agent in connection with the Distributions under the

Plan, shall incur no liability, whatsoever, for any action taken, or failure to act, except for its own gross negligence, willful misconduct, breach of fiduciary duty, criminal conduct and/or any disclosure of confidential information that causes damages. Further, the Debtors and their Professionals shall have or incur no liability to the extent allowed under §1125(e) of the Bankruptcy Code and, in all respects, the Debtors and their Professionals shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Nothing in the Plan shall limit the liability of the Professionals of the Debtors pursuant to N.Y. Comp. Codes R. & Regs. Title 22, Section 1200.0, Rule 1.8(h)(1).

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 satisfied, discharged and released pursuant to Article 10 of the Plan; provided, however, that nothing in the Plan shall, or shall be deemed to, release the Debtors or Reorganized Debtors from, or exculpate the Debtors or Reorganized Debtors with respect to, their respective obligations or covenants arising pursuant to the Plan.

4. Revesting of Assets

Consistent with §§1123(a)(5)(A) and 1141 of the Bankruptcy Code, and except as may be otherwise provided in this Plan, title to all assets and property of the Estates of the Debtors shall pass to, and vest in, the Post-Confirmation Debtors free and clear of all Claims, Liens, charges and other rights of creditors arising prior to the Effective Date. On and after the Effective Date, the Post-Confirmation Debtors may conduct its financial affairs and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules and the Bankruptcy Court, except as otherwise provided in this Plan or in the Confirmation Order.

IX. RETENTION OF JURISDICTION

The Bankruptcy Court shall retain jurisdiction over this proceeding under the provisions of the Bankruptcy Code, including, without limitation, §1142(b) thereof and the Bankruptcy Rules, to ensure that the intent and the purpose of the Plan is carried out and given effect. Without limitation by reason of specification, the Bankruptcy Court shall retain jurisdiction for the following purposes:

- (a) To consider any modification of the Plan pursuant to §1127 of the Bankruptcy Code and/or any other modification of the Plan after substantial consummation thereof;
- (b) To hear and determine:
 - (i) all controversies, suits and disputes, if any, as may arise in connection with the interpretation, implementation, consummation or enforcement of the Plan;
 - (ii) all controversies, suits and disputes, if any, as may arise between or among the holders of any Class of Claim and the Debtors including, without limitation, proceedings to determine the allowance, classification, amount, or priority of Claims;
 - (iii) all rights or Causes of Action which may exist on behalf of the Estates, including actions commenced to recover preferential transfers, accounts receivable and other property of the Estates;
 - (iv) applications for allowance of compensation and expense reimbursement of professionals for periods prior to the Effective Date;
 - (v) any and all applications, adversary proceedings and litigated matters;
 - (vi) to enter a final decree closing the Chapter 11 Cases; and
 - (vii) to the extent not expressly provided for above, any and all disputes arising under the Plan and proceedings in aid of the administration and/or consummation of the Plan.

**X. CONDITIONS TO CONFIRMATION, EFFECTIVE DATE
AND CONSUMMATION OF THE PLAN**

It is a condition to Confirmation of the Plan that (a) the Confirmation Order shall approve in all respects all of the provisions, terms and conditions of the Plan, and (b) the Confirmation Order is satisfactory to the Debtors in form and substance.

The Plan shall not become effective unless and until each of the following conditions has been satisfied or waived:

- (a) The Bankruptcy Court shall have entered the Confirmation Order;
- (b) The Bankruptcy Court shall have entered the Financing Approval Order(s);
- (c) The Confirmation Order and the Financing Approval Order(s) shall have become a Final Orders; and
- (d) All actions requires to be taken to implement the Confirmation Order including, but not limited to, the deposit of the proceedings of the Financing with the Disbursing Agent, having occurred.

The Debtors may at any time, without notice or authorization of the Bankruptcy Court, waive any or all of the foregoing conditions. The failure of the Debtors to satisfy or waive such condition may be asserted by the Debtors regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any actions taken by the Debtors). The Debtors reserve the right to assert that any appeal from the Confirmation Order shall be moot after substantial consummation of the Plan. In the event that the aforementioned conditions have not occurred or been waived on or before two hundred and forty (240) days after the Confirmation Date, the Confirmation Order may be vacated upon order of the Bankruptcy Court made on the request of the Debtors or any party in interest and an opportunity for parties in interest to be heard.

XI. IMPORTANCE OF OBTAINING PROFESSIONAL TAX ASSISTANCE

The tax consequences of the Plan may impact the decision of the holder of a Claim in determining whether to accept or reject the Plan. Moreover, the tax consequences will vary depending upon the individual circumstances of holder of a Claim.

The following discussion summarizes certain material U.S. federal income tax consequences of the Plan to the holders of Class 3 General Unsecured Claims. The summary is provided for informational purposes only and is based on the Internal Revenue Code of 1986, as amended (the “Tax Code”), the treasury regulations promulgated thereunder, judicial authority and current administrative rulings and practice, all as in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect. This summary does not address all aspects of federal income taxation that may be relevant to a particular holder of a Claim in light of its particular facts and circumstances or to particular types of holders of Claims subject to special treatment under the Tax Code and also does not discuss any aspects of state, local, or foreign taxation. Additionally, a substantial amount of time may elapse between the Effective Date and the receipt of the final distribution under the Plan. Events subsequent to the date of this Disclosure Statement, such as the enactment of additional tax legislation, court decisions or administrative changes, could affect the federal income tax consequences of the Plan and the transactions contemplated thereunder. No ruling will be sought from the Internal Revenue Service with respect to any of the tax aspects of the Plan and no opinion of counsel has heretofore been obtained by the Debtors as proponent of the Plan with respect thereto. **Accordingly, each holder of a Claim should consult his, her or its own tax advisor to determine what effect, if any, the treatment afforded its respective Claim under the Plan may have under federal, state and/or local tax laws, and the laws of any applicable foreign**

jurisdictions.

On the exchange of its Claim for cash and/or property, each holder of a Claim in Class 8 will recognize gain or loss measured by the difference between: (a) the aggregate fair market value of the cash and/or property received; and (b) such holder's tax basis in the Claim. To the extent that the cash and/or property received by a holder of a Claim is attributable to accrued interest on such Claim, the cash and/or property received will be deemed made in payment of such interest. Conversely, a holder of a Claim will recognize a deductible loss to the extent any accrued interest previously included in its gross income is not paid in full. The allocation for federal income tax purposes between principal and interest of amounts received in exchange for the discharge of a Claim at a discount is not clear. However, the Debtors intends to treat any amount received by holders of Claims as first allocated to principal.

Where gain or loss is recognized by a holder in respect of its Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including but not limited to: (a) the nature or origin of the Claim; (b) the tax status of the holder; (c) whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held; (d) whether the Claim was acquired at a market discount; and (e) whether and to what extent the holder had previously claimed a bad debt deduction with respect to the Claim. Any cash and/or property received by a holder of a Claim after the Effective Date may be subject to the imputed interest provisions of the Tax Code.

No statement in this Disclosure Statement should be construed as legal or tax advice. The Debtors and their counsel and accountants do not assume any responsibility or liability for the tax consequences the holder of a Claim may incur as a result of the treatment afforded its Claim under the Plan. Again, all holders of Claim are urged to consult with their own tax

advisor regarding the potential tax consequences of the Plan.

CIRCULAR 230 DISCLOSURE: This tax discussion was written to support the promotion or marketing of the Plan. To ensure compliance with requirements imposed by the Internal Revenue Service, we are informing you that this discussion was not intended or written to be used, and cannot be used, by any person for the purpose of avoiding tax-related penalties that may be imposed on the taxpayer under the Tax Code. Taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

XII. GENERAL INFORMATION REGARDING CONFIRMATION PROCEDURE AND VOTING

A. Plan Confirmation Process

1. Requirements.

The requirements for Confirmation of the Plan are set forth in detail in §1129 of the Bankruptcy Code. The following summarizes some of the more salient requirements for such Confirmation:

(a) Acceptance by Impaired Classes. As discussed in further detail below, except to the extent that the “cramdown” provision of §1129(b) of the Bankruptcy Code may be invoked, each impaired Class of Claims must vote to accept the Plan. “Impaired” is defined in §1124 of the Bankruptcy Code. A Claim is “impaired” unless the Plan leaves unaltered the legal, equitable and/or contractual rights of the holder thereof. In order for the Plan to be accepted by an impaired Class of Claims, a majority in number and two-thirds in dollar amount of the Claims voting in the impaired Class of Claims must vote to accept the Plan, or the Plan must qualify for “cramdown” of any non-accepting Class pursuant to §1129(b) of the Bankruptcy Code. Although the Debtor does not anticipate having to resort to the “cramdown” provisions of the

Bankruptcy Code, the Debtors suggests that creditors and parties in interest may wish to consult with counsel concerning these provisions.

(b) Feasibility. The Bankruptcy Court is required to find that the Plan is likely to be implemented and that the parties required to perform or pay monies under the Plan are likely to be able to do so.

(c) “Best Interests” Test. The Bankruptcy Court must find that the Plan is in the “best interests” of creditors. To satisfy this requirement, the Bankruptcy Court must determine that each holder of a Claim against the Debtors: (i) has accepted the Plan; or (ii) will receive or retain under the Plan money or other property which, as of the Effective Date, has a value not less than the amount which such holder would receive if the Debtors’ property were liquidated under chapter 7 of the Bankruptcy Code on that date.

2. Confirmation Hearing

To confirm the Plan, the Bankruptcy Court must hold a hearing to determine whether the Plan meets the Requirements of §1129 of the Bankruptcy Code (the “Confirmation Hearing”). **The Confirmation Hearing will be held at the United States Bankruptcy Court for the Southern District of New York, before the Honorable Sean H. Lane, United States Bankruptcy Judge, One Bowling Green, New York, New York 10004, on _____, 2016 at _____ a.m./p.m. (Prevailing Eastern Time).**

3. Objections to Confirmation

Any creditor or party-in-interest wishing to object to Confirmation of the Plan must state such objection in writing and appear at the Confirmation Hearing to pursue same. **Any objection must be filed with the Clerk of the Bankruptcy Court, with a courtesy copy sent to the chambers of the Honorable Sean H. Lane, and served upon the following parties so**

as to be actually received by _____, 2016 at 5:00 p.m. (Prevailing Eastern Time)
by: (i) Pick & Zabicki LLP, 369 Lexington Avenue, 12th Floor, New York, New York
10017; and (ii) the Office of the United States Trustee, U.S. Federal Office Building, 201
Varick Street, Suite 1006, New York, New York 10014.

4. Effect of Confirmation

As discussed above, upon entry of the Confirmation Order, the Plan shall be binding
upon the Debtors, all creditors and other parties in interest, regardless of whether they cast a
Ballot to accept or reject the Plan.

B. Voting on the Plan

1. Who May Vote

Pursuant to §1126 of the Bankruptcy Code, only the holders of Claims in Classes that are
impaired under the Plan may vote on the Plan.

2. Classes Under the Plan

Under the classification scheme provided in the Plan, Class 1 consists of the Aristone
Secured Claim, Class 2 consists of the NYCTL Secured Claim, Class 3 consists of all General
Unsecured Claims against the Debtors. Class 4 consists of the Interests in SCPD Holding and
Class 5 consists of the Interests in SCPD Gramercy.

3. Impairment of Claims

Under the Plan, the Claims in Class 2 and the Interests in Class 5 are not impaired. The
Claims in Classes 1 and 3 and the Interests in Class 4 are impaired.

4. Voting

Being impaired, holders of Claims in Classes 1 and 3 are entitled to vote on the Plan.
Because the holders of the Interests in Class 4 will not receive any property under the Plan, Class

4 is deemed to reject the Plan. Being unimpaired, the holders of the Claims in Class 1 and the holder of the Interests in Class 5 are not entitled to vote on the Plan. This Disclosure Statement is being distributed for informational purposes to all creditors and parties-in-interest without regard to their right to vote on the Plan. If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for that purpose.

5. Estimation of Claims for Voting Purposes

Solely for the purposes of voting on the Plan, and for no other purpose, each holder of an Allowed Claim shall include on its Ballot the amount which such Claimant believes is due to it from the Debtors. THIS AMOUNT SHALL NOT BE DEEMED IN ANY MANNER TO BE THE ALLOWED AMOUNT OF SUCH CLAIM. THE ALLOWED AMOUNT WILL ONLY BE DETERMINED AS PROVIDED IN THE PLAN. The amount set forth on the Ballot is solely for the purpose of voting upon the Plan and for the calculation of whether the Plan shall have been accepted in accordance with §1129(a) of the Bankruptcy Code.

If a Claimant holds more than one Claim in any one particular Class, all Claims of such holder in such particular Class shall be aggregated and deemed to be one Claim for purposes of determining the number and amount of Claims in such Class voting on the Plan.

6. Binding Effect

Whether a Claimant votes on the Plan or not, such person shall be bound by the terms of the Plan if the Plan shall be confirmed by the Bankruptcy Court. Unless a Ballot shall be completed and returned in accordance with the approved Bankruptcy Court procedures, a Claimant will not be included in the vote for purposes of accepting or rejecting the Plan or for purposes of determining the number of Persons voting on the Plan.

7. Voting Procedure and Deadlines

In order for your vote to accept or reject the Plan to be tabulated, you must complete, date, sign and properly mail the enclosed Ballot to counsel to the Debtors at the following address: Pick & Zabicki LLP, 369 Lexington Avenue, 12th Floor, New York, New York 10017, Attn: Douglas J. Pick, Esq.

Pursuant to Rule 3017 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Bankruptcy Court has ordered that original Ballots for the acceptance or rejection of the Plan must be received by counsel to the Debtors at the address set forth above on or before _____, 2016 at 5:00 p.m. (Prevailing Eastern Time). Once you have delivered or mailed your Ballot, you may not change your vote, except for cause shown to the Bankruptcy Court after notice and a hearing. Ballots or votes on the acceptance or rejection of the Plan cannot be transmitted orally or by facsimile.

Any Ballot received by counsel to the Debtors that does not identify the Claimant, or is unsigned, or which does not indicate acceptance or rejection, or (unless Claimant’s Claim is listed as undisputed, not contingent and fully liquidated in the Debtors’ current schedules of liabilities) does not include the amount believed to be owed such Claimant, shall not be counted as a vote, either to accept or reject the Plan.

You are urged to complete, date, sign, and promptly mail the enclosed Ballot. Please be sure to complete the Ballot properly and legibly identify the amount of your Claim and the name of the Claimant.

XIII. FEASIBILITY OF THE PLAN

In order to confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court must find that the Plan is likely to be implemented and that the parties required to perform or pay

monies under the Plan are likely to be able to do so. The Bankruptcy Court must further find that Confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtors.

As discussed above, the funds needed to make the Effective Date Distributions of the Plan will be on deposit with the Debtors' counsel, as Disbursing Agent, at the time of Confirmation. The Plan does not provide for any post-Confirmation payments to be made by the Post-Confirmation Debtors on account of any pre-Confirmation Claims. Accordingly, the Debtors believe that the Plan is feasible.

Additionally, the Debtors believe that Confirmation is not likely to be followed by the liquidation or further financial reorganization of the Debtors. For purposes of demonstrating this, the Debtors and their professionals analyzed the future prospects, future income and future liabilities of the Reorganized Debtors and incorporated their findings into the detailed "Cash Flow Projections" attached hereto as **Exhibit "E"** (the "Projections") forecasting the Debtors' post-Confirmation operating receipts and disbursements. As confirmed by the Projections, the Debtors believe that, after the restructuring of their debt obligations and affairs provided for under the Plan, the Reorganized Debtors will be able to remain current on its ordinary debts.

XIV. BEST INTERESTS

Notwithstanding acceptance of the Plan by the requisite number of impaired Classes of Claims, the Bankruptcy Court must independently determine that the Plan provides each member of each impaired Class of Claims a recovery that has a value at least equal to the value of the Distribution that each such creditor would receive if the Debtors was liquidated under chapter 7 of the Bankruptcy Code on the Effective Date.

The Debtors believe that the Plan is in the best interests of creditors because it maximizes the value of the Debtors while providing an immediate and definite recovery by creditors which would not be achievable if the Debtors were liquidated. Under the scenario presented under the Plan, holders of General Unsecured Claims will receive an immediate Distribution which will result in a recovery 5% of the Allowed Amounts of their Claims. In contrast, in the event of a liquidation of the Debtors under chapter 7 of the Bankruptcy Code, it is likely that creditors would receive substantially less or nothing at all on account of their Allowed Claims because: (a) of the substantial secured claims against the Debtors' assets; (b) the substantial additional expenses of administration, including a chapter 7 trustee's commissions and fees for such trustee's counsel, accountants, and other professionals likely to be retained, would be incurred with priority over Allowed General Unsecured Claims, diluting their recovery; and (c) any distribution on Allowed General Unsecured Claims would likely be substantially delayed while expenses of administration of the Estates would continue to grow. In order to illustrate this point, the Debtors and their professionals have prepared the detailed "Chapter 7 Liquidation Analysis" concerning the Debtors' assets attached hereto as **Exhibit "F"** (the "Liquidation Analysis"). Thus, the Debtors respectfully submit that the Plan is in the best interests of creditors.

XV. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors have evaluated alternatives to the Plan, including alternative Plan structures and terms; the adoption of a plan of liquidation; and the pursuit of various litigation strategies. While the Debtors has concluded that the Plan is the best alternative and will maximize recoveries by holders of Allowed Claims, if the Plan is not confirmed, the Debtors or any other party-in-interest could attempt to formulate and propose a different plan or plans of

reorganization. Further, if no plan of reorganization can be confirmed the Debtors' Chapter 11 Cases may be dismissed or converted to a chapter 7 case. In a liquidation case under chapter 7, the proceeds of the liquidation would be distributed to the respective creditors of the Debtors in accordance with the priorities established by the Bankruptcy Code and contractual priorities. However, the Debtors believe that holders of Allowed Claims would receive substantially less under chapter 7 and will be paid more quickly under the Plan as discussed more fully above. Accordingly, the Debtors believes that Confirmation and consummation of the Plan is preferable to the alternatives described above.

XVI. RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtors believe that the Confirmation and consummation of the Plan is the best means available to provide the greatest level of recovery to creditors in accordance with their legal and contractual rights. **Consequently, the Debtors urge all holders of Allowed Claims in Class 1 and Class 2 to accept the Plan and to evidence their acceptance by duly completing and returning their Ballots so that they will be received on or before _____, 2016 at 5:00 p.m. (Prevailing Eastern Time).**

Dated: New York, New York
September 28, 2016

Respectfully submitted,

SCPD GRAMERCY 1 HOLDNG LLC
Debtor-in-Possession

By: /s/ Sam Suzuki
Sam Suzuki, Manager

SCPD GRAMERCY 1 LLC
Debtor-in-Possession

By: /s/ Sam Suzuki
Sam Suzuki, Manager

READ AND APPROVED:

PICK & ZABICKI LLP
Counsel to the Debtors

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