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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

STEELCORE CAPITAL MASTER FUND, L.P.
STEELCORE CAPITAL, LP,

Chapter 11
Lead Case No. 16-11936(MKV)
(Jointly Administered)

Debtors.

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FIRST AMENDED JOINT DISCLOSURE STATEMENT

I. INTRODUCTION

STEELCORE CAPITAL MASTER FUND, L.P. (“Master Fund”) and STEELCORE CAPITAL, LP (“LP”) (collectively, the “Debtors”) hereby jointly submit this First Amended Disclosure Statement pursuant to Section 1125(b) of Title 11, United States Code, 11 U.S.C. §§ et seq. (the “Bankruptcy Code”) and Rule 3017 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), in connection with the Debtors’ First Amended Joint Chapter 11 Liquidating Plan dated November 28, 2016 (the “Plan”)¹ to all known holders of Claims against or Interests in the Debtors in order to adequately disclose information deemed to be material, important and necessary to make a reasonably informed judgment about the Plan, including, who is entitled to vote to accept or reject the Plan. A full copy of the Plan is attached to this Disclosure Statement as Exhibit “A”. *Your rights may be affected. You should read the Plan and*

¹ Capitalized terms not defined herein have the same meaning ascribed to them in the Plan.

this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.

During the Debtors' Chapter 11 Cases, the Debtors and their Interest holders successfully settled all disputed *inter se* claims and litigation including the Adversary Proceeding. As a result of the Settlement Agreement reached between the parties, the Debtors are able to confirm the Plan which provides for 100% distribution, without interest, to all holders of Allowed Claims with a significant return to the remaining Class 3 Interests.

Under Section 1126(b) of the Bankruptcy Code, only Classes of Allowed Claims that are "impaired" under the Plan, as defined by Section 1124 of the Bankruptcy Code, are entitled to vote on the Plan. Generally, a Class is impaired if its legal, contractual or equitable rights are altered or reduced under the Plan. Under the Plan, only Class 2 is Impaired and therefore entitled to vote to accept or reject the Plan. To be accepted by a Class, the Plan must be accepted by more than one half in number and two-thirds in dollar amount of the Allowed Claims actually voting in such Class.

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtors and significant events during the Chapter 11 Cases,
- How the Plan proposes to treat claims of the type you hold (*i.e.*, what you will receive on your claim if the plan is confirmed and your claim is "allowed" within the meaning of the Plan),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,
- Why the Debtors believe the Plan is feasible, and how the treatment of your claim under the Plan compares to what you would receive on your claim in liquidation, and

- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. Time and Place of the Hearing to Confirm the Plan

The hearing at which the Court will determine whether to confirm the Plan will take place on December 14, 2016 at 10:00 a.m., before the Honorable Mary Kay Vyskocil, U.S. Bankruptcy Judge, in Courtroom 501, at the United States Bankruptcy Court, Southern District of New York, One Bowling Green, New York, New York 10004.

2. Deadline For Voting to Accept or Reject the Plan

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot to DelBello Donnellan Weingarten Wise & Wiederkehr, LLP, Counsel for the Debtors, One North Lexington Avenue, White Plains, New York 10601, attn: Jonathan S. Pasternak, Esq. See Section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by **December 7, 2016 at 4:00 p.m. (Eastern Time)** or it will not be counted.

3. Deadline For Objecting to the Confirmation of the Plan

Objections to the confirmation of the Plan must be filed with the Court and served upon DelBello Donnellan Weingarten Wise & Wiederkehr, LLP, Counsel for the Debtors, One North

Lexington Avenue, White Plains, New York 10601, Attn: Jonathan S. Pasternak, Esq. by
December 7, 2016 at 5:00 p.m. (Eastern Time).

4. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact DelBello
Donnellan Weingarten Wise & Wiederkehr, LLP, counsel for the Debtors, One North Lexington
Avenue, White Plains, New York 10601, Attn: Jonathan S. Pasternak, Esq. or Erica F. Aisner,
Esq. (914) 681-0200.

C. Disclaimer

*The Court has conditionally approved this Disclosure Statement as containing
adequate information to enable parties affected by the Plan to make an informed judgment
about its terms. The Court has not yet given final approval of this Disclosure Statement nor
has determined whether the Plan meets the legal requirements for confirmation, and the fact
that the Court has conditionally approved this Disclosure Statement does not constitute a final
approval of the Disclosure Statement nor an endorsement of the Plan by the Court, or a
recommendation that it be accepted.*

II. BACKGROUND

A. Description of the Debtors and Events Leading to Bankruptcy

Joseph Stechler (“Stechler”), the Debtors’ manager and principal partner, has been
involved in the financial investment industry for more than thirty (30) years as both an analyst
and an investment manager. Between 1998 and 2015, he invested privately in stocks, options,

and in private equity situations.

In early 2015, Stechler launched the Debtors as part of a new investment partnership. The fund (the “Fund”) was set up with a series of affiliated investment and management entities, which is typical for an investment fund such as the Debtors.

The Master Fund is a Cayman Islands limited partnership. The Master Fund has two feeder funds: Debtor SteelCore Capital (Offshore) Ltd., a Cayman Islands company, and Debtor SteelCore Capital, LP, a Delaware limited partnership.

SteelCore Capital Management, LLC (the “Investment Manager”) is the investment manager of the above three entities.

SteelCore Capital GP, LLC (“GP”) is the general partner of SteelCore Capital, LP.

Stechler is the principal of all of the foregoing entities. He is the managing member and controlling person of both GP and the Investment Manager (SteelCore Capital Management, LLC).

To capitalize the fund, Stechler personally invested cash and securities valued at roughly \$3.2 million in the Master Fund. Thomas Steinberg (“Steinberg”) in his capacity as manager of the 2012 Shari Rubin Steinberg Trust (the “Trust”) and Ziosite Ltd. (“Ziosite”), through its representative, Simon Kettner, (“Kettner”), who are both accredited investors within the meaning of the 1933 Act, each separately invested \$3,000,000 (the Trust and Ziosite, collectively, the “ZS Investors”). The Debtors’ affiliate, SteelCore Capital Management, managed the investment decisions in the Master Fund and received a customary management fee for such services.

The Investors’ Dispute and Pre-Petition Litigation

In or about the summer of 2015, after the Fund experienced losses in the market, a dispute arose between the Debtors, the SteelCore entities and Stechler, on the one hand, and the ZS Investors, on the other hand, regarding the parties' agreements related to the Fund.

On or about April 22, 2016, the Debtors and the SteelCore Entities filed a complaint in New York Supreme Court, New York County against the ZS Investors (the "State Court Action").

On May 12, 2016, the ZS Investors filed an answer in the State Court Action with counterclaims against the Debtors and the SteelCore entities and third party claims against Stechler (the counterclaims and third-party claims are collectively referred to as the "Counterclaims").

On July 5, 2016, and after the exchange of motions filed in the State Court Action, the Debtors each filed in the Bankruptcy Court a voluntary petition for relief pursuant to Chapter 11 of the Bankruptcy Code, and the Debtors' cases have been jointly administered as Case Nos. 16-11936 and 16-11937(MKV) (the "Chapter 11 Cases").

B. Significant Events during the Chapter 11 Cases

On July 5, 2016 (the "Petition Date"), the Debtors filed voluntary petitions under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (Manhattan Division) and continued in possession of their property and management of their affairs as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

The Chapter 11 Cases are being jointly administered for procedural purposes only pursuant to an Order of the Bankruptcy Court dated July 7, 2016.

Retention of Professionals

At the outset of this case the Debtors retained DelBello Donnellan Weingarten Wise & Wiederkehr, LLP as its bankruptcy counsel to assist in the successful administration of the Chapter 11 Cases. The retention of DelBello Donnellan Weingarten Wise & Wiederkehr, LLP was approved by an Order of the Bankruptcy Court dated August 1, 2016, *nunc pro tunc* as of the Petition Date. Additionally, the Debtors retained Eisner Amper LLP as their accountant, which was approved by an Order of the Bankruptcy Court dated September 16, 2016 *nunc pro tunc* as of the Petition Date.

Schedules and Statement of Financial Affairs/Bar Date

On July 19, 2016, the Debtors filed their Schedules of Assets and Liabilities and Statements of Financial Affairs., which were amended on September 2, 2016.

Pursuant to an Order of the Bankruptcy Court dated August 22, 2016 (the “Bar Date Order”), the Court established September 30, 2016 as the last date by which creditors may file proofs of claim in the Chapter 11 Cases, except as otherwise provided in the Bar Date Order. Pursuant to the Bar Date Order, notice of entry of the Bar Date Order was mailed, by first class mail, to all known creditors of the Debtors.

341 Meeting/Initial Case Conference

On August 12, 2016 the Debtors attended the Section 341(a) Meeting of Creditors. The Debtors also appeared at the initial case conference in this Bankruptcy proceeding before the

Hon. Mark Kay Vyskocil at the United States Bankruptcy Courthouse on August 10, 2016 and have appeared, through counsel, at all continued case conferences as scheduled by the Bankruptcy Court.

Estate Funds

Since the Petition Date, the Debtors' remaining equity portfolio was converted into cash, and, as of this date, the Disbursing Agent is holding \$3,695,817.81⁵ in cash in its IOLTA account maintained at M&T Bank (the "Plan Distribution Funds").

Resolution of Disputed Claims

The Debtors have now resolved and fixed all claims in the Chapter 11 Cases without the need for further litigation.

Withdrawal of NYC Department of Finance Priority Tax Claim

Recently, the Debtors obtained the withdrawal of NYC Department of Finance's Priority Tax Claim in the amount of \$256,876.84 pursuant to Stipulation dated November 9, 2016.

Other than the Claims of the ZS Investors settled and compromised through the Settlement Agreement as discussed below, the Debtors have fully reviewed all scheduled and filed Claims and have determined there are no other disputed Claims.

⁵ Reflects amount after payment of Mediator fee in the amount of \$30,182.19 and includes the Settlement Amount to be paid to Steinberg Trust and Ziosite under the Settlement Agreement.

Settlement of the ZS Investors Claims

1. The Adversary Proceeding

On July 5, 2016, the Debtors removed the State Court Action to the U.S. District Court for the Southern District of New York which proceeding was then automatically referred to the Bankruptcy Court under the adversary proceeding captioned SteelCore Capital, L.P., et al v. Thomas Steinberg, et al. (AP-16-01183) (the “Adversary Proceeding”).

2. The Mediation

By order dated August 31, 2016 (the “Mediation Order”) the Bankruptcy Court directed the Parties to mediate all disputes arising out of the Chapter 11 Cases and the claims, defenses and Counterclaims in the Adversary Proceeding, and appointed retired Bankruptcy Judge James M. Peck as the mediator (the “Mediator”).

The parties, through respective counsel, prepared extensive mediation statements and consensually exchanged numerous documentation in preparation for the mediation.

On October 13, 2015, the parties participated in a mediation process with the Mediator, and after that process, which lasted an entire day, and after further post-mediation arms’ length discussions and negotiations, through respective counsel, the parties reached an agreement to settle all disputes arising out of, or relating in any way to, the Chapter 11 Cases, the ZS Investors’ claims, Stechler’s claims, the Investment Manager’s claims, and the claims, defenses and Counterclaims in the Adversary Proceeding.

The mediation resulted in a global settlement between the parties which resolves all outstanding litigation and related claims and paves the way for the Debtors to confirm, on an expedited basis, a liquidating plan with 100% distribution to all allowed creditors with a return to Mr. Stechler on account of his investment in the Fund.

3. The Settlement Agreement

On November 15, 2016, the parties, after arms' length negotiation between respective counsel, executed the Settlement Agreement. The Settlement Agreement can be summarized as follows:

- i. *Satisfaction of Allowed Claim of ZS Investors.* Within three (3) business days of the Effective Date (as defined in the Settlement Agreement), the Debtor Master Fund shall pay \$1,475,000 to *each* of the Trust and Ziosite (collectively, the "Settlement Payment") in full and final satisfaction of all of their respective claims against and interests in the Debtors, their affiliates, Stechler and his affiliated entities. The ZS Investors POCs shall be deemed modified and superseded by the foregoing, which claims shall be deemed waived, released and expunged upon receipt of the Settlement Payment. In addition, the ZS Investors' equity interests in the Debtors and their affiliates shall be deemed relinquished, redeemed and/or surrendered.
- ii. *Waiver of Debtors' and Stechler's claims against the ZS Investors.* Upon the Effective Date, the Debtors, Stechler and their respective affiliates shall be deemed to have fully waived and released any and all claims against the ZS Investors.
- iii. *Waiver of Stechler and his affiliated entities' claims against the Debtors.* Upon the Effective Date, the Stechler and Investment Manager POCs shall be deemed withdrawn, with prejudice.
- iv. *Dismissal of the Adversary Proceeding.* As soon as practicable after the ZS Investors have received the Settlement Payment, the Adversary Proceeding shall be dismissed, by Stipulation, with prejudice.

The Settlement Agreement therefore resolves the Adversary Proceeding, avoids the extensive costs, risks and time delays associated with likely complex and protracted discovery and litigation therein, permits the Debtors to satisfy the ZS Investors' claims in a substantially reduced and compromised amount which will permit the payment of all Allowed administrative and other Claims of the Debtors' estate in full, with an approximate \$500,000 return to Stechler on account of his investment in the Fund.

Absent the settlement, the Debtors would be mired in endless and administratively crushing litigation with the ZS Investors with no certainty of success, resulting in a certain material erosion of the remaining estate funds. The other creditors of the estate, including the ZS Investors, would be in jeopardy of drastically reduced, if not zero, distribution. At a minimum, the non-ZS Investor unsecured creditors would certainly stand to be all but wiped out by the ZS Investors claims absent the Settlement Agreement.

The Settlement Agreement has given the Debtors an opportunity to satisfy the ZS Investors' claims at a significant discount and make a 100% distribution to its other Allowed non-insider creditors under the Plan.

III. THE PLAN OF LIQUIDATION

The following is a brief summary of the Plan. The Plan represents a proposed legally binding agreement and creditors are urged to consult with their counsel in order to fully understand the Plan and to make an intelligent judgment concerning it. The Plan governs over any discrepancy in this summary.

As required by the Bankruptcy Code, the Plan places Claims in various Classes and describes the treatment each class will receive. The Plan also states whether each Class of Claims is Impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

A. Treatment of Unclassified Claims Under the Plan

Certain types of Claims are automatically entitled to specific treatment under the Bankruptcy Code. They are not considered Impaired, and holders of such Claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Bankruptcy Code. As such, the Debtors have *not* placed the following Claims in any class:

1. Allowed Administrative Claims other than Claims of Professionals

Administrative expenses are costs or expenses of administration in connection with the Chapter 11 Cases, including, without limitation, any actual, necessary costs and expenses of preserving the Debtors' estate, and all fees and charges assessed against the Debtors' estate pursuant to 28 U.S.C. section 1930. The term Administrative Claim does not include Fee Claims and quarterly fees owed to the Office of the U.S. Trustee, which are treated separately in this Plan. These Allowed Claims shall be paid in Cash from the Plan Distribution Fund on the Effective Date or as soon as is practicable thereafter. The Debtors estimate that the Allowed Administrative Claims other than Claims of Professionals outstanding on the Effective Date are \$1,415.

2. Allowed Administrative Claims of Professionals

These are Claims by any Professionals for compensation for legal and other services and reimbursement of expenses allowed or awarded under Bankruptcy Code sections 327, 328, 330(a), 331, 503(b) and/or 1103. The Debtors have two (2) Professionals whose employment has been approved by the Bankruptcy Court: (i) the Debtors' bankruptcy counsel, DelBello Donnellan Weingarten Wise & Wiederkehr, LLP ("DDWWW") and (ii) Eisner Amper, LLP, the Debtors' accountants (collectively, the "Professionals"). The Allowed Administrative Claims of the Professionals shall be paid in full, in Cash, from the Plan Distribution Fund, upon the later of (i) allowance by the Court pursuant to 11 U.S.C. § 330 or (ii) the Effective Date. The Debtors estimate that the total net unpaid Allowed Professionals claims on the Effective Date total approximately \$160,500, representing estimated net unpaid professional fees incurred through the Effective Date.

3. United States Trustee's Fees

These are claims for United States Trustee statutory fees arising under 28 U.S.C. § 1930 and 31 U.S.C. §3717. The Debtors shall pay outstanding United States Trustee statutory fees in full, in Cash, on the Effective Date or as soon as is practicable thereafter. Thereafter, such fees shall be paid in full, in Cash, in such amount as incurred by the Debtors from the Plan Distribution Fund. The Debtors shall be responsible to effectuate payment of United States Trustee quarterly fees through the entry of a final decree closing the Chapter 11 Cases. The Debtors estimate these Claims to total approximately \$10,725.

4. *Allowed Priority Tax Claims*

Priority tax claims are unsecured income, employment, sales, and other taxes described by §507(a)(8) of the Bankruptcy Code. The Debtors shall pay all Allowed Priority Tax claims in full, in Cash, on the Effective Date or as soon as is practicable thereafter. The Debtors estimate these Claims to total approximately \$0.

B. Classes of Claims

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

1. *Class 1: Allowed Non-Tax Priority Claims*

Class 1 consists of the holders of Allowed Class 1 Non-Tax Priority Claims. The Debtors shall pay to each holder of Class 1 Non-Tax Priority Claims the amount of its Allowed Claim in full and in Cash from the Plan Distribution Fund on the Effective Date or as soon as is practicable thereafter in full and final satisfaction of such Claims. The Debtors estimate these Claims to total approximately \$0.00. Class 1 Claims are unimpaired under the Plan and are deemed to vote in favor of the Plan.

2. *Class 2: General Unsecured Claims*

General Unsecured Claims are Claims which are not an Administrative Claim, Secured Claim, Priority Claim, or Interest that arose prior to the Petition Date and include the Allowed Unsecured Claims of Steinberg Trust and Ziosite each in the amount of \$1,475,000, respectively, whose Claims, and payment thereon, are governed exclusively by the Settlement Agreement.

The Debtors shall pay to each holder of a Class 2 General Unsecured Claim 100% of the amount of their Allowed Claim, without interest, in Cash from the Plan Distribution Fund on the Effective Date or as soon thereafter as is practicable, in full and final satisfaction of its Claims as against the Debtors. The Debtors believe Class 2 Claims, including the Settlement Payment to Steinberg Trust and Ziosite totaling \$2,950,000 paid under the Settlement Agreement, total \$3,002,973.49. Since Class 2 Claims are not receiving interest on their Allowed Claim, Class 2 Claims are Impaired under the Plan and are allowed to vote on the Plan. Under the Settlement Agreement, Steinberg Trust and Ziosite are deemed to vote their Class 2 Claims in favor of the Plan.

3. *Class 3: Interests*

Class 3 consists of the holders of Interests in the Debtors. Pursuant to the Settlement Agreement and conditioned upon payment of the Settlement Payment in full, Class 3 Interests are held 100% by GP, of which Stechler shall be the sole member. Class 3 Interests shall receive the balance of the Plan Distribution Fund, after distribution in full to all Allowed unclassified, Administrative, Class 1 and Class 2 Claims and the Post-Confirmation Reserve. Class 3 Interests are unimpaired under the Plan and are deemed to accept the Plan.

C. Resolution of Disputed Claims & Reserves

1. *Objections.*

An objection to the allowance of a Claim shall be in writing and may be filed with the Bankruptcy Court by the Debtors or any other party in interest no later than thirty (30) days after the Effective Date.

2. Amendment of Claims.

A Claim may be amended only up to seven (7) days prior to the Effective Date, unless agreed upon by the Debtors and the holder of such Claim and as approved by the Bankruptcy Court or as otherwise permitted by the Bankruptcy Code and Bankruptcy Rules.

3. Reserve for Disputed Claims.

In the event that a Disputed Claim is not resolved by the Effective Date and the Disbursing Agent decides, in its discretion, to effectuate distributions to holders of Allowed Claims in the same or junior Classes to the Disputed Claim, the Disbursing Agent shall, to the extent that sufficient funds are available in the Distribution Fund, reserve, on account of each holder of a Disputed Claim, that property which would otherwise be distributable to the holder on such date were the Disputed Claim at issue an Allowed Claim, or such other property as the holder of the Disputed Claim at issue and the Debtors may agree upon. The property so reserved for the holder, to the extent that the Disputed Claim is Allowed, and only after the Disputed Claim becomes a subsequently Allowed Claim, shall thereafter be distributed to such holder as provided below.

4. Claims Procedures Not Exclusive.

All of the aforementioned Claims procedures are cumulative and not necessarily exclusive of one another. On and after Confirmation, Claims which were previously disputed may subsequently be compromised, settled, withdrawn, or otherwise resolved without further order of the Bankruptcy Court.

D. Plan Funding and Means of Implementing the Plan

1. Plan Funding.

The Plan shall be solely funded with the Plan Distribution Fund, which shall be held pursuant to Section 345 of the Bankruptcy Code and distributed by DelBello Donnellan Weingarten Wise & Wiederkehr, LLP (the “Disbursing Agent”) in accordance with the terms of the Plan. The Cash required to be distributed to holders of Allowed Claims under the Plan shall be distributed by the Disbursing Agent on the later of the following dates: (i) on, or shortly after, the later of the Effective Date to the extent the Claim has been Allowed or (ii) to the extent that a Claim becomes an Allowed Claim after the Effective Date, within ten (10) days after the order allowing such Claim becomes a Final Order.

2. Means for Implementation.

The Plan Distribution Fund has been established and is being maintained by the Disbursing Agent in its IOLTA account with M&T Bank and shall be distributed in accordance with the Plan.

E. Executory Contracts and Leases

The Debtors do not believe there are any executory contracts that require assumption or rejection.

F. Tax Consequence of the Plan

Creditors Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, and/or Advisors.

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

1. Tax Consequences to the Debtors

The Debtors may not recognize income as a result of the discharge of debt pursuant to the Plan because Section 108 of the Internal Revenue Code provides that taxpayers in bankruptcy

proceedings do not recognize income from discharge of indebtedness. However, a taxpayer is required to reduce its "tax attributes" by the amount of the debt discharged. Tax attributes are reduced in the following order: (i) net operating losses; (ii) general business credits; (iii) capital loss carryovers; (iv) basis in assets; (v) passive activity loss and credit carryovers; and (vi) foreign tax credit carryovers.

2. Tax Consequences to Unsecured Creditors

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

G. Avoidance and Recovery Actions

The Debtors do not believe there are any Avoidance Actions that should be pursued.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Bankruptcy Code. These include the requirements 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 at least as much as the creditor would receive in a chapter 7 liquidation case, unless the creditor votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, 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 has a right to vote for or against the Plan only if that creditor has a claim that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Debtors believe that there is one class (Class 2) impaired under the Plan and that the holders of the claims in this classes are entitled to vote to accept or reject the Plan. The Debtors believe that the other classes (Classes 1 and 3) are unimpaired and that holders of claims in each of these classes, therefore, do not have the right to vote to accept or reject the Plan.

1. *What Is an Allowed Claim?*

Only a creditor with an allowed claim has the right to vote on the Plan. Generally, a claim is allowed if either (1) the Debtors have scheduled the claim on the Debtors' schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim, unless an objection has been filed to such proof of claim. When a claim is not allowed, the creditor holding the claim cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was September 30, 2016.

2. *What Is an Impaired Claim?*

As noted above, the holder of an allowed claim 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.

Since Class 2 Claims are not receiving interest, Class 2 Unsecured Claims are Impaired under the Plan and entitled to vote.

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

The Bankruptcy Court has directed that, to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be mailed or delivered by hand or courier so that they

are ACTUALLY RECEIVED no later than 4:00 p.m. (Eastern Standard Time) on December 7, 2016 at the following address:

DELBELLO DONNELLAN WEINGARTEN
WISE & WIEDERKEHR, LLP
One North Lexington Avenue
White Plains, New York 10601
Attn: Jonathan S. Pasternak, Esq.

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

3. *Who is Not Entitled to Vote*

The holders of the following five types of claims are *not* entitled to vote:

- holders of claims that have been disallowed by an order of the Court;
- holders of other claims that are not “allowed claims” (as discussed above), unless they have been “allowed” for voting purposes;
- holders of claims in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Bankruptcy Code; and
- 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 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. In light of the Settlement Agreement, it is not anticipated that Class 2 will reject the Plan.

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 (1/2) 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.

C. Feasibility and Best Interests Test

The Bankruptcy Code requires that in order to confirm the Plan, the Bankruptcy Court must find that confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtors (the “Feasibility Test”).

For a plan to meet the Feasibility Test, the Bankruptcy Court must find that the Debtors will possess the resources to meet its obligations under the Plan. Since the Plan contemplates a

liquidation of the Debtors' assets, Confirmation of the Plan is not likely to be followed by the need for further financial reorganization of the Debtors or any successor to the Debtors under the Plan. Moreover, on the Effective Date, the Debtors will have sufficient funds on hand to fund the Plan. A distribution schedule outlining all payments to be made under the Plan from the Plan Distribution Fund is attached to this Disclosure Statement as **Exhibit "B."** *You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.*

In addition, the Bankruptcy Court must determine that the values of the distributions to be made under the Plan to each Class will equal or exceed the values which would be allocated to such Class in a liquidation under Chapter 7 of the Bankruptcy Code (the "Best Interest Test").

The Best Interest Test with respect to each impaired Class requires that each holder of a Claim or Interest in such Class either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. Because the Debtors have proposed a liquidating Plan which distributes all proceeds thereof to holders of Allowed Claims in order of priority, no scenario exists, including but not limited to Chapter 7 liquidation, under which the creditors would be entitled to receive a distribution greater than that which the Debtors have proposed under the Plan. In fact, were the Debtors' assets liquidated in a Chapter 7 case, the creditors of the estate would stand to receive far less as the Administrative costs associated with such a case would be significantly higher.

The Debtors believe that the Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, including the “best interest” and feasibility requirements. The Plan is “fair and equitable” and “does not discriminate unfairly”. The Plan complies with all other requirements of Chapter 11 of the Bankruptcy Code and the Plan has been proposed in good faith.

D. Notices

All notices and correspondence should be forwarded in writing to:

STEELCORE CAPITAL MASTER FUND, L.P.
STEELCORE CAPITAL, LP
c/o DelBello Donnellan Weingarten Wise & Wiederkehr, LLP
One North Lexington Avenue
White Plains, New York 10601
Attn: Jonathan S. Pasternak, Esq.

V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of Debtors

Since the Plan provides for a liquidation of the Debtors’ assets, the Confirmation Order shall not operate as a discharge pursuant to Section 1141(d)(1) of the Bankruptcy Code.

1. Exculpation.

Neither the Debtors nor any of their respective managers, members, partners, shareholders, officers, directors, employees, attorneys, advisors, agents, representatives and assigns (the “Released Parties”) shall have or incur any liability to any entity for any action taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, Confirmation or consummation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into, or any

other action taken or omitted to be taken in connection with the chapter 11 case or the Plan and any related agreement except for bad faith, willful misconduct, gross negligence, breach of fiduciary duty, malpractice, fraud, criminal conduct, unauthorized use of confidential information that causes damages, and/or ultra vires acts. Notwithstanding any other provision hereof, nothing in Sections 11.2 or 11.3 of the Plan shall (a) 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, New York State Tax Law, the environmental laws or any criminal laws of the United States or any state and local authority against the Released Parties, nor shall anything in Sections 11.2 or 11.3 of the Plan enjoin the United States or any state or local authority from bringing any claim, suit, action or other proceedings against any of the Released Parties referred to herein for any liability whatever, including, without limitation, any claim, suit or action arising under the Internal Revenue Code, New York State Tax Law, the environmental laws or any criminal laws of the United States or any state and local authority, nor shall anything in this Plan exculpate any party from any liability to the United States Government or any of its agencies or any state and local authority whatsoever, including liabilities arising under the Internal Revenue Code, New York State Tax Law, the environmental laws or any criminal laws of the United States or any state and local authority against the Parties referred to herein, or (b) limit the liability of the Debtors' professionals to the Debtors pursuant to Rule 1.8(h)(1) of the New York Rules of Professional Conduct.

2. *Plan Injunction*

Upon Confirmation, but subject to the occurrence of the Effective Date, all persons who have held, hold or may hold Claims or Interests are enjoined from taking any of the following actions against or affecting the Debtors or assets of the Debtors with respect to such Claims, Interests or Administrative Claims, except as otherwise set forth in the Plan and/or in the Settlement Agreement, and other than actions brought to enforce any rights or obligations under the Plan or under the Settlement Agreement or appeals, if any, from the Confirmation Order:

(i) Commencing, conducting or continuing in any manner, directly or indirectly, any suit, action, arbitration, or other proceeding of any kind against the Debtors or the assets of the Debtors regarding the Claims or Interests;

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

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

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

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

3. *Full and Final Satisfaction*

To the fullest extent permitted by Section 1141(a)-(c) of the Bankruptcy Code, all payments and all distributions pursuant to the Plan, shall be in full and final satisfaction, settlement and release of all Claims and Interests, except as otherwise provided in the Plan. Nevertheless, under Section 1141(d) of the Bankruptcy Code, the Debtors will not receive a discharge because the Plan is a liquidating plan.

B. Amendment, Modification, Withdrawal or Revocation of the Plan.

The Debtors reserve the right, in accordance with the Section 1127 of the Bankruptcy Code, to amend or modify the Plan by Order of the Bankruptcy Court, as may be required.

Settlement Agreement. The Settlement Agreement is ratified and incorporated into the Plan by reference. Notwithstanding anything herein to the contrary, to the extent of any inconsistency between the terms of the Plan and the terms of the Settlement Agreement, the Settlement Agreement shall control. The obligations created under the Settlement Agreement shall survive Confirmation and shall continue to be obligations of the Debtors and/or the other parties thereto.

The Debtors may withdraw or revoke the Plan prior to Confirmation. If such a withdrawal or revocation occurs, or if Confirmation does not occur, the Plan will be null and void. In such event, nothing contained in the Plan will constitute a waiver or release of any Claim by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any other person in any further proceedings involving the Debtors.

C. Unclaimed Property

Except as otherwise provided herein, in the event any claimant fails to claim any distribution within four (4) months from the date of such distribution, such claimant shall forfeit all rights thereto and to any and all future payments, and thereafter the Claim for which such cash was distributed shall be treated as a disallowed Claim. Distributions to claimants entitled thereto shall be sent to their last known address set forth on the most recent proof of claim filed with the Bankruptcy Court or, if no proof of claim is filed, on the Schedules filed by the Debtors or to such other address as may be later designated by a creditor in writing to the Disbursing Agent. The Debtors shall use best efforts to obtain current addresses for all claimants. All unclaimed cash shall be redistributed by the Debtors to Class 3 Interest holders in accordance with Article III of the Plan.

D. Retention of Jurisdiction

The Bankruptcy Court shall retain jurisdiction of the Chapter 11 Cases:

(a) To determine all controversies relating to or concerning the allowance of and/ or distribution on account of such Claims or Interests upon objection thereto which may be filed by any party in interest;

(b) To determine requests for payment of Claims entitled to priority under Section 507(a)(2) of the Bankruptcy Code, including any and all applications for compensation for professional and similar fees

(c) To determine any and all applications, adversary proceedings, and contested or litigated matters over which the Bankruptcy Court has subject matter jurisdiction pursuant to 28

U.S.C Sections 157 and 1334;

(d) To determine all disputed, contingent or unliquidated Claims and all disputed Interests;

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

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

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

(h) To close the Adversary Proceeding;

(i) To resolve controversies and disputes regarding the interpretation or enforcement of the terms of the Settlement Agreement; and

(j) To enter a final decree closing the Chapter 11 Cases.

E. Post-Confirmation Fees, Reserves and Final Decree

The reasonable compensation and out-of-pocket expenses incurred post-Confirmation by the Debtors' professionals retained in the Chapter 11 case shall be paid by the Debtors from the Plan Distribution Fund within ten (10) days upon presentation of invoices for such professional services. All disputes concerning post-confirmation fees and expenses shall be subject to Bankruptcy Court jurisdiction.

The Debtors shall reserve \$2,500 from the Plan Distribution Fund for the payment of post-Confirmation professional fees incurred by Debtors' counsel and the Disbursing Agent in connection with the carrying out of duties and responsibilities as the Disbursing Agent as well as payment of United States Trustee fees. The balance of such reserve, if any, shall be distributed in accordance with Article III of the Plan.

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

F. Continuation of Bankruptcy Stays

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

VI. RECOMMENDATION

The Debtors believe that confirmation of the Plan is preferable to any of the alternatives described above. The Plan will provide greater recoveries than those available in liquidation to all holders of Claims. Any other alternative would cause significant delay and uncertainty, as well as substantial additional administrative costs.

Dated: Teaneck, New Jersey
November 28, 2016

STEELCORE CAPITAL MASTER FUND, L.P.
STEELCORE CAPITAL, LP

By: Joseph Stechler
Joseph Stechler, Managing Member of
SteelCore Capital GP, LLC, General Partner

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By: /s/ Jonathan S. Pasternak
Jonathan S. Pasternak