

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

In re: ) Bankruptcy No. 16-21628  
)  
GATEWAY ENTERTAINMENT STUDIOS, LP )  
)  
Debtor. ) Chapter 11  
)  
)  
)

**OBJECTION TO DISCLOSURE STATEMENT**

The Dale Carroll Rosenbloom, Jr. 2003 Irrevocable Trust and the Lucia Rodriguez 2003 Irrevocable Trust (collectively, “the Trusts”) by their undersigned counsel file this Objection to the Disclosure Statement accompanying the Debtor’s Plan of Reorganization dated October 28, 2016 and state as follows:

1. The Trusts are equity interest holders and parties in interest in the within bankruptcy proceeding by virtue of their being Class A Preferred Limited Partners in the Debtor, Gateway Entertainment Studios LP owning an aggregate 45% of the membership interests in the Debtor per the Second Amended Limited Partnership Agreement.

2. On October 28, 2016 the Debtor herein through its retained counsel filed a Plan of Reorganization and an accompanying Disclosure Statement.

3. In pertinent part, the Disclosure Statement provides for the proposed sale of the Debtor’s Real Estate Assets (excluding its RCAP grants and a pending insurance claim) to a third party, Midwood Investments for the sum of \$14,000,000 in a private sale.

4. The Disclosure Statement further indicates that the \$14 million sale proceeds are sufficient to more than pay in full the secured claim against the Debtor’s real estate as well as all anticipated allowed unsecured claims thus leaving funds available to pay the Trusts preferred

equity interest claims respecting the Debtor. Hence, there is no Absolute Priority Rule issue raised at least with respect to the Trusts' equity interest claims.

5. In keeping with the apparent value of the Trusts' equity interest claims, the Disclosure Statement provides in pertinent part as follows: "the Debtor will give the claims of the [Trusts] the option of extinguishing their equity for full payment or retaining their equity in the debtor upon confirmation." See Disclosure Statement, Background section, paragraph 7.

6. Nowhere in the Disclosure Statement is there any indication as to what the Debtor regards or contends is "full payment" of the Trusts' equity interest claims although the Debtor does indicate on the schedule included as part of the Disclosure Statement at page 12 of 19 that the Trusts claims are "partially disputed", again without elaboration as to what the nature of the dispute is.

7. Pursuant to the Debtor's Limited Partnership Agreement, as amended, the Trusts are entitled to recovery of the full amount of their respective capital contributions which were each in the amount of \$625,000 (i.e. \$1,250,000 in the aggregate). Additionally, the Trusts are each entitled to payment of the "Class A preferred return" set forth in the Limited Partnership Agreement equal to 15% of their respective capital contributions. Hence the Trusts are entitled in the aggregate to a "Class A preferred return" in the sum of \$187,500. Once paid, their Class A preferred return, the Trusts still retain their 45% interest. If the Trusts were to be bought out, then per the provisions of the Limited Partnership Agreement, in addition to the above referenced payments, the Trusts must also be paid the value of their aggregate 45% equity interest in the Debtor. The Disclosure Statement and accompanying Plan therefore mischaracterize the Trusts' equity interest claims and improperly attempt to modify the Trusts'

equity interest rights by proposing that the Trusts must elect either payment or retention of their equity interests when in fact they are entitled to both.

8. Moreover, the Disclosure Statement in Section VIII on page 16 of 19 identifies there is pending litigation on appeal involving a claim by a party (Knoll) claiming to have entitlement to a 15% equity ownership interest in the Debtor but the Disclosure Statement otherwise does not provide any discussion as to the basis for the claimed assertion of an ownership interest by that party. For obvious reasons, the pendency of that claim has an impact upon the ownership structure of the Debtor

9. Absent proper characterization of the Trusts claims and further information from the Debtor as to its position as to what “full payment” of the Trusts’ equity interest claims will consist of and full disclosure as to the asserted claim by Knoll to an ownership interest in the Debtor, the Trusts cannot evaluate or intelligently vote respecting the proposed treatment of the Trusts in the Plan and therefore the Disclosure Statement does not provide “adequate information” per the requirements of 11 U.S.C. §1125 (a) (1).

10. Additionally, the Disclosure Statement indicates that the proposed private sale of its Real Estate Assets will not include the RCAP grants and its scheduled insurance claim such that those claims will be presumably retained by the Debtor and inure to the benefit of the equity interest holders in the Debtor. Those excluded assets are valued in Section III of the Disclosure Statement at page 7 of 19 as having a combined value of \$2.5 million. Assuming the Trusts were forced to elect a buyout to receive “full payment” of their interests as set forth in the Plan and Disclosure Statement, then the value of the excluded assets would inure to the benefit of the remaining equity interest holder, Christopher Breakwell. In that latter eventuality, Breakwell could well realize a recovery on his nonpreferred equity interest claim respecting the Debtor

which exceeds the payment to the Trusts respecting their preferred equity interest claims thus violating the Absolute Priority Rule. Indeed, any retention of value by Breakwell for his nonpreferred equity interest in the Debtor pursuant to a Plan which modifies and reduces or limits the preferred equity interest claims and rights of the Trusts is violative of the Absolute Priority Rule.

WHEREFORE, the Trusts object to the approval of the Debtor's Disclosure Statement accompanying its Plan of Reorganization dated October 28, 2016.

Respectfully submitted,

ELLIOTT & DAVIS, PC

By: /s/ Jeffrey T. Morris

Jeffrey T. Morris, Esquire

PA ID #31010

425 First Ave, First Floor

Pittsburgh, PA 15219

[morris@elliott-davis.com](mailto:morris@elliott-davis.com)

Tel: (412) 434.4911, ext. 34

Fax: (412) 774.2168

**CERTIFICATE OF SERVICE**

I, the undersigned, do hereby certify that a true and correct copy of the foregoing Response and Objection to the Motion for Relief from the Automatic Stay advanced by 31<sup>st</sup> Street Business Park LLC has been served by the Court's ECF notice system on all parties and counsel of record.

Dated: 12-5-2016

/s/ Jeffrey T Morris  
Counsel for the Dale Carroll Rosenbloom, Jr.  
2003 Irrevocable Trust and the  
Lucia Rodriguez 2003 Irrevocable Trust