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Dreier's Disclosure Statement Wins Judge's Approval

By **Jeff Sistrunk** 0 Comments Share us on:

Law360, Los Angeles (February 13, 2014, 10:55 PM ET) – The Chapter 11 liquidation plan for defunct law firm Dreier LLP took another step toward completion Thursday when a New York bankruptcy judge gave his seal of approval to an amended disclosure statement for the plan.

Following a Feb. 11 hearing, U.S. District Judge Stuart M. Bernstein granted a joint motion seeking approval of the disclosure statement by Dreier's trustee, Sheila M. Gowan, and the Official Committee of Unsecured Creditors, paving the way for creditors to vote on the plan.

Pursuant to the judge's order, objections to the plan must be filed by April 7, the same day by which ballots must be received. The judge set a confirmation hearing on the proposed plan for April 24.

The proposed liquidation plan provides for payments to Dreier's creditors using recoveries and proceeds from the sale of the law firm's assets. According to court documents, higher-priority claims including \$3.85 million in tax claims and about \$9 million owed to secured creditors would be paid in full. Meanwhile, holders of about \$375 million in general unsecured claims will recover 4.9 percent to 12.6 percent, court papers said.

Dreier was a successful Park Avenue law firm with an impressive client list, but it was destroyed in the wake of the December 2008 arrest of its founder and sole owner Marc Dreier.

Dreier later pled guilty to charges of securities and wire fraud stemming from a Ponzi scheme in which he sold phony promissory notes to hedge funds, investors and clients, scamming them out of some \$400 million.

He pled guilty to the charges in May 2009 and is serving a 20-year prison sentence.

Meanwhile, the firm, which had 250 employees, fell into ruin, filing for Chapter 11 bankruptcy protection in December 2008. The U.S. Bankruptcy Court in Manhattan appointed Gowan as Dreier's Ch. 11 trustee shortly thereafter.

Gowan has filed a slew of adversary complaints seeking to recover \$275 million she claims Dreier passed on to family members or fraudulently transferred to investors in his Ponzi scheme. According to court documents, Gowan has so far recovered more than \$25 million while also reducing investors' claims against the defunct firm.

In one settlement, Perella Weinberg Partners LP **agreed to pay** \$11.5 million to settle Gowan's claims that its Xerion hedge fund took in \$24.1 million it allegedly knew was made as part of Dreier's scheme. Gowan **settled her suit** against another investor, The Patriot Group LLC, for \$3.5 million.

The trustee is represented by Diamond McCarthy LLP.

The unsecured creditors' committee is represented by Klestadt & Winters LLP.

Documents

Document

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Sections

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Case Information

Case Title

Dreier LLP

Case Number

1:08-bk-15051

Court

New York Southern

Nature of Suit

Date Filed

December 16, 2008

Law Firms

- Diamond McCarthy
- Klestadt & Winters

Companies

- Perella Weinberg Partners

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The case is In Re: Dreier LLP, case number 08-15051, in the U.S. Bankruptcy Court for the Southern District of New York.

--Editing by Chris Yates.

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