

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF SOUTH CAROLINA

IN RE:	)	CHAPTER 11
	)	
Kahn Family, LLC	)	CASE NO. 13-02354 HB
	)	
	)	<b>DISCLOSURE STATEMENT</b>
Debtor.	)	
	)	

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**I. INTRODUCTION.**

This is the disclosure statement (the “Disclosure Statement”) in the Chapter 11 Case of Kahn Family, LLC (the “Debtor” or “KF”). This Disclosure Statement contains information about the Debtor and describes the Plan of Reorganization (the “Plan”) filed by the Debtor on December 20, 2013. 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 THIS DISCLOSURE STATEMENT CAREFULLY, AND DISCUSS THEM WITH YOUR ATTORNEY. IF YOU DO NOT HAVE AN ATTORNEY, YOU MAY WISH TO CONSULT ONE.**

**A. Purpose of This Document.**

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case.
- How the Plan proposes to treat claims or equity interests of the type you hold (i.e. what you will receive on your claim or equity interest if the plan is confirmed.)

- 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 Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation.
- 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. Legal Disclaimers Applicable to this Disclosure Statement.**

THIS DISCLOSURE STATEMENT (WHICH INCLUDES ITS VARIOUS PARTS, EXHIBITS AND OTHER ATTACHMENTS) IS THE ONLY DOCUMENT AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE PLAN.

THE BANKRUPTCY COURT’S APPROVAL OF THIS DISCLOSURE STATEMENT IS NOT A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT OR AN ENDORSEMENT OF THE PLAN.

THIS DISCLOSURE STATEMENT SHOULD NOT BE TREATED AS PROVIDING ANY LEGAL, FINANCIAL, SECURITIES, TAX OR BUSINESS ADVICE. CREDITORS ARE URGED TO CONSULT WITH THEIR OWN ADVISORS CONCERNING THE DEBTOR'S CHAPTER 11 CASE, THE PLAN AND THE PROPOSED TRANSACTIONS CONTEMPLATED BY THE PLAN.

THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF VOTING TO ACCEPT OR REJECT THE PLAN OR TO OBJECT TO CONFIRMATION OF THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY PERSON FOR ANY OTHER PURPOSE.

THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE KEY FEATURES OF THE PLAN TO ASSIST PARTIES WITH THEIR REVIEW OF THE ACTUAL PLAN AND RELATED DOCUMENTS. ALL CREDITORS ARE URGED TO REVIEW THE FULL TEXT OF EACH DOCUMENT AND TO READ CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT BEFORE DECIDING WHETHER TO VOTE OR ACCEPT THE PLAN. THE PLAN IS ATTACHED AS AN EXHIBIT TO THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY

REFERENCE TO THE ACTUAL PROVISIONS OF THE PLAN. IN THE EVENT OF A CONFLICT BETWEEN THE PLAN AND THE DESCRIPTION OF ITS TERMS IN THIS DISCLOSURE STATEMENT, THE PROVISIONS OF THE PLAN WILL GOVERN.

IN DECIDING WHETHER TO VOTE TO ACCEPT THE PLAN, CREDITORS MUST RELY ON THEIR OWN EVALUATION AND ANALYSIS, INCLUDING CAREFULLY CONSIDERATION OF THE RISK FACTORS DISCUSSED HEREIN.

UNLESS OTHERWISE SPECIFIED, THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BELIEVED TO BE CORRECT AS OF THE DATE OF ITS FILING. HOWEVER, READERS SHOULD NOT ASSUME THAT THERE HAVE BEEN NO CHANGES SINCE THAT DATE.

EXCEPT WHERE SPECIFICALLY NOTED, THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN AUDITED BY A CERTIFIED PUBLIC ACCOUNTANT AND MAY NOT HAVE BEEN PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES.

THE ATTORNEYS, ACCOUNTANTS, ADVISORS AND OTHER PROFESSIONALS EMPLOYED BY THE DEBTOR HAVE ASSISTED IN PREPARING THIS DISCLOSURE STATEMENT BASED UPON FACTUAL INFORMATION AND ASSUMPTIONS RESPECTING FINANCIAL, BUSINESS AND ACCOUNTING DATA FOUND IN THE BOOKS AND RECORDS OF THE DEBTOR. HOWEVER, THEY HAVE NOT INDEPENDENTLY VERIFIED THIS INFORMATION AND MAKE NO REPRESENTATIONS AS TO THE ACCURACY OF THIS INFORMATION.

THESE ATTORNEYS, ACCOUNTANTS, ADVISORS AND OTHER PROFESSIONALS WILL HAVE NO LIABILITY FOR THE INFORMATION IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT WILL NOT BE SUBMITTED TO, NOR APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY SIMILAR STATE SECURITIES REGULATOR. NEITHER THE SEC NOR ANY SIMILAR STATE SECURITIES REGULATOR HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION IT CONTAINS.

## **II. Background**

### **A. Description and History of the Debtor's Business.**

- **The Company.**

Kahn Family, LLC was formed to provide convenient and effective coordination and oversight of the various ownership interests of Alan B. Kahn in closely held entities and properties.

It serves as the Manager of some entities which own properties and also as the owner of entities which perform services for properties (KF currently owns and/or manages 37 entities).

Kahn Family, LLC benefits from the experience and reputation of Alan B. Kahn who is instrumental in building and managing a number of facilities throughout the Southeast including more than 30 facilities for Sears Roebuck & Co., the regional Mall in Columbia, South Carolina. He also was involved in the ownership and development of Bankers Trust Plaza office building in Columbia, South Carolina, which was a joint venture of Bankers Trust, a predecessor of Bank of America, and others. Alan Kahn was also involved in low rise and high rise multifamily development as well as the purchase, renovation, and releasing of suburban and urban office buildings. Some years ago Kahn Development Company and Alan Kahn were active in owning and managing the

29<sup>th</sup> largest portfolio of manufactured home land lease communities in the United States.

- **Current Business Conditions**

Alan Kahn has found that there are a number of tenants in the retail developments who are willing to pay the asking price for existing space and do not require special up fitting beyond what a normal tenant would require. Thus the current commercial real estate market insofar as retail is concerned, appears to be poised for significant recovery in the next few years.

Competition facing Kahn Family, LLC consists mainly of competing properties in the specific submarkets in which the assets of the two entities are located. In the case of Walgreens Drug Stores, the competition is competing pharmacies such as CVS and the pharmacies of discounters such as Wal-Mart and Target and certain supermarkets such as Kroger who have pharmacies.

In the case of shopping centers, competition generally comes from competing retail centers and anchors. For an example, for Food Lion it would be Wal-Mart and other grocery stores in the specific market. Shop space competes with other shop space in other competing centers with their particular attributes and their anchors

which serve the same customers.

Insofar as multifamily is concerned, there are new properties being planned to be built and they may pose a competitive threat, although generally rental levels are lower in existing apartment communities than in new communities. Overbuilding is possible in a few years in the future.

In the office market, there are some new Class A buildings that will be built, but they generally will rent for a much higher rental rates. There is vacancy in the Columbia market that will persist, but lack of new supply should allow its absorption.

- **The Commercial Real Estate Market.**

The commercial real estate market in general has been and continues to be recovering fairly significantly from the very deep recession which commenced in 2008. While the retail market in general is recovering insofar as sales are concerned, and there are an increasing number of national tenants who are considering expansions in the form of new stores, there is still somewhat of a disconnect between the current rental rates and the cost of constructing and developing new retail facilities for such tenants. However, the releasing of existing second generation space which



requires sufficient rents to provide a return on the significant up fitting cost of repositioning existing buildings for the new tenants, as well as providing a return on the existing land and buildings which the tenant intends to occupy is becoming increasingly feasible to achieve.

- **Executive Management.**

Executive Management, Alan B. Kahn has served and proposes to continue to serve as managing member of Kahn Family, LLC in which he has investments including Kahn Family, LLC which serves as a manager for many of the constituent LLC's. In addition, he remains President of Kahn Development Company, which is owned by Kahn Family, LLC and provides management services for the real estate properties.

Throughout the history of KF the company and its assets have been leased and managed by Kahn Development Company. The staff includes a number of experienced and competent property managers, including Jeff Harper, an experienced regional mall and regional lifestyle shopping center manager. Mr. Harper has an undergraduate degree as well as an MBA degree in management. Mr. Harper oversees the retail properties and directs marketing activities for the company. He also performs other overall

management duties. Mr. Harper brings a 20-year background in the advertising business to the company.

Jason Allen, an experienced regional manager of multiple apartment communities, manages the multifamily properties which are operated with on-site resident managers.

Other experienced qualified property managers and staff perform day to day management of the portfolio which includes retail, office, industrial and multifamily.

The company also benefits from the services of Charles Kahn who is involved as a developer and is actively involved in the management and operations of the assets. He has a BS degree in Business Administration and a Bachelors and Masters Degree in Building Science. Charles Kahn brings more than seventeen years of experience as a construction project manager. He is responsible for more than \$250,000,000 of construction projects as project manager and senior project manager including a succession of complex 40, 50, and \$60 Million Dollar projects. He has also been active in a number of real estate projects.

Marilyn Quattlebaum, CPA, serves as CFO and has a long history of successful accounting and project management for Sonoco. She is backed up by a very talented staff with degrees in accounting.

- **The Potential.**

The single tenant market for retail and commercial building has already recovered with capitalization rates very similar to those at the height of the economic boom preceeding the recession of 2008.

The apartment market has already recovered and rent levels are becoming sufficiently high to provide a good return on the existing properties that enjoy occupancy and also to permit the development of new Class A properties.

The office market is recovering in some of the company's markets with new tenants coming into the market and needing space. In Columbia, South Carolina the state of South Carolina is a large user of office space and they have consolidated space and reduced the number of buildings that they are occupying but they have probably absorbed most of the available existing state owned buildings and thus may grow in the future in their needs.

Otherwise, the office market is seeing a recovery.

Management has found that there are a number of tenants in the company's retail developments who are willing to pay the asking price for existing space and do not require special up fitting beyond what a normal tenant would require. Thus the current commercial real estate market insofar as retail appears to be poised for significant recovery in the next few years.

Job growth has continued in the company's markets in South Carolina and there is some increase in employment and reduction in unemployment. The market reflects this and Management is seeing some increases in rents in selective locations.

Permanent financing is readily available for qualified existing projects from long term CMBS lenders who facilitate the real estate market. Rising interest rates remain a threat, but should not prevent the recovery from continuing.

- **The History of KF.**

Kahn Family, LLC was started in 1998 as a holding company for the entities and properties invested in by Alan B. Kahn and others. It has been involved in a number of retail projects in Virginia, North Carolina, South Carolina and Florida. These include anchored

retail shopping centers, power centers, unanchored strip shopping centers, mixed use centers as well as single tenant developments.

**B. Insiders of KF.**

The names of KF's insiders, as defined in §101(31) of the United States Bankruptcy Code (the "Code"), and their relationship to KF are:

- (1) Alan Bruce Kahn: Manager
- (2) Kahn Properties South, LLC Owns 85% of Kahn Family, LLC
- (3) Charles Kahn: Developer/Manager

**C. Management of KF Before and During the Bankruptcy.**

During the two (2) years prior to the date on which the bankruptcy petition was filed, the officers, directors, managers or other persons in control of the Debtor (collectively, the "Managers") were:

- (1) Alan Bruce Kahn
- (2) Charles Kahn

The Managers of the Debtor during the Debtor's Chapter 11 Case have been:

- (1) Alan Bruce Kahn

After the Effective Date of the Order confirming the Plan, the directors and officers of the Reorganized Debtor, (the "Post Confirmation Managers"), will be:

- (1) Alan B. Kahn

The responsibilities and compensation of the Post Confirmation Manager is described in Section IIID.2 of this Disclosure Statement.

**D. Events Leading to Chapter 11 Filing.**

Events leading to the filings of Alan B. Kahn, Kahn Family, LLC, and Kahn Property South, LLC were as follows:

The concomitant downturn of the real estate markets in general which commenced in 1998 and continued for several years affected every activity that the two entities and Alan Kahn were engaged in.

First, a number of developments were under way which were financed with personally guaranteed construction loans. This commencement committed the owner to proceed with the projects. Many of the anchored tenants that were either already committed or had entered into letters of intent were not able to complete their obligation due to the economic downturn. The overall markets suffered a credit crisis in which banks did not trust one another to engage in owing one another overnight funds, and every loan that the KF had was now subject to a very high level of scrutiny. Lenders were not willing to continue funding up fitting which was necessary to attract tenants. Tenants themselves were unable to pay as much rent as they did previously due to falling sales. Leased properties suffered a decrease

of 40% in their market value. The situation was exacerbated by the fact that some of the company's developments were on prime real estate locations but with a limited number of pre-committed users who generated a 6% to 8% return on the overall development of the project land and initial site work. This would normally have been sufficient return to maintain loans with banks until the projects were further along. Due to the excellent reputation of the developer and financial strength at that time of the developer, bank loans were generally available in an amount equal to 90% to 95% of the cost of such projects but these loans quickly became under water. The Walgreens Drug Stores under a credit worthy long term lease became very difficult to do because Walgreens pulled sharply back on new store development.

One of these projects might have been survivable, but when virtually all of them became under water the situation became untenable. At this time most successful real estate projects had found their appraised values dropping 40% which placed even existing properties with a full level of debt under water.

Alan B. Kahn had never before defaulted on a debt and he fully applied his efforts to maintaining all of his loans in a current status, meeting all debt service payments by selling assets and by mortgaging up existing

unmortgaged properties and turning over the cash proceeds to the creditors. A long history of profitable ventures allowed this raising of cash to continue for several years in which all of the lenders received their mortgage service as planned. However, when lenders required continued curtailments of pay downs of loans beyond those that were capable to be made, and the millions of dollars each year being paid to the lenders from refinancing and sales of properties were no longer forthcoming, meetings were arranged between Alan B. Kahn and each of his entities including Kahn Family, LLC and Kahn Properties South, LLC and all of his lenders to create a successful workout arrangement.

Meetings were cordially received and Alan B. Kahn offered to personally and on behalf of his companies, as applicable, do one of three things or any combination thereof:

1. Surrender the properties to the lender in extinguishment of debt;
2. continue to work to lease up the properties and develop and manage them to minimize the loss to the lender; and
3. to arrange for the sale of the properties to third parties in order to mitigate the lenders' losses.

These meetings and discussions moved along and would have seemed to have been successful. During the time of the workout negotiations, a change in ownership occurred with Gibraltar BB4, LLC purchasing a group of notes from BB&T. Gibraltar's subsequent efforts to seize bank



accounts made it seem best that Alan B. Kahn and two of his entities seek the protection of Chapter 11 of the Bankruptcy Code. The three chapter 11's of Alan B. Kahn, KF, and Kahn Properties South were filed to ensure fair and equitable treatment to all creditors and we did so.

After taking advantage of filing under Chapter 11, KF has continued discussions with its creditors.

**E. Significant Events During the Bankruptcy Case.**

On April 22, 2013, KF filed its voluntary petition for relief under Chapter 11 and KF has continued to operate its business and manage its properties as debtor and debtor-in-possession pursuant to §§1107(a) and 1108 of the Bankruptcy Code. Significant events in KF's Chapter 11 Case are described below:

(1) **Retention of Levy Law Firm, LLC as Counsel**

On May 17, 2013, the Debtor filed a motion seeking Bankruptcy Court authority to retain Levy Law Firm, LLC, under a general retainer, as reorganization and bankruptcy counsel. On June 21, 2013, the Bankruptcy Court issued an order authorizing the employment of Levy Law Firm, LLC.

(2) **Filing of Schedules and Statement of Financial Affairs**

The Debtor filed its Schedules of Assets and Liabilities and Statement of Financial Affairs (the "Schedules") on May 31, 2013.

(3) **Meeting of Creditors**

The Meeting of Creditors was held on May 24, 2013 in Columbia, South Carolina.

(4) **Retention of Professionals**

On May 17, 2013, the Debtor filed its Application to Employ Marty Ouzts of Ouzts, Ouzts & Company as Financial Advisor to KF. The Court approved the application on December 2, 2013. On September 9, 2013, the Debtor filed its Application to Employ David G. Wolff of Barnes, Alford, & Johnson, LLP, as Special Counsel. The Court approved the application on September 27, 2013. On May 10, 2013, the Debtor filed an Application to Employ William F.

Quattlebaum, CPA as Accountant for the Estate. On May 24, 2013, the Court approved the application

(5) **Appointment of Official Committee of Unsecured Creditors**

The Office of the United States Trustee has not appointed an official committee of unsecured creditors in this case.

(6) **Motion For Extension of Debtor's Exclusive Time To File Plan**

August 22, 2013 KF filed its Motion For Extension of Debtor's Exclusive Time To File Plan until October 21, 2013. On September 12, 2013, the Court entered an Order granting the Debtor's requested relief.

(7) **Motion to Extend Time To File Disclosure Statement and Plan**

October 21, 2013, KF filed its Motion to Extend Time to File its Disclosure Statement and Plan of Reorganization until December 20, 2013. On November 6, 2013, the Court granted the requested relief.

(8) **Disclosure Statement and Plan**

On December 20, 2013, KF filed its Disclosure Statement and Plan of Reorganization.

**F. Projected Recovery of Avoidable Transfers.**

The Debtor has not yet completed its investigation with regard to prepetition transactions. If you received a payment or other transfer within ninety (90) days of the bankruptcy, or other transfer avoidable under the Code, the Debtor may seek to avoid such transfer.

**G. Claims Objections.**

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims.

Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld.

The procedures for resolving disputed claims are set forth in Article V of the Plan.

**H. Current Financial Conditions.**

A summary of the Debtor's periodic operating reports and the most recent

post-petition operating report since the commencement of the Debtor's bankruptcy case are set forth in Exhibit "D".

**I. THE REORGANIZED DEBTOR'S FINANCIAL PROJECTIONS**

Attached as Exhibit "\_\_\_\_" are certain financial projections for the Reorganized Debtor that were prepared by the Debtor. These projections are dependent on the validity of the assumptions underlying the financial projections, but the Debtor believes the assumptions are reasonable as of the date of this Disclosure Statement.

**III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS.**

**A. What is the Purpose of the Plan of Reorganization?**

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

**B. Unclassified Claims.**

Certain types of claims are automatically entitled to specific treatment under the 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 Code. As such, the Plan Proponent has not placed the following claims in any class:

1. ***Administrative Expenses.***

Administrative expenses are costs or expenses of administering the Debtor's Chapter 11 Case which are allowed under §507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within twenty (20) days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor's administrative expenses, and their proposed treatment under the Plan:

TYPE	ESTIMATED AMOUNT OWED	PROPOSED TREATMENT
Expenses arising in the ordinary course of business after the Petition Date.	\$0	Paid in full on the Effective Date of the Plan, or according to terms of obligation if later.
The value of goods received in the ordinary course of business within twenty (20) days before the Petition Date.	\$0	Paid in full on the Effective Date of the Plan, or according to terms of obligation if later, or according to separate written agreement.

Professional fees, as approved by the Court.  Levy Law Firm, LLC  Marty Ouzts, CPA	  \$75,000.00  \$30,000.00	Paid in full on the Effective Date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the Effective Date of the Plan.
Clerk's Office Fees.	\$0	Paid in full on the Effective Date of the Plan.
Other administrative expenses.	\$0	Paid in full on the Effective Date of the Plan or according to separate written agreement.
Office of the U.S. Trustee Fees (Estimated)	\$10,000.00	Paid in full on the Effective Date of the Plan.
<b>TOTAL:</b>	<b>\$ 115,000.00</b>	

**2. *Priority Tax Claims.***

Priority Tax Claims are unsecured income, employment and other taxes described by §507(a)(8) of the Code. Unless the holder of such a §507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding five (5) years from the order of relief.

The following chart lists the Debtor's estimated §507(a)(8) priority tax claims and their proposed treatment under the Plan:

Description	Estimated Amount Owed	Date of Assessment	Treatment
IRS (WT-FICA)	\$0	N/A	N/A
South Carolina Department of Revenue (WH)	\$0	N/A	N/A

**C. Classes of Claims and Equity Interests.**

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

**1. Classes of Secured Claims.**

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under §506 of the Code. If the value of the collateral or setoffs securing the creditors' claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim. The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

Class #	Description	Insider? (Yes or No)	Impairment	Treatment
1	Secured Claim of: Wells Fargo Bank, N.A.	No	Impaired	(To be determined prior to confirmation). No amount indicated on proof of claim

**2. Classes of Priority Unsecured Claims.**

Certain priority claims that are referred to in §§507(a)(1), (4), (5), (6) and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim

receive cash on the Effective Date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

The following chart lists all classes containing claims under §§507(a)(1), (4), (5), (6) and (a)(7) of the Code and their proposed treatment under the Plan:

Class #	Description	Impairment	Treatment
2	Priority unsecured claim pursuant to §507(a)(1), (4), (5), (6), (7). Total amount of claims =\$0	Unimpaired.	Paid in full in cash on Effective Date of Plan, to the extent owed.

3. ***Classes of General Unsecured Claims.***

General unsecured claims are not secured by property of the estate and are not entitled to priority under §507(a) of the Code.

The following chart identifies the Plan's proposed treatment of Class(es) 3 through 7, which contain general unsecured claims against the Debtor:

Class #	Description	Impairment	Treatment
3	Gibraltar	Impaired.	Transfer of Hunt Club Forest property.
4	General Unsecured trade and vendor claims	Impaired.	Paid twenty (20%) per cent of allowed claims in cash on the Effective Date
5	ABK Children's Trust	Impaired.	Debt converted to equity in Reorganized Debtor



6	The DKR Children's Trust.	Impaired.	Debt converted to equity in Reorganized Debtor
7	CMSC, LLC	Impaired.	Debt converted to equity in Reorganized Debtor
8	M. B. Kahn Construction Company	Impaired.	

4. ***Class(es) of Equity Interest Holders.***

Equity interest holders are parties who hold an ownership interest (i.e. equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company ("LLC"), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

The following chart sets forth the Plan's proposed treatment of the class(es) of equity interest holders:

Class #	Description	Impairment	Treatment
9	Equity Interest Holder	Impaired.	Debtor's interest will be extinguished.

D. **Means of Implementing the Plan.**

I. **Source of Payments. (Please also see Plan Statement Exhibit "E".**

Payments and distributions under the Plan will be funded by the following:

- (a) Sale of certain of the Debtor's real property at fair market value,
- (b) transfer certain real property of the Debtor's to Gibraltar BB4, LLC,
- (c) conversion of certain unsecured claims against the Debtor to equity in the Reorganized Debtor,
- (d) cash on hand on the Effective Date,
- (e) cash flow from continuing operations.

2. ***Post-Confirmation Management.***

The Post-Confirmation Managers of the Reorganized Debtor, and their annual compensation, shall be as follows:

Name	Affiliations	Insider (Yes or No)	Position	Compensation
Alan Bruce Kahn	Kahn Properties South, LLC	Yes	Manager	To be determined prior to confirmation of the Debtor's Plan.

3. ***§1145 Exemption.***

The offering, issuance and distribution under the Plan of the membership interests in the Reorganized Debtor, to the extent they are securities, shall be exempt from the registration requirements of §5 of the Securities Act and any other applicable law requiring registration prior to the offering,

issuance, distribution or sale of such securities, pursuant to §1145 of the Bankruptcy Code to the extent that such securities are issued under the Plan in exchange for a claim against or interest in the Debtor or principally in such exchange and partly for cash or property.

**E. Risk Factors.**

The proposed Plan has the following risks:

1. **Highly Leveraged Position**

KF is now highly leveraged, and although the reorganization will reduce debt obligations, the Reorganized Debtor will still have substantial indebtedness and debt service requirements. KF's management believes that, based on its forecasts, the Reorganized Debtor will have sufficient operating cash flow from operations to pay interest and scheduled amortization on all its outstanding indebtedness. However, even if the reorganization is completed, the Reorganized Debtor's ability to meet its debt service obligations will depend on a number of factors, including management's ability to maintain operating cash flow (and there can be no assurance that targeted levels of operating cash flow will actually be achieved).

2. **Competition**

The business of marketing and selling commercial real estate is highly competitive. Heightened competition could include the intensification of price competition in the sale of commercial real estate.

A financial forecast that assumes the Plan is confirmed is attached to this Disclosure Statement as Exhibit "F". The forecast is dependent upon the validity of the assumptions underlying the projections. The forecast is intended to illustrate the estimated effects of the Plan and the related transactions on the results of operations, cash flow and financial position of the Reorganized Debtor for the periods indicated. The Reorganized Debtor's future operating results are subject to and likely to be affected by a number of factors, including significant business and economic and competitive uncertainties, many of which are beyond the control of the Debtor. Accordingly, actual results may vary materially from those shown in the forecast.

**F. Executory Contracts and Unexpired Leases.**

The Plan lists all executory contracts and unexpired leases that the Debtor will assume and assign under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. The Plan also describes how the Debtor will cure and compensate the other party to such contract or lease for any such defaults.

If you object to the assumption and assignment of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of

assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not listed in the Plan will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

***[The deadline for filing a proof of claim based on a claim arising from the rejection of a lease or contract is forty-five (45) days after the date of the Order confirming this Plan.]*** Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.]

**G. Tax Consequences of Plan.**

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

The following are the anticipated tax consequences of the Plan:

The Debtor is an LLC, and as such, bears no direct corporate tax liability on its taxable income. Its taxable income and losses pass through to its shareholders and they pay taxes on its income and losses. Since 2007 their principal shareholder, Alan Kahn has incurred losses and through 2012, Mr. Kahn has a loss carryover of \$44,839,180.00 which is anticipated to be adequate to offset any potential gains from forgiveness of debt that may be realized as a result of this plan of re-organization.

#### IV. **CONFIRMATION REQUIREMENTS AND PROCEDURES**

To be confirmable, the Plan must meet the requirements listed in §§1129(a) or (b) of the 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 and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in §1129, and they are not the only requirements for confirmation.

##### A. **Who May Vote or Object.**

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

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the

Plan only if that creditor or equity interest holder has a claim or equity interest that is both: (1) allowed or allowed for voting purposes; and (2) impaired.

In this case, the Plan Proponent believes that Classes 1,3,4,5,6 and 7 are impaired, and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that Class 2 is unimpaired, and that holders of claims in of this class, therefore, do not have the right to vote to accept or reject the Plan.

1. ***What is an Allowed Claim or an Allowed Equity Interest?***

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

***The deadline for filing a Proof of Claim in this case was August 22,***

***2013 for all creditors except governmental units, and October 21, 2013 for governmental units.***

2. ***What is an Impaired Claim or Impaired Equity Interest?***

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

3. ***Who is Not Entitled to Vote.***

The holders of the following five (5) types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not “allowed claims” or “allowed equity interests” (as discussed above), unless they have been “allowed” for voting purposes;
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§507(a)(2), (a)(3) and (a)(8) of the Code;
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan; 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 holds claims in multiple classes, is entitled to accept or reject a Plan in each capacity; and should cast one (1) 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, as discussed later in Section [B.2].

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

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half ( $\frac{1}{2}$ ) 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 ( $\frac{2}{3}$ ) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

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

2. ***Treatment of Nonaccepting Classes.***

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

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

***You should consult your own attorney if a “cram down” confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.***

C. **Liquidation Analysis.**

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a Chapter 7

liquidation.<sup>1</sup> A liquidation analysis is attached to this Disclosure Statement as Exhibit “F”.

**D. Feasibility.**

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan. This Plan contemplates liquidation of the Debtor’s assets.

**1. *Ability to Initially Fund Plan.***

The Debtor believes that it will have enough cash on hand on the Effective Date of the Plan to pay all of the claims and expenses that are entitled to be paid on that date. Tables showing the amount of cash on hand on the Effective Date of the Plan, and the sources of that cash are attached to this Disclosure Statement as Exhibit “\_\_\_\_\_”.

**2. *Ability to Make Future Plan Payments and Operate Without Further Reorganization.***

The Debtor must also show that the Reorganized Debtor will have enough cash over the life of the Plan to make the required Plan payments.

The Debtor has provided projected financial information. Those

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<sup>1</sup> Conversion to Chapter 7 would likely result in additional cost to the Debtor’s Estate. Costs of liquidation under Chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid expenses incurred by the Debtor in its bankruptcy case (such as compensation for attorneys, financial advisors and restructuring consultants) that are allowed in the Chapter 7 case, litigation costs and claims arising from the operations of the Debtor during the pendency of the bankruptcy case.

projections are listed in Exhibit “\_\_\_\_\_”.

***You should consult with your accountant or other financial advisor if you have any questions pertaining to these projections.***

**V. EFFECT OF CONFIRMATION OF PLAN.**

**A. DISCHARGE OF DEBTOR.**

Discharge. On the Effective Date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the Effective Date, to the extent specified in §1141(d)(1)(A) of the Code. The Debtor will not be discharged from any debt imposed by this Plan.

**B. MODIFICATION OF PLAN.**

The Debtor may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan.

**C. FINAL DECREE.**

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Debtor, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a Final Decree to close the case. Alternatively, the Court may enter such a Final Decree on its own motion.

Respectfully Submitted on this 20<sup>th</sup> day of December, 2013.

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December 20, 2013