

1 M. Jonathan Hayes (Bar No. 90388)
 2 Roksana D. Moradi (Bar No. 266572)
Law Offices of M. Jonathan Hayes
 3 9700 Reseda Blvd., Suite 201
 4 Northridge, CA 91324
 Telephone: (818) 882-5600
 Facsimile: (818) 882-5610
 jhayes@hayesbklaw.com
 roksana@hayesbklaw.com

5 *Attorneys for Debtor*
 6 Laguna Brisas, LLC.

7 UNITED STATES BANKRUPTCY COURT
 8 CENTRAL DISTRICT OF CALIFORNIA
 9 SANTA ANA DIVISION

10 In re

11
12 LAGUNA BRISAS, LLC.,

13 Debtor.

) Case No. 8:12-bk-12599-ES

) Chapter 11

) **DEBTOR'S DISCLOSURE**
) **STATEMENT DESCRIBING**
) **DEBTOR'S CHAPTER 11 PLAN**

) **Disclosure Statement Hearing:**

) Date: August 7, 2012

) Time: 10:30 a.m.

) Ctrm: Courtroom 5A

) 411 W. 4th Street

) Santa Ana, CA 92701-4593

18 _____)
19 ///

20 ///

21 ///

22 ///

23 ///

24 ///

25 ///

26 ///

27 ///

28

1 **I. INTRODUCTION..... 5**

2 A. PURPOSE OF THIS DOCUMENT..... 5

3 B. Deadlines for Voting and Objecting; Date of Plan

4 Confirmation Hearing..... 6

5 C. TIME AND PLACE OF THE CONFIRMATION HEARING 6

6 D. Deadline For Voting For or Against the Plan..... 7

7 E. Deadline For Objecting to the Confirmation of the Plan 7

8 F. Identity of Person to Contact for More Information Regarding

9 the Plan 7

10 Disclaimer..... 7

11 G. Important Notices and Cautionary Statements 8

12 **II. BACKGROUND..... 8**

13 A. Description and History of the Debtor’s Business 8

14 B. Principals/Affiliates of Debtor’s Business 10

15 C. Management of the Debtor Before and After the Bankruptcy 11

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

17 E. Significant Events During the Bankruptcy..... 12

18 *i. Bankruptcy Proceedings..... 12*

19 *ii. Other Legal Proceedings..... 13*

20 *iii. Claims Objections 13*

21 *iv. Adversary Proceedings..... 14*

22 *v. Actual and Projected Recovery of Preferential or*

23 *Fraudulent Transfers..... 14*

24 *vi. Procedures Implemented to Resolve Financial Problems 14*

25 **III. SUMMARY OF THE PLAN OF REORGANIZATION 15**

26 A. GENERAL OVERVIEW 15

27 B. UNCLASSIFIED CLAIMS 15

28 C. ADMINISTRATIVE EXPENSES 15

D. PRIORITY TAX CLAIMS 16

1	E.	CLASSIFIED CLAIMS AND INTERESTS	17
2		Class 1 - Secured Claim of Wells Fargo Bank	17
3		Class 2 - Secured Claim of Kay Nam Kim	18
4		Class 3 - Secured Claim of Merhdad Elie	18
5		Class 4 – Priority Unsecured Claims	19
6		Class 5A – Unsecured Claims	19
7		Class 5B – Unsecured Claims- Convenience Class	20
8		Class 6 – Debtor	20
9	F.	Means of Performing the Plan.....	20
10		<i>i. Funding for the Plan</i>	20
11		<i>iii. Disbursing Agent</i>	21
12		<i>iv. Distributions</i>	21
13	G.	RISK FACTORS	21
14	H.	OTHER PROVISIONS OF THE PLAN	22
15		1. EXECUTORY CONTRACTS AND UNEXPIRED	
16		LEASES	22
17		2. Changes in Rates Subject to Regulatory Commission Approval	23
18		3. Retention of Jurisdiction.....	23
19	I.	TAX CONSEQUENCES OF THE PLAN.....	23
20	J.	CONFIRMATION REQUIREMENTS AND PROCEDURES	24
21		1. WHO MAY VOTE OR OBJECT	24
22		<i>i. Who May Object to Confirmation of the Plan</i>	24
23		<i>ii. Who May Vote to Accept/Reject the Plan</i>	24
24		<i>iii. Who is Not Entitled to Vote</i>	25
25		<i>iv. Who Can Vote in More Than One Class</i>	26
26		<i>v. Votes Necessary to Confirm the Plan</i>	26
27		<i>vi. Votes Necessary for a Class to Accept the Plan</i>	26
28		<i>vii. Treatment of Non-Accepting Classes</i>	27
		<i>viii. Request for Confirmation Despite Non-Acceptance by</i>	
		<i>Impaired Classes</i>	27

1 2. LIQUIDATION ANALYSIS 27

2 3. Feasibility 27

3 **K. EFFECT OF CONFIRMATION OF PLAN 28**

4 1. Discharge 29

5 2. Revesting of Property in the Debtor 29

6 3. Modification of Plan..... 29

7 4. Post-Confirmation Employment and Compensation of

8 Reorganized Debtor’s Professionals 30

9 5. Post-Confirmation Status Report..... 30

10 6. Post-Confirmation Conversion/Dismissal 30

11 7. Final Decree..... 31

12 **SUPPORTING DECLARATION OF ANDY KIM 32**

13 **EXHIBIT A - LIST OF ALL ASSETS..... 33**

14 REAL PROPERTY 33

15 OTHER ASSETS 33

16 **EXHIBIT B – DEBTOR’S PROJECTIONS 34**

17 **EXHIBIT C – DEBTOR’S FINANCIAL HISTORY 35**

18 **EXHIBIT D - LIST OF CREDITORS/CLAIMS 36**

19

20

21

22

23

24

25

26

27

28

I. INTRODUCTION

1
2 Laguna Brisas, LLC., ("the Debtor"), Debtor-in-Possession in the above-referenced
3 Chapter 11 case, commenced its bankruptcy case by filing a voluntary petition under
4 Chapter 11 of 11 U.S.C. §101 et seq. (the "Bankruptcy Code") on February 29, 2012. It is
5 hereinafter referred to as the "Debtor." This document is the Chapter 11 Disclosure
6 Statement. Chapter 11 allows the Debtor, and under some circumstances, creditors and
7 others parties in interest, to propose a plan of reorganization (the "Plan"). The Plan may
8 provide for the Debtor to reorganize by continuing to operate, to liquidate by selling assets
9 of the estate, or a combination of both. The Debtor is the proponent (the "Proponent") of
10 the Plan sent to you in the same envelope as this document. **THE DOCUMENT YOU
11 ARE READING IS THE DISCLOSURE STATEMENT FOR THE ENCLOSED PLAN.**

12 In summary, this Plan provides for payment to holders of allowed claims. The
13 timing of Plan payments to particular creditor groups will depend upon their classification
14 under the Plan. *The Effective Date of the Plan shall be the first Business Day that is 14
15 calendar days after the entry of the Order Confirming the Plan.*

16
17 **A. PURPOSE OF THIS DOCUMENT**

18 This Disclosure Statement summarizes what is in the Plan, and tells you certain
19 information relating to the Plan and the process the Court follows in determining whether
20 or not to confirm the Plan.

21
22 **READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO
23 KNOW ABOUT:**

- 24 **(1) WHO CAN VOTE OR OBJECT;**
25 **(2) WHAT THE TREATMENT OF YOUR CLAIM IS (i.e., what
26 your claim will receive if the Plan is confirmed), AND HOW THIS TREATMENT
27 COMPARES TO WHAT YOUR CLAIM WOULD RECEIVE IN LIQUIDATION;**
28 **(3) THE HISTORY OF THE DEBTOR AND SIGNIFICANT**

EVENTS DURING THE BANKRUPTCY;

1 (4) **WHAT THINGS THE COURT WILL LOOK AT TO DECIDE**
2 **WHETHER OR NOT TO CONFIRM THE PLAN;**

3 (5) **WHAT IS THE EFFECT OF CONFIRMATION;**

4 (6) **WHETHER THIS PLAN IS FEASIBLE.**

5 This Disclosure Statement cannot tell you everything about your rights. You should
6 consider consulting your own legal counsel to obtain more specific advice on how this
7 Plan will affect you and what is the best course of action for you.

8 Be sure to read the Plan as well as the Disclosure Statement. If there are any
9 inconsistencies between the Plan and the Disclosure Statement, the Plan provisions will
10 govern.

11 The Code requires a Disclosure Statement to contain “adequate information”
12 concerning the Plan. The Bankruptcy Court (the “Court”) has approved this document as
13 an adequate Disclosure Statement, containing enough information to enable parties
14 affected by the Plan to make an informed judgment about the Plan. Any party can now
15 solicit votes for or against the Plan.

16
17 **B. DEADLINES FOR VOTING AND OBJECTING; DATE OF PLAN**

18 **CONFIRMATION HEARING**

19 THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS
20 DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE
21 NOT YET BINDING ON ANYONE. HOWEVER, IF THE COURT LATER
22 CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON THE DEBTOR
23 AND ON ALL CREDITORS AND INTEREST HOLDERS IN THIS CASE.

24 ///

25 ///

26 **C. TIME AND PLACE OF THE CONFIRMATION HEARING**

27 The hearing where the Court will determine whether or not to confirm the Plan will
28

1 take place on TBD, 2012, at TBD in Courtroom 5A, 411 W. 4th Street, Santa Ana, CA
2 92701.

3 **D. DEADLINE FOR VOTING FOR OR AGAINST THE PLAN**

4 If you are entitled to vote, it is in your best interest to timely vote on the enclosed
5 ballot and return the ballot to counsel for the Debtor at the following address:

6 Law Offices of M. Jonathan Hayes
7 9700 Reseda Blvd, Ste 201
8 Northridge, CA 91324
9 Telephone: (818) 882-5600
Facsimile: (818) 882-5610
jhayes@hayesbklaw.com

10 **Your ballot must be received by 4:00 p.m. PST on TBD or it will not be**
11 **counted.**

12
13 **E. DEADLINE FOR OBJECTING TO THE CONFIRMATION OF THE PLAN**

14 Objections to the confirmation of the Plan must be filed with the Court and served
15 so that any objections are actually received by counsel for the Debtor by 4:00 p.m. PST on
16 **TBD**.

17
18 **F. IDENTITY OF PERSON TO CONTACT FOR MORE INFORMATION**
19 **REGARDING THE PLAN**

20 Any interested party desiring further information about the Plan should contact
21 counsel for the Debtor, M. Jonathan Hayes, 9700 Reseda Blvd, Ste 201, Northridge, CA
22 91324, (818) 882-5600 or jhayes@hayesbklaw.com.

23 ///

24 ///

25 ///

26 **DISCLAIMER**

27 The financial data relied upon in formulating the Plan is based on the Debtor's
28 books and records and historical financial statements. The Debtor represents that the

1 information contained in this Disclosure Statement is true and correct to the Debtor's best
2 knowledge. The Court has not yet determined whether the Plan is confirmable and makes
3 no recommendation as to whether or not you should support or oppose the Plan.

4 **G. IMPORTANT NOTICES AND CAUTIONARY STATEMENTS**

5 The liquidation analysis, estimates and other financial information referenced
6 herein, or attached as exhibits hereto, have been developed by the Debtor with the
7 assistance of its professional advisors. Although these professional advisors assisted in the
8 preparation of this Disclosure Statement, in doing so such professionals relied upon factual
9 information and assumptions regarding financial, business, and accounting data provided
10 by the Debtor and third parties, all of which information has not been audited. *The*
11 *Debtor's professional advisors have not independently verified such information and,*
12 *accordingly, make no representations as to its accuracy.* Moreover, although reasonable
13 efforts have been made to provide accurate information, the Debtor cannot warrant or
14 represent that the information in this Disclosure Statement, including any and all financial
15 information, is without inaccuracy or omission.

16 *No entity may rely upon the Plan or this Disclosure Statement, or any of the*
17 *accompanying exhibits, for any purpose other than to determine whether to vote in favor*
18 *of or against the Plan.* Nothing contained in such documents constitutes an admission of
19 any fact or liability by any party, and no such information may be deemed evidence of the
20 tax or other legal effects of the Plan on holders of claims or interests in these cases.

21 ///

22 ///

23 ///

24 **II. BACKGROUND**

25 **A. DESCRIPTION AND HISTORY OF THE DEBTOR'S BUSINESS**

The Debtor is a Delaware Limited Liability Company and its dba is Best Western
1 Laguna Brisas Spa Hotel. It is wholly owned by A & J Mutual, LLC. which in turn is
2 wholly owned by its two managing members, Dae In “Andy” Kim and his wife, Jane Kim.

3 Mr. Kim majored in hotel management in college and went into the hotel business
4 in 1996. Since that time he has purchased seven hotels and currently owns three hotels.
5 The financial crisis beginning in 2008 has adversely affected the economics of the hotel
6 operations and currently the three properties are under bankruptcy Chapter 11.

7 The Debtor owns a Best Western Plus Hotel and Spa in Laguna Beach, CA
8 consisting of 66 rooms, 1,300 square feet of meeting space, an outdoor pool and whirlpool,
9 and a business center (the “Hotel”). The Hotel was built in 1985 and purchased by Mr.
10 Kim in 2002. The Debtor has a franchise agreement with Best Western Plus which allows
11 the hotel to operate under the Best Western Plus “flag.”

12 Mr. Kim estimates that the fair market value today of the Best Western Plus Laguna
13 Beach is roughly \$14-15 million. The Hotel was appraised on December 28, 2008 for
14 \$14.8 million by HVS Consulting and Valuation, Division of M&R Valuation Services,
15 Inc.

16 The first priority lien in favor of Wells Fargo Bank, N.A., *as Trustee for the*
17 *registered holders of Bank of America Commercial Mortgage Inc., Commercial Mortgage*
18 *Pass-Through Certificates, Series 2006-3, by and through CW Capital Asset Management*
19 *LLC, solely in its capacity as Special Servicer* (hereinafter “Wells Fargo”) is approximately
20 \$8.7 million. Wells Fargo has filed a proof of claim asserting that its total claim is
21 \$10,697,000 which includes, Non-Default Interest, \$90,275.73; Default Interest,
22 \$121,795.72; Legal Fees, \$ 46,413.07; Protective Property Advances, \$ 7,178.20; Late
23 Charges, \$ 18,246.80; Prepayment Fee, \$ 1,870,250.51. Without the default interest and
24 prepayment fee, the amount owed is about \$8,700,000.

25 There are two other liens to private individuals totaling no more than \$1.5 million.
26 Property taxes are current. This property therefore has at least \$3.5 million of equity.

27
28

Mr Kim, through A&J, purchased the Best Western Plus Laguna Beach Hotel in 2002, and then refinanced in 2006. The new lender wanted the hotel to be owned by a Delaware LLC so the Kims, through A&J, transferred the property to Laguna Brisas, LLC. At that time, revenue was in the \$2,100,000 annual range. After extensive renovations, revenues increased to approximately \$3,600,000 in 2007. Revenue and net operating income for 2010 and 2011 is below. The revenue for 2012 is based on actual revenue for January through May, 2012 and projections thereafter. The percentages are the increases over the previous year. See **Exhibit "B"** for more detail.

	2010	2011		2012	
Total Revenue	\$2,733,832	\$2,808,918	2.7%	\$2,976,114	6.0%
Operating Income	1,657,338	1,779,991	7.4%	1,867,986	4.9%

As of April 30, 2012, the Debtor had \$247,000 in its bank account in the custody of the receiver.

The hotel is located on leased land. In 2001, the land was originally owned by MBP Land, LLC. MBP Land, LLC. leased the property to Ram Dada, LLC for a term of fifty (50) years. Subsequent to the initial lease, MBP Land, LLC. transferred its ownership in the land to Rigg Hotel, LLC., which then transferred its ownership in the land to MTB, the current owner. The lease is currently assigned to MTB as the landlord. In addition, Ram Dada, LLC. assigned its interest in the lease to A & J Mutual, LLC., who then subsequently assigned the lease to Laguna Brisas, LLC., the current tenant and Debtor.

Per the lease agreement between the Debtor and MTB, the current monthly payment for the ground lease is \$37,275.72. There are approximately 43 years remaining on the lease. The lease is current and will be assumed by the Debtor.

B. PRINCIPALS/AFFILIATES OF DEBTOR'S BUSINESS

The following are the Debtor's insiders: Goldenpark, LLC. dba Norwalk Double Tree Hotel; Paradise Hospitality, Inc. dba Toledo Grand Plaza Hotel dba El Dorado Shopping Center; and Bluestone Lodging, LLC. Each of these related entities are operated

by Mr. and Mrs. Kim. Mr. Kim filed his own Chapter 11 case on November 23, 2011,

1 Case No. 8:11-bk-26206-ES, and that case is still pending.

2 Goldenpark, LLC. dba Norwalk Double Tree Hotel filed its Chapter 11 petition on
3 February 6, 2012, Case No. 2:12-bk-14292-PC, and that case is still pending.

4 Paradise Hospitality, Inc. dba Toledo Grand Plaza Hotel dba El Dorado Shopping
5 Center filed its Chapter 11 petition on October 26, 2011, Case No. 8:11-bk-24847-ES, the
6 case is still pending.

7 A & J Mutual, LLC. is the parent company for the Debtor and all insiders.

8 Bluestone Lodging, LLC. is a hotel management company owned by the Kims.

9
10 **C. MANAGEMENT OF THE DEBTOR BEFORE AND AFTER THE**
11 **BANKRUPTCY**

12 Secured Creditor Wells Fargo Bank sought and received appointment of a receiver,
13 Byron Chapman of Rim Hospitality, who took possession on or about October 3, 2011.
14 The Debtor filed a Motion for Turnover of possession of the hotel to the Debtor on or
15 about March 10, 2012. The Debtor's Motion for Turnover was denied after a hearing on
16 April 10, 2012 and the Hotel is currently in the possession and under the management of
17 the receiver, Byron Chapman of Rim Hospitality.

18
19 **D. EVENTS LEADING TO CHAPTER 11 FILING**

20 At the time of the financial crisis beginning in 2008, Mr. Kim also owned Marriot
21 and Crowne Plaza Hotels. He had just finished large scale renovations of those as well
22 however financing at the time was very difficult. The Best Western Plus Laguna Beach
23 was not having financial difficulties and even generated increased profit in 2009. Because
24 of the difficulties being experienced at the Marriott and Crowne Plaza hotels and the
25 success in Laguna Beach, the Debtor made loans to the other two properties which have
26 not been repaid. That caused the Debtor to become delinquent on its obligations and Wells
27 Fargo filed a Notice of Default in December 2010 after three delinquent payments.
28

1 When Wells Fargo filed the NOD, it demanded default interest, legal fees, and other
2 charges totaling approximately \$750,000. Mr. Kim then borrowed approximately
3 \$800,000 from a friend, Kay Nam Kim, on February 2011 giving Kay Nam Kim a second
4 deed of trust on the property. The Debtor used the loan proceeds to cure the Wells Fargo
5 Bank loan and all the delinquent payments.

6 By September 2011, Wells Fargo again claimed a past due balance of some
7 \$300,000. Again Mr. Kim went to a friend, Merhdad Elie, and borrowed \$150,000 to help
8 cure the deficiency. Wells Fargo did not, however, release the NOD. The October loan
9 payment of \$70,600 was made on September 30th. Wells Fargo at this point refused to
10 rescind the NOD because of the new second lien which it asserted violated the terms of the
11 loan agreement.

12 Wells Fargo Bank sought and received appointment of a Receiver, Byron Chapman
13 of Rim Hospitality, who took possession on October 3, 2011. That Receiver has remained
14 in possession of the Hotel during this case.

15 Mr. Kim, hoping to avoid a bankruptcy filing, attempted to resolve the default
16 issues with Wells Fargo however he was finally forced to file a Chapter 11 petition on
17 February 29, 2012, the day before the foreclosure sale.

18 **E. SIGNIFICANT EVENTS DURING THE BANKRUPTCY**

19 *i. Bankruptcy Proceedings*

20 The Debtor filed this case as a Chapter 11 case on February 29, 2012.

21 The Debtor filed its Motion for Authority to Use Cash Collateral and a Motion for
22 Turnover of the Hotel by the Receiver on March 12, 2012. Wells Fargo opposed the
23 turnover request and filed its own Motion to Excuse Compliance with Turnover. The
24 Motions were heard on shortened notice on March 14, 2012. The Court granted interim
25 use of cash collateral but denied the request for turnover. The Court continued the matters
26 to April 13, 2012. On that day, the Court approved the use of cash collateral but denied
27 the request for turnover without prejudice to bringing the motion again.
28

1 The Court set and Initial Status Conference for May 10, 2012. The Debtor filed its
2 Status Report and attended the hearing. At that hearing, the Court set July 25, 2012 as the
3 deadline to file Proofs of Claim (the "Bar Date"). The Debtor gave notice to all creditors
4 of that date by Notice mailed on May 11, 2012.

5 The Debtor retained the Law Offices of M. Jonathan Hayes to represent it in the
6 case. The Debtor filed its Application to Employ the Law Offices of M. Jonathan Hayes as
7 general bankruptcy counsel on March 20, 2012. Wells Fargo objected to the Application
8 and after Hayes filed a Supplemental Declaration, Wells Fargo withdrew its objection.

9 The Debtor attended the First Meeting of Creditors with the U.S. Trustee's Office
10 on April 3, 2012 and April 17, 2012. The meeting was concluded on that date. The
11 Debtor believes that it is substantially in compliance with its duties under the code and the
12 office of the United States Trustee.

13 *ii. Other Legal Proceedings*

14 As stated above, Wells Fargo brought an action in Superior Court against the
15 Debtor seeking appointment of a receiver which was granted. That action is pending at
16 this time although it has been stayed by this bankruptcy case.

17 *iii. Claims Objections*

18 As the bar date has not yet passed, the Debtor has not made a final determination of
19 what claims it will object to. At this time, the Debtor intends to object to the claims of
20 Wells Fargo as to the prepayment penalty, Merdhad Eli as to the unsecured portion of its
21 claim of \$150,000, and the California Franchise Tax Board. The Debtor will attempt to
22 resolve those issues with the creditors before filing the objections.

23 The Debtor specifically reserves all rights to commence, continue or otherwise
24 prosecute any and all causes of actions or claims of any nature what so ever against Wells
25 Fargo Bank, Bank of America Commercial Mortgage Inc., Commercial Mortgage Pass-
26 Through Certificates, Series 2006-3, by and through CW Capital Asset Management LLC,
27
28

1 or any other holder of the claim filed by Wells Fargo including its predecessors, agents or
2 assigns (the "Wells Fargo Parties"). The Debtor cannot, at this time, set forth the specific
3 basis for any claims it may have against the Wells Fargo Parties. It is studying the issues
4 and will bring an action at the appropriate time if it is appropriate to do so.

5
6 *iv. Adversary Proceedings*

7 There are no adversary proceedings pending and none are anticipated at this time
8 other than against the Wells Fargo Parties set forth above.

9
10 *v. Actual and Projected Recovery of Preferential or Fraudulent Transfers*

11 The Debtor has investigated potential claims under Bankruptcy Code §§547 and
12 548. Upon completion of such investigation, the Debtor has determined that there are no
13 viable actions for avoidance and recovery of preferential and fraudulent transfers.

14
15 *vi. Procedures Implemented to Resolve Financial Problems*

16 The Hotel has been profitable for a long time. The profits were used in some
17 instances to solve financial difficulties of other entities owned by Mr. and Mrs. Kim. Once
18 the Debtor got behind with Wells Fargo, Wells Fargo demanded and was paid \$374,141 as
19 default interest, legal fees, and other charges in March of 2011, in addition to another
20 \$272,060 of such charges in that same year. Payments to Wells Fargo therefore from
21 October 2010 to September, 2011 totaled \$1,498,990 which includes the regular payments
22 of \$846,788 during that period. The Debtor borrowed funds from two individuals to
23 supplement those payments which generated additional interest and payments.

24 The Debtor will be careful not to breach any of its commitments to Wells Fargo in
25 the future. In addition, the Debtor will retain the management firm of Cicero Hospitality
26 Group to manage the hotel in the future. This group is managing Mr. Kim's Double
27 Tree/Hilton Hotel at this time.
28

The profits from the Hotel will fund the Plan. Projections are attached hereto as

1 **Exhibit “B.”** The Plan will pay all creditors in full.

2
3 *vii. Current and Historical Financial Conditions*

4 The identity and fair market value of the Debtor’s assets are listed in **Exhibit “A.”**
5 The Debtor’s historical financial data is attached hereto as **Exhibit “C.”**

6
7
8 **III. SUMMARY OF THE PLAN OF REORGANIZATION**

9 **A. GENERAL OVERVIEW**

10 As required by the Bankruptcy Code, the Plan separates claims and interests into
11 various categories and classes according to the nature and legal rights associated with such
12 claims and interests. The Plan designates which classes are impaired and which classes are
13 unimpaired. The Plan also describes the treatment each class will receive under the Plan.
14 The Proponent will ask the Bankruptcy Court to confirm this Plan pursuant to 11 U.S.C.
15 §1129(b) on any impaired classes if any of these classes do not vote to accept the Plan and
16 if the Plan can otherwise be confirmed.

17 **A list of all claims is attached hereto as Exhibit “D.”**

18
19 **B. UNCLASSIFIED CLAIMS**

20 Certain types of claims are not placed into voting classes; instead, they are
21 unclassified. Holders of unclassified claims not considered impaired and not entitled to
22 vote on the Plan; rather the holders of unclassified, unimpaired claims and interests are
23 automatically entitled to specific treatment provided for them in the Bankruptcy Code.

24 The following categories of claims are neither classified nor impaired under the
25 Plan and are not entitled to vote on the Plan.

26
27 • **ADMINISTRATIVE EXPENSES**

28 Administrative expenses are claims for costs or expenses of administering the

Debtor's Chapter 11 case that are allowed under Bankruptcy Code Section 507(a)(1). The Bankruptcy Code requires that all administrative claims be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment. The following is an estimate of the Section 507(a)(1) administrative claims that will be incurred and unpaid (net of any retainers received) through the Effective Date of the Plan and their treatment under this Plan.

<u>Name</u>	<u>Amount Owed</u>	<u>Treatment</u>
M. Jonathan Hayes (Attorney for the Debtor)	\$65,000 (estimated). This balance is net of the pre-petition retainer received of \$20,000.	These fees will be paid in full on the Effective Date or immediately after court approval of the fees if later.
Clerk's Office Fees	\$0 (estimated)	Paid when due
Office of the U.S. Trustee Fees	\$325 - \$650 per quarter (estimated)	Quarterly fees, as required by 28 U.S.C. § 1930(a)(6), shall be paid until a final decree is entered or the case is dismissed or converted.
TOTAL	\$65,000	

Court Approval of Fees Required

Requests by professionals for payment of fees and costs are generally subject to review and approval by the Court. Fees of the Court Clerk and the Office of the United States Trustee are not subject to Court approval and will be paid in the ordinary course of business when due.

- **PRIORITY TAX CLAIMS**

Priority tax claims are certain unsecured income, employment and other taxes described by Code Section 507(a)(8). The Code requires that each holder of such a 507(a)(8) priority tax claim receive the present value of such claim in deferred cash payments, over a period not exceeding five years from the petition date.

The Debtor owes the following taxes:

Description	Amount Owed	Treatment
1 <u>Name</u> = City of Laguna 2 Beach, Transient 3 Occupancy Tax (“TOT”)	\$80,000 (est)	This claim will be paid in full on the Effective Date.
4 <u>Name</u> = Franchise Tax 5 Board 6 <u>Type of tax</u> =	\$25,112	This claim will be paid in full on the Effective Date or immediately after resolution of the actual amount owed.

7 **C. CLASSIFIED CLAIMS AND INTERESTS**

8 **Class 1 - Secured Claim of Wells Fargo Bank**

9 Claim/Collateral: Wells Fargo Bank, N.A., as Trustee for the registered holders of
 10 Bank of America Commercial Mortgage Inc., Commercial Mortgage Pass-Through
 11 Certificates, Series 2006-3, by and through CWC Capital Asset Management LLC, solely in
 12 its capacity as Special Servicer (hereinafter “Wells Fargo”) has an estimated claim of
 13 approximately \$8.7 million which is secured by a first priority deed of trust on the
 14 Debtor’s real property located at 1600 South Coast HWY, Laguna Beach, CA 92651
 15 (hereinafter the “Hotel”). The Hotel is valued by the Debtor at \$14-15 million.

16 Impaired/Not Impaired: The Class 1 Claim is impaired under the Plan.

17 Treatment: The obligation of the Debtor to Wells Fargo Bank, *will be paid in full*, at
 18 the contract interest rate of 6.23%, as may be adjusted pursuant to the terms of the
 19 Promissory Note, or approximately \$57,000 per month, starting on the first day of the first
 20 month following the Effective Date, estimated to be September 1, 2012. The Debtor will
 21 pay the cure amount estimated to be \$162,114 on the Effective Date. The Debtor will pay
 22 WFB a final payment of all amounts owed at the time on May 1, 2019.

23 Comments: On the Effective Date, the loan will be treated as cured and no longer
 24 in default. No new loan documents will be required. Except as modified herein, all terms
 25 of the original loan as existing on the Effective Date will remain in effect and specifically
 26 Wells Fargo will retain its lien on the Hotel. On the Effective Date, the receiver will turn
 27 the Hotel over to the Debtor who will immediately turn the management over to Cicero
 28 Hospitality Group. WFB has \$82,500 as a ground lease rent reserve, \$106,353 as ground

1 lease replacement reserve and \$12,500 as accommodation fee reserve. WFB also has
2 approximately \$100,000 from a property tax refund due to a new valuation of the property
3 value in 2010.

4 **Class 2 - Secured Claim of Kay Nam Kim**

5 **Claim/Collateral:** Kay Nam Kim has an estimated claim of approximately \$1.2
6 million which is secured by a second priority deed of trust on the Debtor's real property
7 located at 1600 South Coast HWY, Laguna Beach, CA 92651 (hereinafter the "Hotel").
8 The Hotel is valued by the Debtor at \$14-15 million. This claim is "cross-collateralized"
9 with another hotel owned by a related entity, Goldenpark, LLC.

10 **Impaired/Not Impaired:** The Class 2 Claim is impaired under the Plan.

11 **Treatment:** The Debtor will pay Kay Nam Kim \$600,000 on account of his class 2
12 Claim as follows: monthly payments of \$3,694 for 60 months and a balloon payment of
13 approximately \$557,000 on the fifth anniversary of the Effective Date. Until paid in full,
14 the claim will accrue will accrue interest at 6.25% on the amount of \$600,000. The first
15 payment will be made on the first day of the first month following the Effective Date,
16 estimated to be September 1, 2012.

17 **Comments:** On the Effective Date, the loan will be cured and no longer in default.
18 No new loan documents will be required. Except as modified herein, all terms of the
19 original loan will remain in effect. The remainder of the total claim of Kay Nam Kim is
20 being paid in the related bankruptcy case of Goldenpark, LLC. Upon payment of the
21 \$600,000 as set forth herein, Kay Nam Kim will reconvey his lien on the Hotel to the
22 Debtor.

23
24 **Class 3 - Secured Claim of Merhdad Elie**

25 **Claim/Collateral:** Merhdad Elie has an estimated claim of approximately \$220,732
26 which is secured by a third priority deed of trust on the Debtor's real property located at
27 1600 South Coast HWY, Laguna Beach, CA 92651 (hereinafter the "Hotel"). The Hotel is
28

valued by the Debtor at \$14-15 million. Mr. Elie's proof of claim seeks an additional amount of \$150,000 for attorneys fees, costs and other charges. The Debtor will attempt to resolve the allowable amount of that claim before Plan Confirmation. For the purposes of this Disclosure Statement, the Debtor assumes that the allowable amount of those charges is \$100,000.

Impaired/Not Impaired: The Class 3 Claim is impaired under the Plan.

Treatment: The Debtor will pay Elie the Class 3 obligation of \$320,732 *in full* over 36 months from the Effective Date. The monthly payment shall be \$9,794 for 36 months. Until paid in full, the claim will accrue interest at 6.25% on the claim. The first payment will be made on the first day of the first month following the Effective Date, estimated to be September 1, 2012.

Comments: On the Effective Date, the loan will be cured and no longer in default. No new loan documents will be required. Except as modified herein, all terms of the original loan will remain in effect. Upon payment of the claim herein, Merhdad Elie will reconvey his lien on the Hotel to the Debtor.

Class 4 – Priority Unsecured Claims

Claims: Certain priority claims specified in Sections 507(a)(3), (4), (5), (6), and (7) of the Bankruptcy Code are required to be classified in the Plan. Each class of priority claims must be paid in cash in full on the Effective Date of the Plan unless the holders of such claims vote, as a class, to accept deferred payments.

In the present case, the following are the priority claims:

Description	Amount Owed	Treatment
Scott Gaw, Wages	\$10,588	This claim will be paid in full on the Effective Date.

Impaired/Not Impaired: Allowed Priority Claims are unimpaired under the Plan.

Class 5A – Unsecured Claims

1 Claims: General unsecured claims are unsecured claims not entitled to priority
2 under Code Section 507(a). In the present case, the Debtor estimates that there are ten
3 claimants in this class who are owed approximately \$2,475,000.

4 Impaired/Not Impaired: Class 5 Allowed General Unsecured Claims are impaired
5 under the Plan.

6 Treatment: Holders of General Unsecured Claims *will be paid in full*, pro-rata, in
7 monthly installment of \$43,000 over 58 months beginning two months after the Effective
8 Date.

9
10 **Class 5B – Unsecured Claims- Convenience Class**

11 Claims: The convenience class will be all unsecured claims not entitled to priority
12 under Section 507(a) whose claims are below \$5,000 or who choose to reduce their claims
13 to \$5,000 and be included in this class. In the present case, the Debtor estimates that there
14 are 21 creditors in this class whose claims total approximately \$21,000.

15 Impaired/Not Impaired: Class 5 Allowed General Unsecured Claims are impaired
16 under the Plan.

17 Treatment: Holders of General Unsecured Claims *will be paid in full*, pro-rata, as
18 follows:

19
20 **Class of Interest Holders**

21 **Class 6 – Debtor**

22 The Debtor's owners will retain their ownership interest in the Debtor.

23 **D. MEANS OF PERFORMING THE PLAN**

24 *i. Funding for the Plan*

25 The Debtor will fund the plan from the income it receives from the operation of the
26 Hotel.

ii. Management of the Reorganized Debtor

1 The management of the Debtor will continue to be Andy Kim. The management of
2 the Hotel will be turned over to Cicero Hospitality Group on the Effective Date if it has not
3 been turned over prior to that time. Cicero Hospitality will be paid 3% of gross revenue.
4 Cicero Hospitality is not related to the Debtor or any entity related to the Debtor or the
5 Kims.

6
7 *iii. Disbursing Agent*

8 The Debtor, through the management company, Cicero Hospitality Group, shall act
9 as the disbursing agent for the purpose of making the distributions provided for under the
10 Plan. Neither the Debtor nor Cicero Hospitality shall be compensated for this and no bond
11 shall be required.

12 ///

13 ///

14 *iv. Distributions*

15 Cash payments made pursuant to the Plan shall be in U.S. dollars by checks drawn
16 on domestic bank selected by the Disbursing Agent.

17 Any distributions under the Plan that are unclaimed or undeliverable for a period of
18 six (6) months after distribution thereof shall be revested in the Reorganized Debtor, free
19 of any restrictions thereon, and any entitlement of any holder of any claim to such
20 distribution shall be extinguished and forever barred.

21
22 **E. RISK FACTORS**

23 Since the Plan contemplates payments to certain classes of creditors over time
24 following the Effective Date, it is possible that the Debtor will not have sufficient cash
25 flow to pay all of the obligations created under the Plan. The Debtor believes that it will
26 be able to meet all of its financial obligations under the Plan but the projections cannot be
27 guaranteed to be completely accurate.
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

F. OTHER PROVISIONS OF THE PLAN

1. **EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

a. Assumptions

The Debtor will assume the following unexpired leases:

1. The ground lease between the Debtor and MTB, LLC. Per the assumed lease agreement between the Debtor and MTB, the current monthly payment for the ground lease is \$37,275.72. The lease is current and not in default.

The Debtor reserves the right to modify the Plan to designate additional contracts or leases to be assumed at any time prior to the hearing on Confirmation of the Plan.

Each of the unexpired leases and executory contracts so designated shall be assumed as obligations of the Debtor. The Confirmation Order shall constitute an Order approving the assumption of each lease and contract. If you are a party to a lease or contract to be assumed and you object to the assumption of your lease or contract, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

b. Rejections

The Debtor will not reject any unexpired executor contract. Any unexpired lease or executory contract not expressly rejected shall be deemed assumed as of the Effective Date. The Debtor reserves the right to modify the Plan to designate certain contracts or leases for rejection at any time prior to the hearing on confirmation of the Plan.

The order confirming the Plan shall constitute an order approving the rejection of such leases and contracts. If you are a party to a contract or lease to be rejected and 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. See Disclosure Statement for the specific date.

THE BAR DATE FOR FILING A PROOF OF CLAIM BASED ON A CLAIM

ARISING FROM THE REJECTION OF A LEASE OR CONTRACT IS THIRTY DAYS

1 AFTER THE EFFECTIVE DATE. Any claim based on the rejection of an executory
2 contract or unexpired lease will be barred if the proof of claim is not timely filed, unless
3 the Court later orders otherwise.
4

5
6 2. CHANGES IN RATES SUBJECT TO REGULATORY COMMISSION
7 APPROVAL

8 The Debtor is not subject to governmental regulatory commission approval of its
9 rates.
10

11 3. RETENTION OF JURISDICTION

12 The Court will retain jurisdiction over this bankruptcy case until a Final Decree is
13 entered by the Court. It is estimated that the Final Decree will be entered approximately
14 six months after the Plan is confirmed by the Court. At that time the bankruptcy case will
15 be closed.
16

17 **G. TAX CONSEQUENCES OF THE PLAN**

18 CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE
19 PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR
20 OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS. The following
21 disclosure of possible tax consequences is intended solely for the purpose of alerting
22 readers about possible tax issues this Plan may present to the Debtor. The Proponent
23 CANNOT and DOES NOT represent that the tax consequences contained below are the
24 only tax consequences of the Plan because the Tax Code embodies many complicated rules
25 that make it difficult to state completely and accurately all the tax implications of any
26 action.

27 The Debtor does not anticipate that confirmation of the Plan will have a significant
28 or material effect on its tax liability. The Debtor makes no representations regarding the

potential tax consequences to creditors.

1
2
3 **H. CONFIRMATION REQUIREMENTS AND PROCEDURES**

4 PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OR THIS
5 PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW
6 ON CONFIRMING A PLAN OF REORGANIZATION IS VERY COMPLEX. The
7 following discussion is intended solely for the purpose of alerting readers about basic
8 confirmation issues, which they may wish to consider, as well as certain deadlines for
9 filing claims. The proponent CANNOT and DOES NOT represent that the discussion
10 contained below is a complete summary of the law on this topic.

11 Many requirements must be met before the Court can confirm a Plan. Some of the
12 requirements include that the Plan must be proposed in good faith, acceptance of the Plan,
13 whether the Plan pays creditors at least as much as creditors would receive in a Chapter 7
14 liquidation, and whether the Plan is feasible. These requirements are not the only
15 requirements for confirmation.

16 **1. WHO MAY VOTE OR OBJECT**

17 *i. Who May Object to Confirmation of the Plan*

18 Any party in interest may object to the confirmation of the Plan, but as explained
19 below not everyone is entitled to vote to accept or reject the Plan.

20 *ii. Who May Vote to Accept/Reject the Plan*

21 A creditor or interest holder has a right to vote for or against the Plan if that creditor
22 or interest holder has a claim which is both (1) allowed or allowed for voting purposes and
23 (2) classified in an impaired class.

24 *a. What Is an Allowed Claim/Interest*

25 As noted above, a creditor or interest holder must first have an allowed claim or
26 interest to have the right to vote. Generally, any proof of claim or interest will be allowed,
27 unless a party in interest brings a motion objecting to the claim. When an objection to a
28

1 claim or interest is filed, the creditor or interest holder holding the claim or interest cannot
2 vote unless the Court, after notice and hearing, either overrules the objection or allows the
3 claim or interest for voting purposes.

4 **THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE IS**
5 **JULY 25, 2012.** A creditor or interest holder may have an allowed claim or interest even
6 if a proof of claim or interest was not timely filed. A claim is deemed allowed if (1) it is
7 scheduled on the Debtor's schedules and such claim is not scheduled as disputed,
8 contingent, or unliquidated, and (2) no party in interest has objected to the claim. An
9 interest is deemed allowed if it is scheduled and no party in interest has objected to the
10 interest. Consult **Exhibit "D"** to see how the Debtor has characterized your claim or
11 interest.

12 *b. What Is an Impaired Claim/Interest*

13 As noted above, an allowed claim or interest only has the right to vote if it is in a
14 class that is impaired under the Plan. A class is impaired if the Plan alters the legal,
15 equitable, or contractual rights of the members of that class. For example, a class
16 comprised of general unsecured claims is impaired if the Plan fails to pay the members of
17 that class 100% of what they are owed.

18 In this case, the Proponent believes that Classes 1, 2, 3 and 5A are impaired and that
19 holders of claims in each of these classes are therefore entitled to vote to accept or reject
20 the Plan. The Proponents believe that Classes 4 and 5B are unimpaired and that holders of
21 claims of that class therefore do not have the right to vote to accept or reject the Plan.
22 Parties who dispute the Proponents' characterization of their claim or interest as being
23 impaired or unimpaired may file an objection to the Plan contending that the Proponents
24 have incorrectly characterized the class.

25 *iii. Who is Not Entitled to Vote*

26 The following four types of claims are not entitled to vote: (1) claims that have been
27 disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant to
28

1 Code sections 507(a)(1), (a)(2), and (a)(8); and (4) claims in classes that do not receive or
2 retain any value under the Plan. Claims in unimpaired classes are not entitled to vote
3 because such classes are deemed to have accepted the Plan. Claims entitled to priority
4 pursuant to Code sections 507(a)(1), (a)(2), and (a)(7) are not entitled to vote because such
5 claims are not placed in classes and they are required to receive certain treatment specified
6 by the Code. Claims in classes that do not receive or retain any value under the Plan do
7 not vote because such classes are deemed to have rejected the Plan. EVEN IF YOUR
8 CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT
9 TO OBJECT TO THE CONFIRMATION OF THE PLAN.

10 *iv. Who Can Vote in More Than One Class*

11 A creditor whose claim has been allowed in part as a secured claim and in part as an
12 unsecured claim is entitled to accept or reject a Plan in both capacities by casting one
13 ballot for the secured part of the claim and another ballot for the unsecured claim.
14

15 *v. Votes Necessary to Confirm the Plan*

16 If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one
17 impaired class has accepted the Plan without counting the votes of any insiders within that
18 class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible
19 to be confirmed by “cramdown” on non-accepting classes, as is discussed later.
20

21 *vi. Votes Necessary for a Class to Accept the Plan*

22 A class of claims is considered to have accepted the Plan when more than one-half
23 (1/2) in number and at least two-thirds (2/3) in dollar amount of the claims which actually
24 voted, voted in favor of the Plan. A class of interests is considered to have accepted the
25 Plan when at least two-thirds (2/3) in amount of the shareholders of such class that actually
26 voted, voted to accept the Plan.
27
28

vii. *Treatment of Non-Accepting Classes*

1 As noted above, even if all impaired classes do not accept the proposed Plan, the
2 Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the
3 manner required by the Code. The process by which nonaccepting classes are forced to be
4 bound by the terms of the Plan is commonly referred to as “cramdown.” The Code allows
5 the Plan to be “crammed down” on nonaccepting classes of claims or interests if it meets
6 all consensual requirements except the voting requirements of 1129(a)(8) and if the Plan
7 does not “discriminate unfairly” and is “fair and equitable” toward each impaired class that
8 has not voted to accept the Plan as referred to in 11 U.S.C. § 1129(b) and applicable case
9 law.

10
11 *viii. Request for Confirmation Despite Non-Acceptance by Impaired Classes*

12 The Proponent will ask the Court to confirm this Plan by cramdown on any
13 impaired classes if any of these classes do not vote to accept the Plan.

14
15 **2. LIQUIDATION ANALYSIS**

16 Another confirmation requirement is the “Best Interest Test,” which requires a
17 liquidation analysis. Under the Best Interest Test, if a claimant or interest holder is in an
18 impaired class and that claimant or interest holder does not vote to accept the Plan, then
19 that claimant or interest holder must receive or retain under the Plan property of a value
20 not less than the amount that such holder would receive or retain if the Debtors were
21 liquidated under Chapter 7 of the Bankruptcy Code.

22 The Debtor believes that it is “solvent,” that is, every creditor would be paid in full
23 in a liquidation. For that reason, every creditor is being paid in full under the Plan.

24
25 **3. FEASIBILITY**

26 Another requirement for confirmation involves the feasibility of the Plan, which
27 means that confirmation of the Plan is not likely to be followed by the liquidation, or the
28

1 need for further financial reorganization, of the Debtor or any successor to the Debtor
2 under the Plan, unless such liquidation or reorganization is proposed in the Plan.

3 There are at least two important aspects of a feasibility analysis. The first aspect considers
4 whether the Debtor will have enough cash on hand on the Effective Date of the Plan to pay
5 all the claims and expenses which are entitled to be paid on such date. In this case, the
6 following payments will be made on the Effective Date:

7 //

<i>Payments on the Effective Date:</i>	
Administrative Fees	65,000
TOT Taxes	80,000
FTB Taxes	25,112
Priority claims – Scott Gaw	10,588
Wells Fargo – Cure	162,114
Convenience Class	21,000
<i>Total</i>	<i>\$363,814</i>

8
9
10
11
12
13
14 The Debtor will have sufficient funds available in its Debtor-in-Possession bank
15 accounts to make the required payments on the Effective Date. The combined balance for
16 all accounts at the end of April, 2012 was \$247,000. The Debtor expects to have \$693,000
17 in its bank accounts on the September 1, 2012 or about the Effective Date. See **Exhibit**
18 **“B.”**

19 The second aspect considers whether the Debtor will have enough cash over the life
20 of the Plan to make the required Plan payments. The Debtor believes that it will have
21 sufficient cash on hand in order to meet its obligations under the Plan. The Debtor has
22 provided a budget of its Projected Disposable Income on **Exhibit “B.”**

23 YOU ARE ADVISED TO CONSULT WITH YOUR ACCOUNTANT OR
24 FINANCIAL ADVISOR IF YOU HAVE ANY QUESTIONS PERTAINING TO THESE
25 FINANCIAL STATEMENTS.

26
27 **I. EFFECT OF CONFIRMATION OF PLAN**

1. DISCHARGE

1 This Plan provides that the Debtor shall be discharged of liability for payment of
2 debts incurred before confirmation of the Plan, to the extent specified in 11 U.S.C. §1141.
3 However, the discharge will not discharge any liability imposed by the Plan. The
4 discharge will be entered on the Effective Date if the court allows that or on the date the
5 Final Decree is entered.
6

7 **2. REVESTING OF PROPERTY IN THE DEBTOR**

8 Except as provided elsewhere in the Plan, the confirmation of the Plan reverts all of
9 the property of the estate in the Debtor.

10 From and after the Effective Date, the Debtor may operate and may use, acquire,
11 and dispose of property, and compromise and settle any claims or causes of actions
12 without supervision or consent of the Bankruptcy Court and are free of any restrictions of
13 the Bankruptcy Code or Bankruptcy Rules.

14 The Debtor shall have, retain, reserve and be entitled to assert all claims, causes of
15 action, rights of setoff and other legal or equitable defenses that the Debtor had
16 immediately prior to the Petition Date as fully as if the Debtor's bankruptcy case had not
17 been commenced; and all of the Debtor's legal and equitable rights respecting any such
18 claim which is not specifically waived, extinguished, relinquished or transferred by the
19 Plan may be asserted after the Effective Date.
20

21 **3. MODIFICATION OF PLAN**

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

24 The Proponent may also seek to modify the Plan at any time after confirmation only
25 if (1) the Plan has not been substantially consummated and (2) the Court authorizes the
26 proposed modifications after notice and a hearing.
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

4. POST-CONFIRMATION EMPLOYMENT AND COMPENSATION OF REORGANIZED DEBTOR'S PROFESSIONALS

After the Confirmation Date, the Reorganized Debtor may employ, without notice, hearing, or order of the Bankruptcy Court, such attorneys, accountants, and other professionals (the "Post-confirmation Professionals") as it may desire to render services on such terms as it deems reasonable. With respect to services rendered by the Post-confirmation Professionals, the Reorganized Debtor shall be authorized to pay for such services, related costs, and expenses without notice, hearing, or order of the Bankruptcy Court.

5. POST-CONFIRMATION STATUS REPORT

Within 120 days of the entry of the order confirming the Plan, the Reorganized Debtor shall file a status report with the Court explaining what progress has been made toward consummation of the confirmed Plan. The status report shall be served on the United States Trustee, the twenty largest unsecured creditors, and those parties who have requested special notice. Further status reports shall be filed every 120 days and served on the same entities.

6. POST-CONFIRMATION CONVERSION/DISMISSAL

A creditor or party in interest may bring a motion to convert or dismiss the case under § 1112(b), after the Plan is confirmed, if there is a default in performing the Plan. If the Court orders, the case converted to Chapter 7 after the Plan is confirmed, then all property that had been property of the Chapter 11 estate, and that has not been disbursed pursuant to the Plan, will revert in the Chapter 7, estate. The automatic stay will be reimposed upon the reverted property, but only to the extent that relief from stay was not previously authorized by the Court during this case.

The order confirming the Plan may also be revoked under very limited circumstances. The Court may revoke the order if the order of confirmation was procured

by fraud and if the party in interest brings an adversary proceeding to revoke confirmation
within 180 days after the entry of the order of confirmation.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

7. FINAL DECREE

Once the estate has been fully administered as referred to in Bankruptcy Rule 3022,
the Reorganized Debtor, or 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.

Dated: June 28, 2012

By:

/s/ Andy Kim

**Andy Kim, Debtor's Managing
Member and Plan Proponent**

Dated: June 28, 2012

By:

/s/ M. Jonathan Hayes

**M. Jonathan Hayes
Roksana D. Moradi
Attorneys for Plan Proponent**

SUPPORTING DECLARATION OF ANDY KIM

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

I, Andy Kim, declare as follows:

1. I am one of the Managing Members of the Debtor herein. I am over the age of eighteen (18). I have personal knowledge of the facts set forth herein, and if called as a witness, I could and would testify competently with respect thereto. Where facts are alleged upon information and belief, I believe them to be true.

2. I have reviewed the information within the Disclosure Statement, including all financial information.

3. I believe that all information contained in the Disclosure Statement is true and correct and fairly presented, to the best of my knowledge.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 28th day of June, 2012, at Los Angeles, California.

/s/ Andy Kim

Andy Kim

EXHIBIT A

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

***LIST OF ALL ASSETS
AS OF JUNE 30, 2012***

REAL PROPERTY

<p>1600 S. Coast Highway, Laguna Beach, CA Hotel</p> <p>FMV \$14- \$15 million.</p>	<p><i>1st Trust Deed Holder:</i> Wells Fargo Bank - \$8,700,000</p> <p><i>2nd Trust Deed Holder:</i> Kay Nam Kim - \$1,200,000</p> <p><i>3rd Trust Deed Holder:</i> Merhdad Elie - \$320,000</p> <p><i>Property Taxes:</i> \$5,136</p> <p><i>Equity:</i> \$3,780,000 (at \$14 million FMV)</p>
--	---

OTHER ASSETS

<u>DESCRIPTION</u>	<u>FAIR MARKET VALUE</u>
Bank Accounts	\$335,327
Ground Lease with Landlord	\$ 75,000
Account Receivable - Golden Park, face amount \$41,115	-0-
Account Receivable - Paradise Hospitality, face amount \$581,700	-0-
Office Equipment, Furnishings and Supplies	\$400,000
Reserves held by WFB	\$82,500 ground lease rent reserve, \$106,353 ground lease replacement reserve \$12,500 accommodation fee reserve. \$100,000 tax refund
<u>TOTAL</u>	\$1,111,680

EXHIBIT B – DEBTOR’S PROJECTIONS

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28

EXHIBIT C – DEBTOR’S FINANCIAL HISTORY

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28

EXHIBIT D - LIST OF CREDITORS/CLAIMS1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

	SC*	FC*	FC*	Allowed Amt	Allowed Amt	Allowed Amt	
NAME	AMT*	CLAIM#	AMT*	Secured	Unsecured	Priority	Comments
Wells Fargo Bank (1st on Hotel)	8,587,070	5	10,697,000	8,700,000			Will obj to balance
Kay Nam Kim (2nd on Hotel)	1,200,000			1,200,000			
Elie Mehrdad	220,000	3	370,732	320,000			Will obj to balance
David Scott Gaw (Hotel Director of Sales)	10,000	4	10,588			10,588	
Amenity Services	663				663		
BP & G LLC	1,411				1,411		
City of Laguna (Occupancy Tax)	80,000					80,000	
Cox Cable TV	3,212				3,212		
Dae In "Andy" Kim	1,406,000						withdrawn
Debinaire Co.	426				426		
Edison	5,884	1	5,391		5,391		
Eun Jin Kim	600,000				600,000		Loan Guaranteed by Andy Kim
Great American Lease	996				996		
Great American Leasing	2,773				2,773		
Heartland Foods	110				110		
Hill Top Alarm	110				110		
Home Depot	400				400		
JH Wells	1,041,700				1,041,700		Loan Guaranteed by Andy Kim
KMK	2,500				2,500		
Laguna Beach Water	3,791				3,791		
Merchant Services	6,677				6,677		
Metro Bank	230,000				230,000		s/b \$180,000
OC Pool	320				320		
Paetec	1,474				1,474		
Profittime	413				413		
Rapid Plumbing	550				550		
Rene Flores	0				0		
Saflok	225				225		

1	Terminex	171			171		
	UPS	23			23		
2	Verizon California	364			364		
	Waste Management	401			401		
3	Woo Jung Il Ga	575,000			575,000		
	Wells Fargo	68,028					
4	Capital One Bank	6,093		6,093	6,093		
5	Franchise Tx Bd		6	30,599	5,600	25,112	
	Best Western		7	7,608	7,608		
6	TOTAL	14,056,786		11,117,423	10,160,000	2,498,403	115,700

7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

PROOF OF SERVICE OF DOCUMENT

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 9700 Reseda Blvd., Suite 201, Northridge, CA 91324.

A true and correct copy of the foregoing document entitled **DEBTOR'S DISCLOSURE STATEMENT DESCRIBING DEBTOR'S CHAPTER 11 PLAN** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner indicated below:

I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF") – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On **6/28/2012** I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

Service information continued on attached page

- Craig S Ganz craig.ganz@gknet.com
- Thomas M Geher tmg@jmbm.com
- Michael J Hauser michael.hauser@usdoj.gov
- M Jonathan Hayes jhayes@hayesbklaw.com, roksana@hayesbklaw.com;rosario@hayesbklaw.com
- Jennifer L Nassiri jnassiri@venable.com
- Giovanni Orantes go@gobklaw.com, gorantes@orantes-law.com,cmh@gobklaw.com
- Keith C Owens kowens@venable.com, bclark@venable.com
- Steven G Polard stevenpolard@dwt.com
- Jay M Ross jross@hopkinscarley.com, kday@hopkinscarley.com
- United States Trustee (SA) ustpreion16.sa.ecf@usdoj.gov

II. SERVED BY U.S. MAIL: On **6/28/2012** I served the following person(s) and/or entity(ies) at the last known address(es) in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States Mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

Hon. Erithe A. Smith <i>US Bankruptcy Court</i> 411 West Fourth Street, Suite 5041 Santa Ana, CA 92701-4593	Laguna Brisas, LLC. 2063 Northam Drive Fullerton, CA 92833
---	---

III. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **6/28/2012** I served the following person(s) and/or entity(ies) by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

<u>6/28/2012</u>	<u>Rosario Zubia</u>	<u>/s/ Rosario Zubia</u>
<i>Date</i>	<i>Type Name</i>	<i>Signature</i>

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28