THE HONORABLE TIMOTHY W. DORE
Hearing Date: August 3, 2018
Hearing Time: 9:30 am
Hearing Location: Seattle
Response Date: July 27, 2018
Chapter 11

THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re SUNSHINE SEATTLE ENTERPRISES, LLC, Debtor-in-Possession.	Case No. 17−14983 **AMENDED** MOTION TO APPROVE SALE OF BUSINESS

COMES NOW Sunshine Seattle Enterprises, LLC, the Debtor-in-Possession herein, by and through its attorneys of record, Wells and Jarvis, P.S., and moves the court for entry of an order approving the sale of its restaurant business, Henry's Taiwan Kitchen.

I. History of Events Leading Up to Present Proposed Sale

Debtor operates its restaurant at 4106 Brooklyn Avenue, Suite 102B, in the University District of Seattle, Washington.

The first version of Henry's Taiwan Kitchen was opened in 2000 in Seattle, with a simple décor and emphasis on authentic and delicious Taiwanese cuisine. Subsequently, locations were opened in Bellevue, Washington and Seattle's International District. These locations, which have since closed, were owned and operated by a different entity.

In 2013, the Debtor was formed, and it opened and operated the present location of Henry's Taiwan Kitchen in the University District. Another location was opened around the same time at Arizona State University in Tempe. That location was operated by a different

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entity and has since closed.

Unfortunately, a few years into operation of the University District restaurant, a dispute arose between the two individual owners of the Debtor. The Debtor is owned by Henry's Taiwan Restaurant Group, LLC. That company is in turn owned 50% by 15W Kitchen, LLC, and 50% by JZX118, LLC. 15W Kitchen, LLC, is owned 100% by Henry Ku. JZX118, LLC, is owned 100% by Xuanxuan Cao, although it is her son, Zaozao "Jonathan" Zhang, who was actually participating in the operation of the restaurant (through a power of attorney that he holds for his mother as the other nominal owner). The dispute in management between Mr. Zhang and Mr. Ku appears to have intensified toward the end of 2016 and into 2017.

A review of the 2016 partnership tax return of Henry's Taiwan Restaurant Group, LLC, indicates a healthy business which generated that year $136,250 in net income after expenses. However, excessive draws by the individual owners of $212,311 crippled the business and depleted the cash reserves that had previously existed, reducing them from a starting balance of $56,919 at the beginning of 2016, to a mere $7,376 by the end of 2016. These withdrawals by the owners resulted in the company falling behind on bills, necessitating the filing of the involuntary Chapter 11 petition.

The Debtor's lease for the premises in which it operates its business expired on March 31, 2018. Jonathan Zhang previously indicated in July of 2017 that he was unwilling to personally guarantee a renewal of the lease. Both owners of the business had to personally guarantee the prior lease for the landlord to renew it; without both guarantees, the Debtor was not able to renew the lease.

As a result, Henry Ku, through his wholly-owned corporation Chef Ku, entered into a new 10-year lease at the present location. He has personally guaranteed payment of the lease.

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Up to the present he has subleased the premises to the debtor on a month-to-month arrangement, as authorized by the bankruptcy court.

On March 23, 2018, the Debtor attempted to sell its restaurant business to Henry Ku's business, Chef Ku, LLC for a total sales price of $176,899 (over time and with imputed interest). Creditor Zaozao "Jonathan" Zhang opposed the sale (see docket #79) in part due to lack of evidence regarding the valuation of the business. That sale proposal was not approved by the court due in part because Henry Ku is an insider and the court cited lack of evidence as to whether the proposed sale was for full value.

Subsequent to the court's rejection of the proposed sale, Henry Ku and "Jonathan" Zhang each had appraisals commissioned as to the value of the restaurant as if the Debtor still retained a long-term lease, which it does not.

Accompanying this motion is a declaration of Henry Ku regarding his hiring of Gregory Kovsky to undertake an appraisal of the Debtor's business. Also accompanying this motion is a declaration of Gregory Kovsky. As set forth on that declaration, Mr. Kovsky values the business (with the lease) at $85,000-$115,000. Attached to Mr. Kovsky's declaration as Exhibit A is his detailed valuation. Attached as Exhibit B to his declaration is the appraisal opinion of the Debtor's business by Constance Shain, commissioned by Jonathan Zhang. Finally, attached as Exhibit C to Mr. Kovsky's declaration is his responses to Ms. Shain's valuation.

Both appraisals are somewhat artificial in that they both assume that any sale would be accompanied by a long term lease. As set forth in the declaration of Henry Ku, no long term lease would be available to anyone other than himself.

As a result of objections to claims, the claim of Henry Ku (claim #3) has been disallowed as a secured claim, but allowed in the amount of $32,000 as a nonpriority unsecured

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claim (see docket #141). Also disallowed in part is the claim of Jonathan Zhang for $80,000 (claim #2, see docket #128). The remaining claim of Zaozao Zhang of $29,652.10 has been allowed as a general unsecured claim. Finally, the claim of Fuh Ru Lee for $20,000 has been disallowed (see docket #140). Thus the general unsecured claims consist of those allowed by the court for Mr. Zhang and Mr. Ku.

II. Proposed Sale Terms

Debtor has agreed to sell its business to Chef Ku for $154,000. The proposed sale would be structured such that $75,000 would be paid up-front as a down payment, broken down as follows: $10,000 would be applied to approved attorney fees (these funds have already been paid to Wells and Jarvis, P.S.'s trust account), and approximately $65,000 would be applied to pay off the approximately $53,000 in administrative claims resulting from unpaid operation costs, and approximately $12,000 in IRS payroll taxes. These funds would be paid upon the effective date of the Debtor's plan.

The remaining balance of $79,000 would be paid in monthly installments over a period of 36 months, with interest to accrue at the rate of 5% per annum. This results in monthly payments of $2,368, or a total to be paid over 36 months of $85,248. Debtor has also filed a plan of reorganization which proposes how these funds will be distributed to creditors. Specifically, the plan provides that they will be applied as follows:

Claimant (Set forth in Order of Proposed Distribution)	**Estimated Amount**
Balance of approved attorney fees of Wells and Jarvis, P.S. remaining after application of $10,000 down payment	$25,000
WA State Department of Revenue priority claim	$19,189.96
Jonathan Zhang's allowed general unsecured claim	$29,652.10
Remaining amount for Henry Ku's $32,000 unsecured, subordinated claim	$11,405.94

In order to ensure that Jonathan Zhang's claim is paid in full, as set forth above, Henry

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Ku has agreed to subordinate his general unsecured claim. Based on the foregoing figures, it appears that there will most likely not be any funds remaining from sale to distribute to equity security holders.

The proposed purchase and sale agreement and other documents related to the transaction which reflect these details are attached as exhibits to the declaration of Henry Ku.

The assets that are proposed to be transferred to the buyer as part of the sale are set forth below:

Asset	Estimated Value*
Monies in Debtor's bank account as of closing	$43,000
Accounts receivable	$2,500
Food inventory	$1,000
Kitchen equipment	$4,000
Cash register	$1,000
Business' good will, phone number, website, existing advertising (the balance of the purchase price)	$102,500

*Based on Debtor's Schedule B

The following do not belong to the Debtor and would therefore not be part of any sale of the Debtor's business: recipes of Henry Ku.

Debtor in its business judgment believes the sale price of $154,000 represents the best outcome for several reasons. First, because the underlying lease is held by Henry Ku, the only viable sale of Debtor's business is to Henry Ku's company, Chef Ku LLC. Second, the sale is made in good faith because it does not reflect a discount of the purchase price due to Henry Ku's position as landlord. See evaluation of Gregory Kovsky. In fact, the proposed sale price exceeds Mr. Kovsky's appraised value. Finally, while the valuation of Ms. Stain places a much higher figure on the business, it is based on the assumption that a buyer would be in a position to assume a long-term lease and does not discount the actual price for the personal services the up to now have been provided by Henry Ku and Lucy Zhang. Without the lease, the value of

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Debtor's business shrinks to liquidation value of its physical assets and the value of its phone number and goodwill. Debtor believes the $154,000 sale price is supported by the evidence, specifically the unavailability of the lease to anyone but Henry Ku; the valuation of Gregory Kovsky; the valuation of Constance Shain; and Gregory Kovsky's analysis of Ms. Shain's valuation.

III. Legal Basis to Approve Sale

Pursuant to 11 U.S.C. § 363(b)(1) (made applicable to this Chapter 11 proceeding by § 1107), the Debtor-in-Possession may sell property of the estate other than in the ordinary course of business after notice and a hearing. A bankruptcy court can authorize the sale of substantially all of the assets of the estate upon a proper showing that the sale is in the best interests of the estate, that there is a sound business purpose for the sale, and that it was proposed in good faith. *See e.g. In re 240 N. Brand Partners, Ltd.*, 200 B.R. 653, 659 (9th Cir. B.A.P. 1996), *In re Wilde Horse Enters., Inc.*, 136 B.R. 830, 841 (Bankr. C.D. Cal 1991); *In re Lionel*, 722 F.2d 1063, 1070 (2nd Cir. 1983).

Here, as detailed above, sound business judgment supports sale of the restaurant at a price supported by an appraisal to the only individual from whom the Debtor can realize anything close to a regular market price for Debtor's restaurant.

The sale agreement is not an arm-length transaction, insofar as the manager of the Debtor is Henry Ku and the manager of the buyer is Henry Ku. However, the alternative scenario is that Henry Ku does not buy the Debtor's restaurant and continues to operate a different Asian restaurant at the same location. If that occurred, Debtor's recovery would be limited to selling its physical assets and its phone number. In such an event there is no guarantee that the Debtor would even remain administratively solvent, much less make any

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distribution to creditors. Because Debtor has been able to negotiate a purchase and sale agreement for a substantial price which will pay the non-subordinated unsecured claimant in full, despite its not holding a long-term lease, the good faith of the proposed sale has bene amply demonstrated.

IV. Conclusion

If the proposed sale is not approved by the Court, the Debtor's business will presumably come to an end. If such an event were to occur, the liquidation of Debtor's assets would generate only a nominal sum. The proposed sale provides an alternative that pays the unsubordinated unsecured claimant and any administrative and priority claims in full, and thus it should be approved.

Dated this 5th day of July, 2018.

Wells and Jarvis, P.S.

__/s/ *Jeffrey B. Wells* ___
By: Jeffrey B. Wells, WSBA #6317
Attorneys for Debtor

/s/ *Emily Jarvis* _______
By: Emily Jarvis, WSBA #41841
Attorney for Debtor

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THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re SUNSHINE SEATTLE ENTERPRISES, LLC, Debtor-in-Possession.	Case No. 17−14983 ORDER APPROVING SALE OF BUSINESS - **Proposed -**

This matter having come before the Court on the amended motion of Sunshine Seattle Enterprises, LLC for an order approving the sale of its restaurant business ("the Property") to Chef Ku, LLC, and it appearing that proper notice of the motion was given to all creditors and parties of interest, and no objections having been received, and good cause having been found, NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The sale of the Property to Chef Ku, LLC, pursuant to the purchase and sale agreement attached hereto as **Exhibit A**, be and hereby is approved.

2. The Debtor is authorized and directed to consummate the sale pursuant to and in accordance with the terms and conditions of **Exhibit A**.

3. There will be paid from the sale proceeds at closing the usual and necessary miscellaneous expenses including any sales taxes, escrow fees, recording fees, and any and all

costs to effect the transfer. The U.S. Trustee fee incurred as a result of the sale shall be paid from closing.

4. The sale proceeds remaining after payment of the foregoing will be paid to Debtor's attorneys' trust account pending further order(s) of the Court.

5. This Order shall be effective immediately upon entry, and any stay of orders provided for in Bankruptcy Rules 6004(h), 6006(d), 7062 and any other provision of the Bankruptcy Code or Bankruptcy Rules shall not apply and is expressly lifted, and this Order is immediately effective and enforceable.

/// End of Order ///

Presented by:

/s/ Jeffrey B. Wells
Jeffrey B. Wells, WSBA #6317
Wells and Jarvis, P.S.
Attorneys for Debtor
500 Union Street, Ste. 502
Seattle, WA 98101

THE HONORABLE TIMOTHY W. DORE
Chapter: 11
Hearing Location: Seattle
Hearing Date: ___________
Hearing Time: ___________
Reply Date: _____________

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In Re: Sunshine Seattle Enterprises, LLC, Debtor.	Cause No.: 17-14983 DECLARATION OF GREGORY KOVSKY

The undersigned declares under penalty of perjury under the laws of the State of Washington:

1. My name is Gregory Kovsky. I am over eighteen, know of the matters set forth herein, and I am otherwise competent to testify in the above-captioned matter.

2. On March 30, 20187, my Declaration (Docket No. 99-1) was filed as an attachment to the Debtor's Application to Employ Business Evaluator *Nunc Pro Tunc* (Docket No. 99. My resume was attached (Docket No. 99-2).

LYONS | SULLIVAN
10655 NE 4TH STREET, SUITE 704
BELLEVUE, WASHINGTON 98004
PH (425) 451-2400

3. Due to objections filed by Dean A. Messmer on behalf of Zaozao "Jonathan" Zhang (Docket No. 114) on April 13, 2018, the hearing on the proposed order employing me was withdrawn.

4. On April 24, 2018, Henry Kuo-Chiang Ku, individually, entered into a Consulting Agreement hiring me to provide my fair market value evaluation of the Debtor's restaurant, Henry's Taiwan Kitchen.

5. Attached as Exhibit A is my fair market value evaluation of the Debtor's restaurant, Henry's Taiwan Kitchen.

6. I would place the value of the Debtor's restaurant between $85,000 - $115,000 as outlined in my cover letter in Exhibit A.

7. I was provided a copy of the fair market value evaluation of the Debtor's restaurant by Constance Shain. See attached Exhibit B.

8. David T. Lyons requested that I answer questions raised by Dean A. Messmer, about my evaluation of the Debtor's restaurant. The request and my answers are attached as Exhibit C.

9. I have never been employed by David T. Lyons or Lyons | Sullivan.

10. In February of 2012, I represented the seller of a business as a business broker. David T. Lyons represented the buyer of that business. That transaction was completed on May 4, 2012.

11. I have not worked with David T. Lyons or Lyons | Sullivan on any other business transactions other than the present matter.

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I certify under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

Signed in Bellevue, Washington this 28 day of June 2018.

Gregory Kovsky, President

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May 10, 2018

Henry's Taiwan Restaurant Group LLC
PO Box 85654
Seattle, WA 98145

To whom it may concern:

The following are the results of the "fair market" value evaluation you requested I complete with regard to Henry's Taiwan Kitchen:

My review of the company found the business to be a well positioned company in terms of its selection and quality of culinary products, market reputation, retail location, and the capability of the staff.

The basis of my "fair market" value evaluation of the business was the estimated adjusted cashflow to ownership. It was determined that the adjusted cash flow to ownership for 2017 was approximately $107,867 at a revenue level of $974,035 after eliminating owner compensation, discretionary expenses, and non-reoccurring expenses. As comparison, the adjusted cash flow to ownership of the business in 2016 was approximately $202,181 at a revenue level of $928,156 and $196,974 at a revenue level of $783,097 in 2015.

It should be noted that in the proper assessment of the value of a business it is prudent to rely on federal & state tax returns where the business owner is accountable to an external party rather than internal documentation. The 2017 corporate tax return employed for evaluation of the business is an interim document with some expense categories creating ambiguity preventing direct comparison with historical operating expenses (e.g., the use of a miscellaneous expense category in 2017, but not in prior years). I would welcome the opportunity to update my assessment to incorporate the information on the final 2017 corporate tax at no additional cost.

This cash flow analysis allowed me using values of $35,000 for furniture, fixtures, equipment and $5,000 for inventory to determine that the business would likely have sold at a "fair market" value of between $240,000 - $300,000 at the end of the calendar years 2015 & 2016 based on the demographics of the buyer and terms of sale. Analysis based on the interim 2017 corporate tax return places the value between $85,000 - $115,000 with weighted average analysis placing the value between the two figures. Four evaluation models were employed to assess the value of the business. The models employed were an assets plus excess earnings (APEEV) model, return on investment model, basic evaluation model, and market comparable analysis. Information conveying that analysis follows this cover letter. I am happy to walk through my analysis verbally in person or on the telephone with interested parties as part of my fee.

In closing, please recognize that similar to the stock of a publicly traded company the value of a privately held company is reflective of the current performance of the business. If ownership of Amazon stock was desired today, the value paid for stock of that company would be a current market price incorporating all known information related to the company. It would be impossible for an individual external to the company to buy Amazon stock for its quoted price on January 1, 2017. Similarly, the value of a privately held company is what a willing & able buyer & seller agree to in a "good faith" negotiation given all available information.

Please contact me if I can be of assistance or provide you with additional information.

Sincerely,

Gregory Kovsky
President

Adjusted Cash Flow
(Tax Returns)

	2014	2014 Adjusted	2015	2015 Adjusted	2016	2016 Adjusted	2017	2017 Adjusted
Gross Revenues	$ 876,966.00	$ 876,966.00	$ 783,097.00	$ 783,097.00	$ 928,156.00	$ 928,156.00	$ 974,035.00	$ 974,035.00
Cost of Goods Sold	$ (245,624.00)	$ (245,624.00)	$ (208,330.00)	$ (208,330.00)	$ (229,277.00)	$ (229,277.00)	$ (202,191.00)	$ (202,191.00)
Gross Profit	$ 631,342.00	$ 631,342.00	$ 574,767.00	$ 574,767.00	$ 698,879.00	$ 698,879.00	$ 771,844.00	$ 771,844.00
Operating Expenses								
Salaries & Wages (A)	$ (303,794.00)	$ (303,794.00)	$ (229,648.00)	$ (229,648.00)	$ (286,292.00)	$ (286,292.00)	$ (362,933.00)	$ (300,000.00)
Guaranteed Payments to Partners (B)	$ -	$ -	$ -	$ -	$ (54,081.00)	$ -	$ -	$ -
Repairs & Maintenance	$ (15,440.00)	$ (15,440.00)	$ (7,202.00)	$ (7,202.00)	$ (13,478.00)	$ (13,478.00)	$ (2,417.00)	$ (2,417.00)
Bad Debts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rents	$ (78,373.00)	$ (78,373.00)	$ (54,288.00)	$ (54,288.00)	$ (73,313.00)	$ (73,313.00)	$ (65,130.00)	$ (65,130.00)
Taxes & Licenses	$ (129.00)	$ (129.00)	$ (6,067.00)	$ (6,067.00)	$ (9,303.00)	$ (9,303.00)	$ (46,719.00)	$ (46,719.00)
Interest (C)	$ -	$ -	$ -	$ -	$ (194.00)	$ -	$ (500.00)	$ -
Depreciation (D)	$ (19,448.00)	$ -	$ (10,570.00)	$ -	$ (6,656.00)	$ -	$ (17,729.00)	$ -
Advertising	$ (15,589.00)	$ (15,589.00)	$ (27,569.00)	$ (27,569.00)	$ (42,514.00)	$ (42,514.00)	$ (2,847.00)	$ (2,847.00)
Amortization (E)	$ (5,000.00)	$ -	$ (5,000.00)	$ -	$ (5,000.00)	$ -	$ (5,000.00)	$ -
Bank Charges	$ (1,002.00)	$ (1,002.00)	$ (21.00)	$ (21.00)	$ (111.00)	$ (111.00)	$ (386.00)	$ (386.00)
Commissions	$ (25,175.00)	$ (25,175.00)	$ (20,369.00)	$ (20,369.00)	$ (24,370.00)	$ (24,370.00)	$ -	$ -
Computer & Internet Expenses	$ (3,234.00)	$ (3,234.00)	$ (2,250.00)	$ (2,250.00)	$ (2,374.00)	$ (2,374.00)	$ (344.00)	$ (344.00)
Delivery Commissions	$ -	$ -	$ -	$ -	$ -	$ -	$ (9,259.00)	$ (9,259.00)
Delivery Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ (65,259.00)	$ (65,259.00)
Dues & Subscriptions	$ -	$ -	$ -	$ -	$ -	$ -	$ (661.00)	$ (661.00)
Insurance	$ (2,845.00)	$ (2,845.00)	$ (2,815.00)	$ (2,815.00)	$ (3,221.00)	$ (3,221.00)	$ (3,055.00)	$ (3,055.00)
Legal & Accounting (F)	$ (32,510.00)	$ (32,510.00)	$ (10,260.00)	$ (10,260.00)	$ (19,506.00)	$ (19,506.00)	$ (62,188.00)	$ (41,688.00)
Meals & Entertainment	$ (279.00)	$ (279.00)	$ (130.00)	$ (130.00)	$ (371.00)	$ (371.00)	$ (49.00)	$ (49.00)
Merchant Account Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ (21,381.00)	$ (21,381.00)
Office Supplies	$ (9,023.00)	$ (9,023.00)	$ -	$ -	$ (116.00)	$ (116.00)	$ (2,927.00)	$ (2,927.00)
Overage / Shortage	$ (3,335.00)	$ (3,335.00)	$ -	$ -	$ (600.00)	$ (600.00)	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -	$ -	$ (66,111.00)	$ (66,111.00)
Parking	$ (44.00)	$ (44.00)	$ -	$ -	$ -	$ -	$ -	$ -
Postage & Supplies	$ (375.00)	$ (375.00)	$ (49.00)	$ (49.00)	$ (328.00)	$ (328.00)	$ (163.00)	$ (163.00)
Restaurant Supplies	$ -	$ -	$ -	$ -	$ -	$ -	$ (21,546.00)	$ (21,546.00)
Security	$ (192.00)	$ (192.00)	$ -	$ -	$ -	$ -	$ -	$ -
Travel	$ (7,943.00)	$ (7,943.00)	$ (2,349.00)	$ (2,349.00)	$ (2,534.00)	$ (2,534.00)	$ -	$ -
Tips Expense	$ -	$ -	$ -	$ -	$ -	$ -	$ (3,428.00)	$ (3,428.00)
TV	$ (454.00)	$ (454.00)	$ -	$ -	$ -	$ -	$ -	$ -
Vehicle Expense (G)	$ -	$ -	$ -	$ -	$ (355.00)	$ (355.00)	$ (34,533.00)	$ (500.00)
Utilities & Telephone	$ (31,118.00)	$ (31,118.00)	$ (14,776.00)	$ (14,776.00)	$ (17,912.00)	$ (17,912.00)	$ (10,107.00)	$ (10,107.00)
Total Operating Expenses	$ (555,302.00)	$ (530,854.00)	$ (393,363.00)	$ (377,793.00)	$ (562,629.00)	$ (496,698.00)	$ (804,672.00)	$ (663,977.00)
Adjusted Cash Flow	$ 76,040.00	$ 100,488.00	$ 181,404.00	$ 196,974.00	$ 136,250.00	$ 202,181.00	$ (32,828.00)	$ 107,867.00
CGS/Gross Sales	28.01%	28.01%	26.60%	26.60%	24.70%	24.70%	20.76%	20.76%
Payroll/Gross Sales	34.64%	34.64%	29.33%	29.33%	30.85%	30.85%	37.26%	30.80%
Rent/Gross Sales	8.94%	8.94%	6.93%	6.93%	7.90%	7.90%	6.69%	6.69%
Cash Flow/ Gross Sales	8.67%	11.46%	23.16%	25.15%	14.68%	21.78%	-3.37%	11.07%

(A) Salaries & Wages was adjusted to an annual expense of $300,000 in the 2017 adjusted column to bring the expense in line with 2016 operating expense.
(B) Guaranteed Payments to Partners was removed from the adjusted columns. This is a form of compensation of ownership.
(C) Interest expense was removed from the adjusted columns. Interest expense is a discretionary management expense.
(D) Depreciation expense was removed from the adjusted columns. This is an accounting expense deduction not 100% reflective of the useful life of equipment.
(E) Amortization expense has been removed from the adjusted columns. This expense involves the write-off of previously, acquired intangible assets.
(F) Professional fees in the 2017 adjusted column were adjusted to remove $12,000, $3500, & $5000 of non reoccuring consulting expense.
(G) Vehicle expense in the 2017 adjusted column was adjusted to remove $28,000 of non reoccurring expense associated with paying off a vehicle lease. The amount was further reduced by $6033 to $500 as a budget amount based on 2016 expense.

Monthly Comparison

		2015		2016		2017		2018	% Change 16 vs. 17	% Change 17 vs. 18
January	$	68,225.63	$	94,809.22	$	72,832.40	$	74,777.83	-23.18%	2.67%
February	$	62,289.63	$	89,113.54	$	61,328.44	$	76,864.40	-31.18%	25.33%
March	$	68,228.66	$	97,929.26	$	67,264.79	$	82,107.88	-31.31%	22.07%
April	$	73,039.27	$	92,543.94	$	66,256.93	$	-	-28.40%	
May	$	76,378.87	$	92,889.80	$	65,800.50	$	-	-29.16%	
June	$	60,621.17	$	66,403.96	$	54,824.46	$	-	-17.44%	
July	$	44,246.54	$	55,284.04	$	49,468.32	$	-	-10.52%	
August	$	41,181.30	$	49,902.71	$	56,056.76	$	-	12.33%	
September	$	43,378.80	$	57,480.10	$	55,533.02	$	-	-3.39%	
October	$	83,687.79	$	96,940.31	$	76,091.12	$	-	-21.51%	
November	$	77,123.51	$	73,553.44	$	82,567.23	$	-	12.25%	
December	$	84,643.54	$	61,819.48	$	71,522.65	$	-	15.70%	
Total	$	783,044.71	$	928,669.80	$	779,546.62	$	233,750.11	-16.06%	16.05%
Last 12 Months	$	811,871.10								

APEEV Model

	Adjusted 2015	Adjusted 2016	Adjusted 2017	Weighted Average
Gross Sales	$ 783,097.00	$ 928,156.00	$ 974,035.00	$ 941,177.50
Minus: CGS	$ (208,330.00)	$ (229,277.00)	$ (202,191.00)	$ (210,930.70)
Gross Margin	$ 574,767.00	$ 698,879.00	$ 771,844.00	$ 730,246.80
Replacement Cost of Owner #1	$ (45,000.00)	$ (45,000.00)	$ (45,000.00)	$ (45,000.00)
Replacement Cost of Owner #2	$ (35,000.00)	$ (35,000.00)	$ (35,000.00)	$ (35,000.00)
Minus: Cost of Operations	$ (377,793.00)	$ (496,698.00)	$ (663,977.00)	$ (585,174.90)
Adjusted Profit	$ 116,974.00	$ 122,181.00	$ 27,867.00	$ 65,071.90
Adjusted Value of Assets				
Furniture, Fixtures, Equipment, & Vehicles	$ 35,000.00	$ 35,000.00	$ 35,000.00	$ 35,000.00
Inventory	$ 5,000.00	$ 5,000.00	$ 5,000.00	$ 5,000.00
Total Value of Assets	$ 40,000.00	$ 40,000.00	$ 40,000.00	$ 40,000.00
Estimate of Excess Earnings				
Adjusted Profit	$ 116,974.00	$ 122,181.00	$ 27,867.00	$ 65,071.90
Tangible Asset Cost @ 6.00%	$ (2,400.00)	$ (2,400.00)	$ (2,400.00)	$ (2,400.00)
Excess Earnings	$ 114,574.00	$ 119,781.00	$ 25,467.00	$ 62,671.90
Multiple of Excess Earnings				
Risk	2.00	2.00	1.50	1.50
Competitiveness	2.25	2.25	1.75	1.75
Industry Growth	1.75	1.75	1.75	1.75
Company Rating	2.50	2.50	2.00	2.00
Growth Rate	2.00	2.00	2.00	2.00
Desirability	2.25	2.25	1.25	1.25
Total Rating Value	12.75	12.75	10.25	10.25
Multiple	2.13	2.13	1.71	1.71
Asset & Inventory Value	$ 40,000.00	$ 40,000.00	$ 40,000.00	$ 40,000.00
Multiple (Goodwill) Value	$ 243,469.75	$ 254,534.63	$ 43,506.13	$ 107,064.50
Estimated Value	$ 283,469.75	$ 294,534.63	$ 83,506.13	$ 147,064.50

Adjusted 2015

			Estimated Value	
Adjusted Profit	$	116,974.00		
High Range ROI		40%	$	292,435.00
Low Range ROI		50%	$	233,948.00

Adjusted 2016

			Estimated Value	
Adjusted Profit	$	122,181.00		
High Range ROI		40%	$	305,452.50
Low Range ROI		50%	$	244,362.00

Adjusted 2017

			Estimated Value	
Adjusted Profit	$	27,867.00		
High Range ROI		40%	$	69,667.50
Low Range ROI		45%	$	61,926.67

Weighted Average

			Estimated Value	
Adjusted Profit	$	65,072.00		
High Range ROI		40%	$	162,680.00
Low Range ROI		45%	$	144,604.44

Adjusted 2015

Furniture, Fixtures, & Equipment	$	35,000.00
Inventory	$	5,000.00
Adjusted Cash Flow (Goodwill)	$	196,974.00
Replacement Cost of 2nd Owner	$	(35,000.00)
Total	$	201,974.00

Adjusted 2016

Furniture, Fixtures, & Equipment	$	35,000.00
Inventory	$	5,000.00
Adjusted Cash Flow (Goodwill)	$	202,181.00
Replacement Cost of 2nd Owner	$	(35,000.00)
Total	$	207,181.00

Adjusted 2017

Furniture, Fixtures, & Equipment	$	35,000.00
Inventory	$	5,000.00
Adjusted Cash Flow (Goodwill)	$	107,867.00
Replacement Cost of 2nd Owner	$	(35,000.00)
Total	$	112,867.00

Weighted Average

Furniture, Fixtures, & Equipment	$	35,000.00
Inventory	$	5,000.00
Adjusted Cash Flow (Goodwill)	$	145,072.00
Replacement Cost of 2nd Owner	$	(35,000.00)
Total	$	150,072.00

Absentee Owner Chinese Restaurant $ 320k In WEST L A

Los Angeles, CA (Los Angeles County)

Sale Date:	**3/8/2018**
Sale Price:	**$320000**
Asking Price:	**$320,000**
Cash Flow:	**$180,000**
Gross Revenue:	$960,000
EBITDA:	N/A
FF&E:	N/A
Inventory:	N/A
Lease Rate:	N/A /SF
Established:	N/A

Business Description

- Monthly gross is $80,000 on average.
- The average net income possible is $15,000 a month
- Cost of goods sold is on average 25%
- Monthly rents $ 8,400 +$1,100 CAM
- Restaurant size is approx. 1,000 SF
- Dinine capacity is 24 plus a tiny patio
- 3 years remaining on the current lease plus a 5-year option
- 7-day business, hours are from 11 am to 10 pm and Monday thru on Sundays
- 5 full-time employees and 4 Part Time
- to manage or assist businesses whenever needed. New buyers will have to pay extra workers if they do not work the same way as the seller does.

Detailed Information

Real Estate:	Leased
Building SF:	1,000
Lease Expiration:	N/A
Competition:	Mooney Lee Email: topla7171@gmail.com Phone: 714-823-7171

(/brokers/Sur

Ad#:1431970 ⚠ Report an issue with this listing

absentee run Thai restaurant for sale in SF mission district on Valenc

San Francisco, CA (San Francisco County)

Sale Date:	12/13/2017
Sale Price:	$200000
Asking Price:	$250,000
Cash Flow:	N/A
Gross Revenue:	$1,200,000
EBITDA:	N/A
FF&E:	N/A
Inventory:	N/A
Lease Rate:	N/A /SF
Established:	2003

Business Description

Absentee run Thai restaurant is for sale in the mission district off Valencia street. Established since 2003 this restaurant hot Cool decor in the dining area with a fully equipped kitchen in the back. Well run staff There is an ADA restroom and plenty of kitchen equipments. Yearly sales at $1,200,000. Lease is $6750. NDA required
Asking $250,000
Please call for a private tour
PM for additional details

Detailed Information

Real Estate:	Leased
Building SF:	2,000

Lease Expiration:	N/A
Employees:	20
Facilities:	ADA restroom
Reason for Selling:	has other interest

(/brokers/Su

Ad#:1447589 Report an issue with this listing

Pho Westwood Area

Los Angeles, CA (Los Angeles County)

Sale Date:	11/16/2017
Sale Price:	$300000
Asking Price:	$450,000
Cash Flow:	$170,000
Gross Revenue:	$900,000
EBITDA:	N/A
FF&E:	N/A
Inventory:	$3,000*
Lease Rate:	N/A /SF
Established:	N/A

*not included in asking price.

Business Description

Monthly gross is $75,000 on average.
- The average net income possible is $14,000 a month
- Cost of goods sold is on average 30%
- Monthly rents $ 8,084 WITH $2,570 CAM
- Restaurant size is approx. 1,770 SF
- It has been remodeled 2015
- 2years remaining on the current lease plus a 5-year option
- 7-day business, hours are from 9 am to 4 Am Monday thru on Sundays
- 14 full-time employees and 0 Part Time

Detailed Information

Inventory:	Not included in asking price
Real Estate:	Leased

Building SF: 1,770

Lease Expiration: N/A

(/brokers/Sur

Competition: Mooney Lee Email: topla7171@gmail.com Phone: 714-823-7171

Ad#:1433898 Report an issue with this listing

Restaurant Valuation

Henry's Taiwan Kitchen

May 4, 2018

Approaches to restaurant valuation

As with any business, you can approach restaurant valuation three ways:

- Asset Replacement Approach-what is the assets worth? I've described below what it costs to build out a restaurant from a grey shell.
- Market Approach-what is this location worth in the open market?
- Income Approach-what are the sales and what are the EBITDA profits?

Given the diversity of businesses in the food industry, there is no single "formula" to measure what a restaurant is worth. To get accurate results, one should consider a number of business valuation methods under these approaches.

Key restaurant value drivers

A number of factors affect what a business is worth. For restaurants, the key value drivers are as follows:

1. Track record of sustainable sales growth. $374,000 to $974,000 since 2013 and it is on track to do 30% more in 2018 with the addition of 3rd party delivery service.

2. Stable earnings. The store has strong, stable earnings since inception in 2013. We generally do not see this level of income growth in the restaurant industry.

3. Condition of furniture, fixtures, equipment, and leasehold improvements. The store is in really bad condition notwithstanding that the cooking is being done with a class II hood system which is illegal to do. The cost for the new hood system is including a new shaft is going to be +/-$50,000 for the shaft and another $20,000 for an 8'-10' class I hood with fire suppression system. The clean-up including finishes/surfaces, lighting, flooring, furniture, etc. appears to be another $30,000ish.

4. Lease terms-while the lease is "high" in terms of price per square foot in the mid $40's it is still a good lease in terms of comparing the rent/CAM to the sales. This ratio comes in at under 7% of sales.

5. How well the restaurant stacks against its competitors. Taiwanese food is extremely popular in the greater Seattle area. Two examples of how well Taiwanese food does are

Din Tai Fung and Facing East. Both do very well averaging over $1200 per square foot in annual sales. Henry's is in the $1000 per square foot range.

6. Location-While generally we don't view the Avenue or anything in the University District as being a great location, Henry's offerings and execution fit perfectly in this market.

From an asset replacement approach: The cost to build out a restaurant of this size (925 square feet) is between $350,000 -$400,000 in today's market. This is from a grey shell and includes the general construction, equipment, furniture, furnishings, point of sale, signage, security and music, sales tax and design fees. In 2018 we completed 1700 square feet that cost $881,000.

In addition there are costs for inventories ($25,000), training ($30,000), marketing, professional fees, deposits, etc. ($40,000). Upon these costs there is a need for operating cash of $30,000 to carry one through the initial months of operations.

A 925 square foot restaurant would cost in the $350,000 range in today's market plus the other costs (call it $95,000) and operating cash which would be $30,000 for a total of $475,000.

From a Market Approach: The business is located in what we would deem a prime site on the Ave. with the adjacent University of Washington student body, administrators at the University and a dense apartment area. All of these markets appreciate and crave this type of food.

From an Income Approach: if you review the 5+ years of the operating statement results one can see the following positives:

- Firstly, the sales have grown from $374,000 to $974,000 from 2013 to 2017 and it appears the sales in 2018 using the 1st quarter only are up some 30% with the added 3rd party delivery business. This really tells the story of going from $400 per square foot in annual sales to $1025 per square foot in annual sales and even more being shown in the first quarter of 2018.
- The cost of goods is very efficient at less than 25% over the duration of the life of the business. This is hard to beat.
- The labor cost is a bit hard to determine because of various owner draws in the years of 2016 and 2017 but looks to be from a store level including taxes in the high 20's to the low 30's which is excellent. We generally see in the mid 30's for most restaurants.
- The operating costs appear to be in line with some adjustments for add backs as shown on the excel spread sheet provided.
- With the add backs the EBITDA is in the $200,000-$280,000 range from 2015-2017.

Using the average of $240,000 as the EBITDA we could make a case for using a multiple of 2 times earnings and even 3 times if we could find a buyer to pay this amount. Harder to find a buyer using this multiple that is a small business person who can expend this type of money on this business.

We have several examples of businesses that have sold in the last several years:

1. In Mt. Baker-1300 square feet, 5 years old, $450,000 in annual sales with an EBITDA of $70,000 sold for $360,000 in 2016.
2. In Madrona-3000 square feet, 5 years old, $1.4M in annual sales with an EBITDA of $90,000 is sold but not closed for $320,000.
3. In West Seattle-2700 square feet, 8 years old, $800,000 in sales and loses $120,000/year has been sold for $190,000.
4. A fast casual operation does $1.6M of less than 2000 square feet and has an EBITDA of $500,000. The asking price is $500,000. There are no buyers. Why? This type of buyer who is looking for a single unit operation is generally unable/unwilling to spend more than $200,000 let alone $500,000.

In summary, I believe this business is worth about $400,000 on a cash flow basis using a multiple of 1.25ish. I use this multiple because it is a single unit operation and generally I see them going for about this multiple. But when one starts looking at the rehab that needs to be done for $100,000 we need to reduce this price. I think also a potential buyer is going to be quite skeptical that they have to spend this type of money to do a takeover that has significant issues. I now lower the price to $250,000. I say this because you can show a prospect the cash flow and then they are going to calculate the rehab cost and then you are going to need to incentivize them.

HENRY'S TAIWAN KITCHEN	2013	%	2014	%	2015	%	2016	%	2017	%
ANNUAL SALES INCREASES			66%		20%		19%		5%	
SALES	$ 394,000.00		$ 654,000.00		$ 783,000.00		$ 928,000.00		$ 974,000.00	
COST OF GOODS-FOOD	$ 120,000.00	30.5%	$ 196,000.00	30.0%	$ 208,000.00	26.6%	$ 229,000.00	24.7%	$ 229,000.00	23.5%
DELIVERY COMMISSION									$ 75,000.00	7.7%
LABOR W/TAXES	$ 105,000.00	26.6%	$ 215,000.00	32.9%	$ 229,000.00	29.2%	$ 286,000.00	30.8%	$ 401,000.00	41.2%
NET	$ 59,000.00	15.0%	$ 80,000.00	12.2%	$ 198,000.00	25.3%	$ 147,000.00	15.8%	$ 8,184.00	0.8%
ADD BACKS										
AMORT/DEP	$ 2,331.00								$ 23,000.00	
AUTO									$ 37,511.00	
INTEREST			$ 1,421.00		$ 2,249.00		$ 2,567.00		$ 2,153.00	
OFFICER SALARY									$ 163,000.00	
OFFICER SALARY TAXES									$ 17,115.00	
WEB WORK							$ 10,631.00			
PROFESSIONAL FEES	$ 10,125.00		$ 29,420.00		$ 10,259.00		$ 19,505.00		$ 27,779.00	
MEALS							$ 742.00			
TRAVEL			$ 4,430.00		$ 2,348.00		$ 2,533.00			
UNCATEGORIZED	$ 14,000.00									
TOTAL	$ 26,456.00		$ 35,271.00		$ 14,856.00		$ 35,978.00		$ 270,558.00	
EBITDA	$ 85,456.00	21.7%	$ 115,271.00	17.6%	$ 212,856.00	27.2%	$ 182,978.00	19.7%	$ 278,742.00	28.6%
SALES	**$ 2,017.00**		**$ 2,018.00**							
JAN	$ 65,000.00		$ 87,000.00							
FEB	$ 55,000.00		$ 81,000.00							
MAR	$ 60,000.00		$ 86,000.00							
	$ 180,000.00		$ 254,000.00	29.1%						

David T. Lyons

From: Gregory Kovsky <gregory@ibainc.com>
Sent: Thursday, May 17, 2018 12:00 PM
To: David T. Lyons
Subject: Re: FW: Henry's Taiwan Kitchen Evaluation

David:

I am happy to respond to Mr. Messmer's comments. Responses are provided in red in context. However, this is exactly why it is my preference to present my business evaluations in person to provide a dynamic environment where questions can be asked and explanations enhanced. I also welcome an opportunity to answer questions on the telephone from you or Mr. Messmer. I spent 75 minutes responding to the questions raised. I hope the detailed answers are of assistance. If additional consulting regarding the estimated value of the business is desired, I will need an additional retainer as outlined in my consulting agreement to cover my ongoing effort related to this project. An additional retainer is not necessary to receive an update on my evaluation incorporating the information conveyed in a filed 2017 corporate tax return. I consider that part of the initial consulting assignment.

I am not the party to value the business if the lease cannot be transferred. My expertise in business valuation relates to a business that can be transferred as a going concern with at minimum a five year horizon and is preferred with a ten year horizon to match the standard term of a SBA backed acquisition loan.

Please contact me if I can be of assistance or provide you with additional information.

Gregory Kovsky
President

IBA
40 Lake Bellevue Drive
Suite 100
Bellevue, WA 98005
(425) 454-3052
www.ibainc.com

On 5/16/2018 1:39 PM, David T. Lyons wrote:

Greg,

Thank you for the opinion of value. Dean Messmer has comments outlined below. Please respond to me regarding the comments. Please provide a supplement to your opinion if the lease is not transferrable with the restaurant.

David T. Lyons,
Attorney / CPA

Lyons | Sullivan

10655 NE 4th, Suite 704
Bellevue, Washington 98004
425-451-2400 Extension 2
www.dljslaw.com

From: Dean Messmer <messmer@lasher.com>
Sent: Monday, May 14, 2018 5:18 PM
To: David T. Lyons <dlyons@DLJSLAW.COM>
Cc: 'Jeff Wells (jeff@wellsandjarvis.com)' <jeff@wellsandjarvis.com>; 'Emily Jarvis' <Emily@wellsandjarvis.com>
Subject: RE: Henry's Taiwan Kitchen Evaluation

David,

Attached is the valuation prepared by Constance Shain. As you will see, she conservatively values the business at $250,000, discounted down from $400,000 on a cash flow basis to account for the cost of a new hood system, and expects that the market would pay at least that much, all cash. I know Constance Shain and respect her knowledge in the food & beverage industry. I believe obtaining a $240, 000 all cash price in the sale of this business is problematic based on the clarity of the 2017 tax return regarding the profitability of the business and that document's impact on the ability to obtain acquisition finanancing from the SBA lending community. The definition of the market value for a business is what a willing buyer & willing seller will agree in an arm's length transaction. There is no way to establish the true market value of this business short of introducing it to the market and establishing a marketplace for the business. All values offered prior to the "market speaking" are opinions based on relevant knowledge & experience.

We note that Gregory Kovsky concludes that the business is currently only worth $147K, despite agreeing that it likely would have sold at a fair market value of $240-300K at the end of 2016. 2017 was a challenging year in terms of disputes between the owners of the business. Yet despite those distractions, gross sales increased to $974K in 2017 vs. $928K in 2016. Profitability, not gross revenues determine the value of a business. At its core, a business acquisition is an investment decision motivated by a desire for a return on investment commensurate with the associated risk. The business model of Henry's Taiwan Kitchen was not as profitable in 2017 as previous years. Explanations can be provided, as to why that occurred, but the financial record documents that fact. The business model also evolved incorporating Uber Eats into the operations. Was that a prudent business decision? Analysis would need to be completed related to the profit associated with that component of the business versus revenue & profit generated from the operation of a traditional restaurant business model. It has been my experience that restaurants with loyal customer bases that do not deliver are more profitable than ones that incorporate delivery into the businses model.

Kovsky does not indicate that normal operating expenses increased significantly 2017 as a percentage of gross sales, nor is there any particular reason why they would have done so. Rather, the 2017 financial results he used have been distorted by the large increases in compensation to Henry and his wife, very high legal and accounting fees, $66K in "miscellaneous" expense which was later re-categorized by Ivy but left "as is" in Kovsky's analysis, etc. Those unusual "expenses" would be adjusted out by a prospective purchaser in determining what he could earn from the business. I would welcome the opportunity, as indicated in my cover letter to update my analysis to incorporate the information conveyed on a filed 2017 corporate tax return. In business valuation a filed tax return has significantly more value as a tool than an internally generated document because the document has information accountable to an outside party, in this case the Internal Revenue Service. The preliminary tax return provided for 2017 for my analysis showed a net income loss of $32,828. The adjustments I made to that amount are footnoted on the adjusted cash flow statement provided with my analysis. My adjustments resulted in a net positive change in cash flow of $140,695 for the business. A comparison of my analysis to Ms. Shain's related to cash flow found that Ms. Shain rounded up the amortization/depreciation, interest, and professional fees expense from what was provided on the tax return and/or provided in response to my information requests. All of Ms. Shain's rounding adjustments resulted in increased cash flow to ownership. I would also appreciate her insight into the labor support needed by ownership to run the business. My cash flow analysis used $300,000 as a working figure for support labor for ownership. Simple math results in the following daily/hourly amount of support labor if $300,000 is the expense level for that expense category. $300,000 divided by 360 days = $833.33 available for labor each day. $833.33 divided by 14 hours a day (9:00 A.M. - 11:00 P.M.) = $59.52 available for labor per hour at the business before the corporate payroll tax burden. The hours of operation include prep time and clean up. The $59.52 in hourly expense would cover reception, wait staff, kitchen staff, delivery, and support staff (e.g., dishwasher, bookkeeper, etc.). Obviously, the expenditure of labor expense would be higher during prime time (e.g., dinner dining hours) than at other times in the day. Ownership making a labor contribution to the operation of the business should receive fair market value for their labor contribution. One way businesses can make themselves look artifically profitable is for ownership to contribute more than a normal labor contribution to the business. I have seen similar restaurant models where to maximize their income from the business a husband & wife team contribute 3 - 4 FTE's to the labor force by filling a variety of roles at the business and working long hours. As comparison, 2016 salaries & wages expense paid by the company was $286,292 or $56.80 per hour using the same calculation. The difference in figures was less than $3 per hour. Labor supply and new minimum wage laws have increased labor expense costs in the Seattle metropolitan area in recent years. Compensation above the fair market value of their labor contribution is a return on investment for owning the business and relevant to business valuation. It is impossible with 100% accuracy to assume which expenses would be adjusted out by a prospective buyer, their CPA, and a potential lender. Accounting professionals & banks view addbacks with a conservative eye. They are comfortable using Ordinary Business Income and Compensation of Officers for compensation to ownership. Other expense addbacks are more subjective. For example, Ms. Shain added back $742 in meals in her analysis. If 100% of this expense was for the benefit of ownership this is reasonable. However, what if the expense was for a company holiday party? I did not specifically assess that expense category because of the small amount. I assume Ms. Shain completed analysis of the source of the expense before adding back the value.

At page 4 of his report, Mr. Kovsky correctly shows monthly gross sales for 2015 and 2016, but substantially understates them for 2017 at $780K (vs. $978K in actual gross sales). He also substantially understates the monthly gross sales generated by the debtor so far in 2018, compared to what the debtor has actually reported to the court. The impact of these errors upon his analysis is unclear. The figures used for my analysis of monthly revenue trends were sourced from the Combined Excise Tax Returns filed with the Washington Department of Revenue. The figures should reconcile with the figures reported to the IRS on a federal tax return. 2015 & 2016 revenue figures reported to the Washington Department of Revenue reconcile closely with the figures reported to the IRS. That is not the case in 2017.

Mr. Kovsky concludes that the company's adjusted "excess earnings" decreased from $120K in 2016, to only $25K in 2017. (Ms. Shain's report shows that EBITDA, after proper adjustments, increased from $183K in 2016 to $379K in 2017.) With proper adjustments and sales data, we believe Mr. Kovsky should be showing an increase in "excess earnings" in 2017 vs. 2016. See above.

His error as to 2017 excess earnings is substantially compounded by applying a multiple of only 1.71 to those excess earnings in 2017, vs. a multiple of 2.13 in 2015 and 2016, and then by weighting the understated 2017 results by substantially more than the 2015 and 2016 results combined. If Mr. Kovsky had simply assumed the same adjusted "excess earnings" in 2017 as 2016, and applied the same multiple to all years, his valuation would be in the $300K range. That would be consistent with his West LA Chinese Restaurant sales comp, which sold for $320,000 on $960,000 in gross sales, and would be much more consistent with Ms. Shain's valuation. Again, those valuations would be based upon all cash buyers, not seller-financed deals amortized over 5 years as Henry still apparently hopes to achieve. The business was not as strong in 2017 as in 2016 from a profit perspective based on the information reviewed. This impacted the multiples applied in the Assets Plus Excess Earnings Valuation Model (APEEV). The cash flow of the West LA Chinese Restaurant was $180,000 per year to an absentee owner. What would the cash flow of Henery's Taiwan Kitchen be if it was run absentee and replacement labor was needed for ownership's labor contribution? This information would be needed to make an true comparison that that market comparable sale.

It might be helpful for the two business valuation consultants to talk directly with each other, especially regarding Mr. Kovsky's 2017 determination of "excess earnings." However, if we cannot reach agreement soon on the fair value of the business, the true test remains putting the business on the market and seeing what buyers will actually offer. Agree 100%. I endorse Ms. Shain taking on that project as a professional representative, if she believes she can achieve the values she conveys in the marketplace.

We again recommend listing the business with Ms. Shain at $250-300K and let the market decide. Let me know your thoughts after considering the above and attached.

Dean

From: David T. Lyons <dlyons@DLJSLAW.COM>
Sent: Friday, May 11, 2018 9:21 AM
To: Dean Messmer <messmer@lasher.com>; 'Jeff Wells (jeff@wellsandjarvis.com)' <jeff@wellsandjarvis.com>; 'Emily Jarvis' <Emily@wellsandjarvis.com>
Cc: Henry Kuo-Chiang Ku (henryku98008@yahoo.com) <henryku98008@yahoo.com>; hong zhang

<hong717002@yahoo.com>
Subject: FW: Henry's Taiwan Kitchen Evaluation

All,

The weighted average of the business is $150,072. Chef Ku is ready to proceed with the purchase.

David T. Lyons,
Attorney / CPA

LYONS | SULLIVAN
10655 NE 4TH, SUITE 704
BELLEVUE, WASHINGTON 98004
425-451-2400 EXTENSION 2 WWW.DLJSLAW.COM

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THE HONORABLE TIMOTHY W. DORE
Hearing Date: August 3, 2018
Hearing Time: 9:30 am
Hearing Location: Seattle
Response Date: July 27, 2018
Chapter 11

THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re SUNSHINE SEATTLE ENTERPRISES, LLC, Debtor-in-Possession.	Case No. 17−14983 NOTICE OF HEARING ON AMENDED MOTION TO APPROVE SALE OF BUSINESS

Please take notice that the hearing on the Debtor's amended **Motion to Approve Sale of Business** ("the Motion") is set as follows:

JUDGE: Timothy W. Dore — TIME: 9:30 a.m.

PLACE: U.S. Bankruptcy Court
700 Stewart St., Rm 8106
Seattle, WA 98101

DATE: August 3, 2018

IF YOU OPPOSE the Motion, you must file your written response with the court clerk NOT LATER THAN the RESPONSE DATE, which is July 27, 2018.

Copies of the exhibits to the declarations that accompany the Motion may be requested from Debtor's counsel at the address below, or may be viewed in the clerk's office, room 6301 of the U.S. Bankruptcy Court, or via the ECF.

IF NO RESPONSE IS TIMELY FILED AND SERVED, the Court may, in its discretion, GRANT THE MOTION PRIOR TO THE HEARING, WITHOUT FURTHER NOTICE, and strike the hearing.

Dated this 5th day of July, 2018.

/s/ Emily Jarvis
By: Emily Jarvis, WSBA #41841
Wells and Jarvis, P.S.
Attorneys for Debtor

WELLS AND JARVIS, P.S.
502 Logan Building
500 Union Street
Seattle, WA 98101-2332
206-624-0088 Fax 206-624-0086

THE HONORABLE TIMOTHY W. DORE
Chapter: 11
Hearing Location: Seattle
Hearing Date: ___________
Hearing Time: ___________
Reply Date: ______________

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In Re: Sunshine Seattle Enterprises, LLC, Debtor.	Cause No.: 17-14983 DECLARATION OF HENRY KUO-CHIANG KU

The undersigned declares under penalty of perjury under the laws of the State of Washington as follows:

1. My name is Henry Kuo-Chiang Ku. I am over eighteen, know of the matters set forth herein, and I am otherwise competent to testify in the above-captioned matter.

2. At the hearing on March 23, 2018 regarding the Debtor's motion to sell substantially all of its assets to Chef Ku, the Court required more information on the value of the Debtor.

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BELLEVUE, WASHINGTON 98004
PH (425) 451-2400

3. After the hearing, my attorney, David T. Lyons, contacted Gregory Kovsky ("Kovsky"), the President of International Business Associates, Inc. to provide an opinion letter related to the value of the Debtor's restaurant, Henry's Taiwan Kitchen.

4. On March 30, 20187, Debtor's Application to Employ Business Evaluator *Nunc Pro Tunc* (Docket No. 99) was filed requesting Kovsky be hired to value the Debtor's restaurant, Henry's Taiwan Kitchen.

5. Due to objections filed by Dean A. Messmer on behalf of Zaozao "Jonathan" Zhang (Docket No. 114) on April 13, 2018, the hearing on the proposed order was withdrawn.

6. On April 24, 2018, I personally entered into a Consulting Agreement and paid the required fee to International Business Associates, Inc. for Kovsky be hired to value the Debtor's restaurant, Henry's Taiwan Kitchen.

7. I have never employed nor worked with Kovsky or International Business Associates, Inc.

8. I reviewed Kovsky's valuation that places the value of the Debtor's restaurant between \$85,000 - \$115,000. However, the Debtor's restaurant is more valuable to me and my wife, Hong "Lucy" Zhang, because it provides us with full-time employment. Therefore, I am willing to pay a premium and subordinate my payment as a creditor, to my partner, Zaozao "Jonathan" Zhang.

9. I am willing to purchase the Debtor's restaurant for One Hundred Fifty-Four Thousand Dollars (\$154,000) upon the terms and conditions on the attached purchase and sale agreement (Exhibit A), bill of sale (Exhibit B) and promissory note (Exhibit C).

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BELLEVUE, WASHINGTON 98004
PH (425) 451-2400

I certify under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

Signed in Bellevue, Washington this 28 day of June 2018.

Henry Kuo-Chiang Ku

LYONS | SULLIVAN
10655 NE 4TH STREET, SUITE 704
BELLEVUE, WASHINGTON 98004
PH (425) 451-2400

EXHIBIT A
PURCHASE AGREEMENT

This Agreement, including all schedules and exhibits attached hereto (“Agreement”) is made the date stated below by SUNSHINE SEATTLE ENTERPRISES LLC, a Washington limited liability company and HENRY’S TAIWAN RESTAURANT GROUP, LLC, a Washington limited liability company (collectively "Seller"), and CHEF KU, LLC, a Washington limited liability company ("Buyer") (individually referred to as Party and collectively referred to as “Parties”).

RECITALS

A. Seller owns and operates the restaurant, Henry’s Taiwan Kitchen (“Business”).

B. Seller wishes to sell, and Buyer wishes to purchase from Seller all the assets of Seller including claims against third parties whether known or unknown, suspected or unsuspected, foreseen, or unforeseen, real or imaginary, actual or potential, and whether arising at law or in equity, under the common law, state or federal law, or any other law.

AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, agreements, warranties, including claims against third parties herein contained, the Parties agree as follows:

1. PURCHASE AND SALE

Seller hereby agrees to sell to Buyer and Buyer hereby agrees to purchase from Seller all of Seller’s assets including claims against third parties, hereinafter referred to collectively as “Acquired Assets” including but not limited to:

1.1. Equipment. All machinery, including all transferable warranty rights from suppliers. The Buyer and Seller agree the value of all of the equipment is Five Thousand Dollars ($5,000).

1.2. Covenant not to Compete. All covenants not to compete contained in the Amended and Restated Limited Liability Company Agreement for Henry’s Taiwan Restaurant Group, LLC dated January 1, 2016.

1.3. IRC 197 Intangibles. IRC 197 Intangibles, including but not limited to workforce in place, including its composition and terms and conditions (contractual or otherwise) of its employment; operating systems, or any other information base (including lists or other information with respect to current or prospective customers); and any patent, website, menu, recipes, copyright, formula, process, design, pattern, knowhow, format, trademark or other similar item owned by Seller.

1.4. Deposits. All deposits to third parties, including the lease deposit with Seller's landlord.

1.5. Inventory, Chattel Paper, Accounts, and General Intangibles. All Inventory, Chattel Paper, Accounts, and General Intangibles; whether any of the foregoing is owned now or acquired later; all accessions, additions, replacements, and substitutions relating to any of the foregoing; all records of any kind relating to any of the foregoing; all proceeds relating to any of the foregoing (including insurance, general intangibles and other accounts proceeds).

2. NO ASSUMPTION OF LIABILITIES

Buyer shall not assume and shall not in any manner become responsible or liable for, any debts, obligations or liabilities of Seller.

3. PURCHASE PRICE AND PAYMENT

The purchase price to be paid for the Acquired Assets is the greater of One Hundred Fifty-Four Thousand Dollars ($154,000) ("Purchase Price"), payable as follows:

a. Ten Thousand Dollars ($10,000) paid at Closing by cashier's check.

b. Sixty-Five Thousand Dollars ($65,000) paid within forty-five (45) days after Closing.

c. Seventy-Nine Thousand Dollars ($79,000) ("Principal") by way of a promissory note ("Note") in the form as is attached hereto as Exhibit C, bearing interest at five percent (5%) per annum accruing from the Closing Date. The promissory note shall be payable in thirty-six (36) equal monthly payments with the first payment due sixty (60) days after Closing.

4. REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer as follows:

4.1. Organization and Authority. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington. Seller has the power to, and has taken all corporate action necessary to, sell the Acquired Assets. This Agreement constitutes Seller's legal, valid and binding obligation, enforceable against Seller in accordance with its terms.

4.2. Title to Acquired Assets. Seller has and will transfer to Buyer at Closing one hundred percent (100%) of its title and interest to the Acquired Assets.

4.3. Consents. This sale is subject to approval of the Western District of Washington Bankruptcy Cause No. 17-14983.

4.4. Permits and Licenses. Seller has the licenses and permits for carrying on business as it does at the Business Premises. These licenses are not transferrable to Buyer.

4.5. IRC 197 Intangibles. Seller is transferring the IRC 197 Intangibles to the Buyer and will assist the Buyer in such transfer.

4.6. Employment. Seller has no written employment or express oral contracts with any of its employees, except any oral contracts of employment terminable by Seller at will. Seller will terminate employment of its employees on the date of Closing. Buyer's employment of Seller's employees is addressed in §7.6, below.

4.7. Brokers. Neither Seller nor Buyer has employed any broker, finder or similar agent or firm who would have a claim for payment of any fee, commission, or similar payment.

4.8. AS IS/Without Warranty. Seller and Buyer acknowledge the Acquired Assets are sold AS IS and without any warranty.

5. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as follows:

5.1. Organization and Authority. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington. Buyer has the power to enter into and perform its obligations pursuant to this Agreement and Buyer's execution, delivery and performance of this Agreement and the purchase by Buyer of the Acquired Assets hereunder have been duly authorized by all requisite governing action on the part of Buyer. This Agreement constitutes Buyer's legal, valid and binding obligation, enforceable against Buyer in accordance with its terms.

5.2. Financial Ability. Buyer represents and warrants that it has the financial ability to enter into this Agreement and close this transaction in accordance with the terms and on the conditions set forth herein.

5.3. Knowledge and Experience in Financial and Business Matters. Buyer acknowledges that it has had, during the course of the transaction and prior to the sale of the Acquired Assets, access to sufficient information regarding the Acquired Assets, and the opportunity to ask questions of Seller and its principals concerning the condition of the Acquired Assets and to test the equipment.

5.4. Due Diligence Investigation. Buyer represents and warrants, that it has conducted and completed its due diligence activities, inspections, and studies regarding the Acquired Assets as it deems necessary or appropriate, and has examined and investigated to its full satisfaction all facts, circumstances, and matters relating to the transactions contemplated in this Agreement, the physical condition and use, and any other matters it deems necessary or appropriate for purposes of consummating this transaction. Buyer acknowledges that it has received, reviewed, considered, and analyzed all information and documents requested of Seller.

5.5. AS IS/Without Warranty. Seller and Buyer acknowledge the Acquired Assets are sold AS IS without warranty.

6. ADDITIONAL COVENANTS

6.1. Supplemental Disclosures. If after the date of this Agreement there is any occurrence which would render any representation or warranty under Article 4 or Article 5 inaccurate if made at that time, the party whose representation and warranty is affected shall promptly disclose such occurrence to the other party in writing. Such supplemental disclosure does not cure any breach of a representation or warranty which occurs upon execution of this Agreement.

6.2. Reasonable Efforts. Both before and after the Closing, subject to the terms and conditions herein provided, Seller and Buyer agree to fully cooperate in taking, or causing to be taken, all actions and doing or causing to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transaction contemplated by this Agreement.

6.3. Employment of Seller's Personnel Following Closing. Buyer intends to employ all of Seller's employees post-closing. However, Buyer reserves the right to decline to make an offer of employment to any such employee, in Buyer's sole discretion. Employees hired by Buyer will be eligible to participate in Buyer's program of employee benefits with no carry-over of Seller's benefit program; except, for purposes of Buyer's benefit program, credit will be given for time of employment dating to such employees' original hire date by Seller.

7. CLOSING

7.1. Time and Place of Closing. The Closing ("Closing") of the transaction contemplated by this Agreement will be held at such place as the Parties agree and will occur within three (3) business days of approval of this Agreement by the Bankruptcy Court.

7.2. Deliveries at Closing. At the Closing, all of the following shall occur, all of which shall be deemed concurrent conditions:

7.2.1. Deliveries by Seller. Seller shall deliver to Buyer the following:

a. A fully executed Bill of Sale, substantially in the form attached hereto as Exhibit B conveying to Buyer title to the Acquired Assets;

b. Such other certificates, assurances, consents and/or acknowledgments of third parties and documents as may reasonably be required by Buyer in connection with the consummation of the transaction contemplated hereby, all in form reasonably satisfactory to Buyer's counsel.

7.2.2. Deliveries by Buyer. Buyer shall deliver to Seller the following:

a. immediately available funds in the form of a certified check in the amount of Ten Thousand Dollars ($10,000);

b. promissory note, attached as Exhibit C; and

c. Such other certificates, assurances, consents and/or acknowledgments of third parties and documents as may reasonably be required by Seller in connection with the consummation of the transaction contemplated hereby all in form reasonably satisfactory to Seller's counsel.

7.3. Closing Costs. The closing costs shall be allocated as follows:

a. Buyer will report and promptly pay sales and/or use tax on the transaction;

b. Any escrow fee and any other applicable transfer or conveyance fee that may be applicable in any jurisdictions shall be shared equally by the Parties;

c. Each party shall pay its own attorneys, accountants and other professional advisors.

7.4. Personal Property Taxes. Personal property taxes payable in each applicable jurisdiction will be prorated between the Parties outside of escrow as soon as possible after Closing.

7.5. Possession. Seller shall deliver possession of the Acquired Assets to Buyer on the Closing Date.

8. CONDITIONS TO BUYER'S OBLIGATION TO CLOSE

Buyer's obligation to consummate the transaction contemplated hereunder is contingent upon the satisfaction on or prior to the Closing Date of each of the following conditions, any of which may be waived by Buyer, in whole or in part, in its sole and absolute discretion, at any time or from time to time prior to the Closing:

8.1. Representations, Warranties and Covenants of Seller. The representations and warranties of Seller in this Agreement shall be accurate and complete in all respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date without regard to any supplemental disclosures by Seller and as if not limited by Seller's knowledge, and the covenants and agreements of Seller to be performed on or before the Closing Date in accordance with this Agreement shall have been duly performed in all respects.

8.2. Closing Items. Seller shall have delivered the items set forth in Section 7.2.1.

8.3. Proceeding. This sale is subject to approval of the Western District of Washington Bankruptcy Cause No. 17-14983.

9. CONDITIONS TO SELLER'S OBLIGATION TO CLOSE

Seller's obligation to consummate the transaction contemplated hereunder is contingent upon the satisfaction on or prior to the Closing Date of each of the following conditions, any of which may be waived by Seller, in whole or in part, in its sole and absolute discretion, at any time or from time to time prior to the Closing:

9.1. Representations, Warranties and Covenants of Buyer. The representations and warranties of Buyer in this Agreement shall be accurate and complete in all respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date, and the covenants and agreements of Buyer to be performed on or before the Closing Date in accordance with this Agreement shall have been duly performed in all respects.

9.2. Closing Items. Buyer shall have delivered the items set forth in Section 7.2.2.

9.3. Proceeding. This sale is subject to approval of the Western District of Washington Bankruptcy Cause No. 17-14983.

10. TERMINATION AND DEFAULT

This Agreement may be terminated at any time prior to the Closing by either Party.

11. MISCELLANEOUS

11.1. Notices. All notices hereunder shall be sufficiently given for all purposes herein if in writing and (i) if delivered by messenger, when delivered; (ii) if mailed in the United States certified mail, return receipt requested, on the second (2^{nd}) business day after mailing; (iii) if telecopied by facsimile transmission, when dispatched, provided that such transmission is confirmed by machine generated confirmation on the date of such transmission; and (iv) if delivered by Federal Express Corporation or other reputable overnight carrier, the next day after being deposited into the custody of such carrier. Notice shall be given to each party at its address stated at its signature line below.

11.2. Time. Time is of the essence of this Agreement.

11.3. Amendments. This Agreement may not be amended, supplemented or modified except by document in writing signed and delivered by each of the Parties hereto.

11.4. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, successors and assigns. Neither party may assign its rights or delegate its obligations under this Agreement, in whole or in part, without the prior written consent of the other party.

11.5. Waiver. No failure or delay on the part of either party hereto in the exercise of any power or right shall operate as a waiver of such power or right, nor shall any single or partial exercise of any power or right preclude other or further exercise thereof or the exercise of any other power or right. No waiver by a party hereto of any condition or of any breach of any term contained in this Agreement shall be effective unless in writing, and no waiver in any one or more instances shall be deemed to be a further or continuing waiver of any such condition or breach in other instances or a waiver of any other condition or breach of any other provision.

11.6. Severability of Provisions. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, it shall be ineffective to the extent of such invalidity, illegality or unenforceability, and the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

11.7. Headings; Definitions. The paragraph, section and article headings contained in this Agreement are inserted for convenience of reference only and shall not be used in construing this Agreement. All references to “Paragraphs”, "Sections", "Articles", “Schedules” or "Exhibits" contained herein mean Paragraphs, Sections or Articles of this Agreement and Schedules and Exhibits attached to this Agreement, are hereby incorporated herein by reference, unless otherwise stated. All capitalized terms defined herein are equally applicable to both the singular and plural forms of such terms.

11.8. Construction. This Agreement shall be construed without regard to the identity of the party who drafted the provisions of the same. Each provision of this Agreement shall be construed as if all of the Parties participated equally in the drafting of the same. Consequently, the Parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable to this Agreement.

11.9. Independent Counsel. Each of the undersigned Parties acknowledges and agrees that it has carefully read and reviewed all of the provisions of this Agreement, voluntarily agrees to enter into this Agreement, and been advised by independent legal counsel to fully explain the Agreement’s contents and legal effects in advance of its execution of the Agreement.

11.10. Governing Law, Jurisdiction and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. The Parties further acknowledge and agree that in the event of a dispute arising out of or relating to this Agreement appropriate jurisdiction and venue shall be in the Superior Court for King County, State of Washington.

11.11. Confidentiality. In connection with the negotiation of this Agreement and the preparation and the consummation of the transaction contemplated hereby, each of the Parties acknowledges that it has had access to confidential information relating to the other party. Each party shall treat such information as confidential, preserve the confidentiality thereof and not duplicate or use such information, except to professional advisors in connection with the transaction contemplated hereby, and except as otherwise required to comply with any law or any provision of this Agreement.

11.12. Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same Agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other party. Signature obtained by fax transmittal and/or scan and email is intended to be valid and binding.

11.13. Entire Agreement. This document, including the Schedules and Exhibits attached, constitutes the entire agreement of the Parties with respect to the subject matter hereof, and supercedes all prior or contemporaneous oral or written negotiations, agreements, representations, warranties, arrangements or understandings relating to the subject matter hereof.

Dated this __ day of June 2018.

SELLER:	**BUYER:**
SUNSHINE SEATTLE ENTERPRISES LLC	**CHEF KU, LLC**
By:________________________________ Henry Kuo-Chiang Ku, its Manager as Debtor-in-Possession	By:________________________________ Henry Kuo-Chiang Ku, its Manager
HENRY'S TAIWAN RESTAURANT GROUP, LLC	**HENRY'S TAIWAN RESTAURANT GROUP, LLC**
By: 15W Kitchen LLC	**By: JZX118 LLC**
By:________________________________ Henry Kuo-Chiang Ku, its Member	By:________________________________ Zaozao "Jonathan" Zhang, its Manager

EXHIBIT B
BILL OF SALE AND ASSIGNMENT OF CLAIMS

THIS BILL OF SALE AND ASSIGNMENT OF CLAIMS (this "***Agreement***") is by made as of the _____ day of June 2018, by and between SUNSHINE SEATTLE ENTERPRISES LLC, a Washington limited liability company ("SSE"), HENRY'S TAIWAN RESTAURANT GROUP, LLC a Washington limited liability company ("HTR") and CHEF KU, LLC, a Washington limited liability company ("Chef Ku").

RECITALS

Pursuant to the Purchase and Sale Agreement dated the ___ day of June 2018 ("***Purchase Agreement***"), to which Chef Ku, HTR and SSE are parties, SSE and HTR are to transfer and assign to Chef Ku all of SSE's and HTR's right, title and interest in and to all assets, used in the operation of SSE's and HTR's business ("***Assets***").

THEREFORE, pursuant to the Purchase Agreement, and for the consideration as set forth in the Purchase Agreement, SSE and HTR do hereby sell, assign, transfer and deliver to Chef Ku, its successors and assigns, and Chef Ku hereby accepts from SSE and HTR all of SSE's and HTR's right, title and interest in and to all of the Assets.

SSE and HTR further covenant and agree as follows:

1. Capitalized Terms. Capitalized terms used but not defined in this Bill of Sale shall have the meanings for such terms that are set forth in the Purchase Agreement.

2. Further Actions. SSE and HTR covenant and agree to take all steps reasonably necessary to establish the record of Chef Ku's title to the Assets and, at the request of Chef Ku, to execute and deliver further instruments of transfer and assignment and take such other action as Chef Ku may reasonably request to more effectively transfer and assign to and vest in Chef Ku each of the Assets, all at the sole cost and expense of SSE.

3. Power of Attorney. Without limiting Section 2 of this Agreement, SSE and HTR hereby constitute and appoint Chef Ku the true and lawful agent and attorney in fact of SSE and HTR, with full power of substitution and re-substitution, in whole or in part, in the name and stead of SSE and HTR but on behalf and for the benefit of Chef Ku and its successors and assigns, from time to time:

a. to demand, receive and collect any and all of the Assets and to give receipts and releases for and with respect to the same, or any part of such Assets;

b. to institute and prosecute, in the name of SSE and HTR, or otherwise, any and all proceedings at law, in equity or otherwise, that Chef Ku or its successors and assigns may deem proper in order to collect or reduce to possession any of the Assets and in order to collect or enforce any claim or right of any kind hereby assigned or transferred, or intended so to be; and

c. to do all things legally permissible, required or reasonably deemed by Chef Ku to be required to recover and collect the Assets and to use SSE's and HTR's name in such manner as Chef Ku may reasonably deem necessary for the collection and recovery of same.

SSE and HTR hereby declare that the foregoing powers are coupled with an interest and are and shall be irrevocable by SSE and HTR.

4. Terms of the Purchase Agreement. The terms of the Purchase Agreement are incorporated in this Agreement by this reference. SSE, HTR and Chef Ku acknowledge and agree that the representations, warranties, covenants, agreements and indemnities contained in the Purchase Agreement shall not be superseded by this Agreement but shall remain in full force and effect to the full extent provided in the Purchase Agreement. In the event of any conflict or inconsistency between the terms of the Purchase Agreement and the terms of this Agreement, the terms of the Purchase Agreement shall govern.

SUNSHINE SEATTLE ENTERPRISES LLC

By:______________________________
Henry Kuo-Chiang Ku, its Manager as Debtor-in-Possession

CHEF KU, LLC

By:______________________________
Henry Kuo-Chiang Ku, its Manager

HENRY'S TAIWAN RESTAURANT GROUP, LLC

By: 15W Kitchen LLC

By:______________________________
Henry Kuo-Chiang Ku, its Member

HENRY'S TAIWAN RESTAURANT GROUP, LLC

By: JZX118 LLC

By:______________________________
Zaozao "Jonathan" Zhang, its Manager

EXHIBIT C
SUNSHINE SEATTLE ENTERPRISES LLC
PROMISSORY NOTE

Date: April 1, 2018

2. Promise to Pay. FOR VALUE RECEIVED the undersigned borrower, CHEF KU, LLC, a Washington limited liability company, ("Chef Ku") promises to pay to the order of SUNSHINE SEATTLE ENTERPRISES LLC, a Washington corporation ("SSE"), the principal sum of Seventy-Nine Thousand Dollars ($79,000) as stated below.

3. Interest Rate. Interest shall accrue on this Note beginning on the Closing Date, at five percent (5%) simple interest.

4. Payment Schedule. On the Closing Date, the principal amount of this Note and all accrued interest shall be amortized over sixty (60) months. Such amortized amount shall be payable in monthly payments due on the first (1^{st}) of each month, in equal amounts and ending when the Note is paid in full. The first payment is due sixty (60) days after the Closing Date.

5. Prepayment. Chef Ku may prepay the outstanding indebtedness in whole or in part without penalty or premium.

6. Collateral. This Note shall be secured by a UCC-1 covering all accounts, instruments, monies, documents, chattel paper, general intangibles, contract rights, investment property (including any securities entitlements and/or securities accounts), certificates of deposit, deposit accounts, all equipment and trade fixtures.

7. Acceleration. SSE has in its sole discretion the right to accelerate the entire outstanding indebtedness any if default occurs without a cure in the period permitted for such cure. Any acceleration shall be in effect after 30 days of written notice to accelerate without cure by Chef Ku.

8. Application of Payments. Each installment shall be first applied to the payment of any costs and expenses for which Chef Ku is liable, next to the payment of accrued interest and lastly to the reduction of principal. If default occurs without a cure in the period permitted for cure, interest at the Default Rate, as defined, shall be due so long as any default exists.

9. Late Charges; Default Rate. If any installment is not paid when due and remains unpaid ten (10) business days after it is to be paid ("Grace Period"), Chef Ku shall pay to SSE a late charge equal to One Hundred Dollars ($100). Said charge shall be assessed for each such installment in default, shall be due with such payment without demand. Said charge shall not be assessed more than once against any one particular delinquent installment or against any accelerated payment. The imposition or collection of said charge from time to time shall not be in lieu of any other remedy of SSE, and failing to collect the same shall not constitute a waiver of SSE's right to require such payment for past or future defaults. If and so long as a default exists under this Note, interest shall accrue on the indebtedness from the date of default at the rate (the "Default Rate") equal to the current interest rate on this Note plus three percent (3%) per annum.

10. Costs of Collection. Chef Ku promises to pay all costs, expenses and attorneys' fees incurred by SSE in exercising any remedy (with or without litigation), in any proceeding for the collection of the debt, or in any litigation or controversy arising from or connected with this Note. Said proceedings shall include, without limitation, any bankruptcy, receivership, injunction, arbitration, mediation, or other proceeding, or any appeal from or petition for review of any of the foregoing, in which the holder appears to enforce this Note, or collect this debt. Chef Ku shall also pay all of SSE's costs and attorneys' fees incurred with any demand, workout, settlement, compromise or another activity in which SSE engages to collect any portion of this debt not paid when due or because of any other default of Chef Ku. If a judgment is obtained which includes an award of attorney fees, such attorneys' fees, costs and expenses shall be in such amount as the court shall deem reasonable, and such judgment, including such costs and attorney's fees shall bear interest at the Default Rate from the date it is rendered to and including the date of payment to SSE.

11. Defaults. Chef Ku agrees that the following shall constitute Defaults:

(a) failure to make any installment when due, after the Grace Period, or

(b) if Chef Ku shall fail to perform any covenant or observe any condition in this Note; or

(c) if a petition shall be filed by or against Chef Ku under the Federal Bankruptcy Act, or Acts amendatory or supplemental thereto, or under any statute either of the United States or any state in connection with insolvency or reorganization or the appointment of a receiver or trustee of all or a portion of Chef Ku's property; or

(d) if any assignment by Chef Ku, for the benefit of creditors shall be made.

Then, in any such events, and subject to any right expressly granted in writing to Chef Ku to cure any default to the extent applicable, including rights granted in Paragraph 11, the entire principal sum, with accrued interest thereon due under this Note, shall, at the option of SSE, become immediately due, and SSE shall be entitled to enforce the collection of this Note and any remedy in any security for this Note.

12. Chef Ku's Right to Cure. If any default of Chef Ku occurs, except as otherwise stated below, SSE shall not accelerate this debt, make any payments for which Chef Ku is primarily liable or foreclose upon or attach any assets of Chef Ku unless it first personally delivers to Chef Ku or mails to Chef Ku by first class, certified or registered prepaid mail, at Chef Ku's address, written notice of such default and such default is not fully cured with the following periods:

(a) Twenty (20) business days after such notice is so delivered or deposited in the U.S. mail in the event of any failure to make a monetary payment to any person;

(b) Twenty (20) business days after such notice is so delivered or deposited in the U.S. mail in the event of nonmonetary defaults not subject to other provisions of this paragraph, provided (i) within twenty (20) business days after the delivery or mailing of the notice of default

Chef Ku commences to cure and submits to SSE in writing his plan to cure, and (ii) said cure is continuously pursued by Chef Ku with due diligence. If said default is not reasonably capable of being cured within twenty (20) business days, Chef Ku shall have such additional time as is reasonably necessary to complete the cure, but in no event for more than twenty (20) business days after the delivery or mailing of the notice of default;

(c) Twenty (20) business days after filing of any involuntary petition in bankruptcy against or for the appointment of a receiver for Chef Ku (except for such petitions filed by SSE), with the dismissal of such petitions by the court with such period being deemed to cure such default.

13. Usury. It is the specific intent of Chef Ku and SSE that this Note bears a lawful rate of interest, and if any court of competent jurisdiction should determine that the rate provided for exceeds that which is statutorily allowed for the transaction evidenced, the interest rate shall be reduced to the highest rate allowed by applicable law, with any excess interest collected being applied against principal or, if such principal has been fully repaid, returned to Chef Ku on demand.

14. Waivers. Except regarding Chef Ku's right to cure defaults as provided in this Note, Chef Ku waives presentment, demand of payment, notice of dishonor, protest, and any and all other notices and demands. No covenant, condition, right or remedy in this Note may be waived or modified orally, by conduct or previous acceptance or otherwise unless such waiver or modification is agreed to in writing executed by SSE.

15. Construction. This Note shall be governed by and construed in accordance with the laws of the State of Washington, and all sums referred to shall be calculated by reference to and payable in the lawful currency of the United States. This Note and all security documents executed with this Note have been reviewed and negotiated by Chef Ku and SSE at arms' length with the benefit of or opportunity to seek assistance of legal counsel, approved by the court, and shall not be construed against either party. The titles and captions in this Note are inserted for convenience only and in no way define, limit, extend, or modify the scope or intent of this Note. Any reference to SSE in this Note shall include any successor to or assignee of this Note.

16. Partial Invalidity. If any section or provision of this Note is declared invalid or unenforceable by any court of competent jurisdiction, said determination shall not affect the validity or enforceability of the remaining terms. No such determination in one jurisdiction shall affect any provision of this Note to the extent it is otherwise enforceable under the laws of any other applicable jurisdiction.

17. Notices. All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is given, or within seventy-two (72) hours after mailing if mailed to the party to whom notice is given, by first-class mail, registered or certified, postage prepaid, and properly addressed to the party. Notice may be transmitted by wire or wireless equipment, which transmits a facsimile or electronic copy of the notice and shall be deemed to be effective on the date the sender receives confirmation of such delivery.

18. Joint Drafting. This Agreement was fully negotiated and bargained "at arm's-length" and shall be deemed to have been jointly drafted by the parties.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

CHEF KU, LLC, a Washington limited liability company

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By: Henry Kuo-Chiang Ku, its Manager Date Executed